Hibiscus Petroleum

SCALING UP AIMING HIGH

ANNUAL REPORT 2017/2018

SCALING UP AIMING HIGH

Cover Rationale

Financial Year (FY) 2018 was a year of scaling up for Hibiscus Petroleum Berhad as we emerge bigger, stronger and more sustainable following the successful acquisition of the North Sabah Enhanced Oil Recovery Production Sharing Contract (North Sabah PSC) from Sabah Shell Petroleum Company Limited and Shell Sabah Selatan Sdn Bhd.

The transaction gives us immediate access to proven and probable oil and gas reserves with immense future potential upside, adding a second positive cash flow stream to complement our Anasuria Cluster revenue. Our workforce has also expanded with the successful integration of the North Sabah PSC's team of experienced industry professionals, thus increasing our scale and strengthening our capability as the first listed independent pure play oil and gas exploration and production company in Malaysia.

In addition, we have recently concluded a strategic 50% acquisition of participating interests in new discovered oilfields offshore in the United Kingdom. The stake in Production Licence No. P.198 Blocks 15/13a and 15/13b increases our aggregate contingent oil resources to 68.5 million barrels, advancing us further towards achievement of our target of producing 20,000 barrels of oil per day and 100 million barrels of proven and probable oil reserves by 2021.

This high aim and our upward growth trajectory are portrayed as momentum lines set against the images of our two assets, a North Sabah PSC production platform and the Anasuria Floating Production Storage and Offloading facility, and a scenery of optimism as the sun rises on the horizon of Mount Kinabalu.

INSIDE THE REPORT

ABOUT US

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 producing oilfields and growing our portfolio of development and production assets in areas of our geographical focus: United Kingdom, Malaysia and Australia.

As an operator of offshore oil and gas producing fields, our efforts are concentrated in enhancing operational efficiencies to safely deliver high-margin production 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, thus 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). Hibiscus Petroleum shares have been classified as Shariah-compliant securities by the Shariah Advisory Council of the Securities Commission of Malaysia.

MARKET CAPITALISATION[1]
RM1.9 billion

EBITDA[2,3]
RM334 million

SHARES ISSUED
1.588 billion

PROFIT AFTER TAX[4]
RM204 million

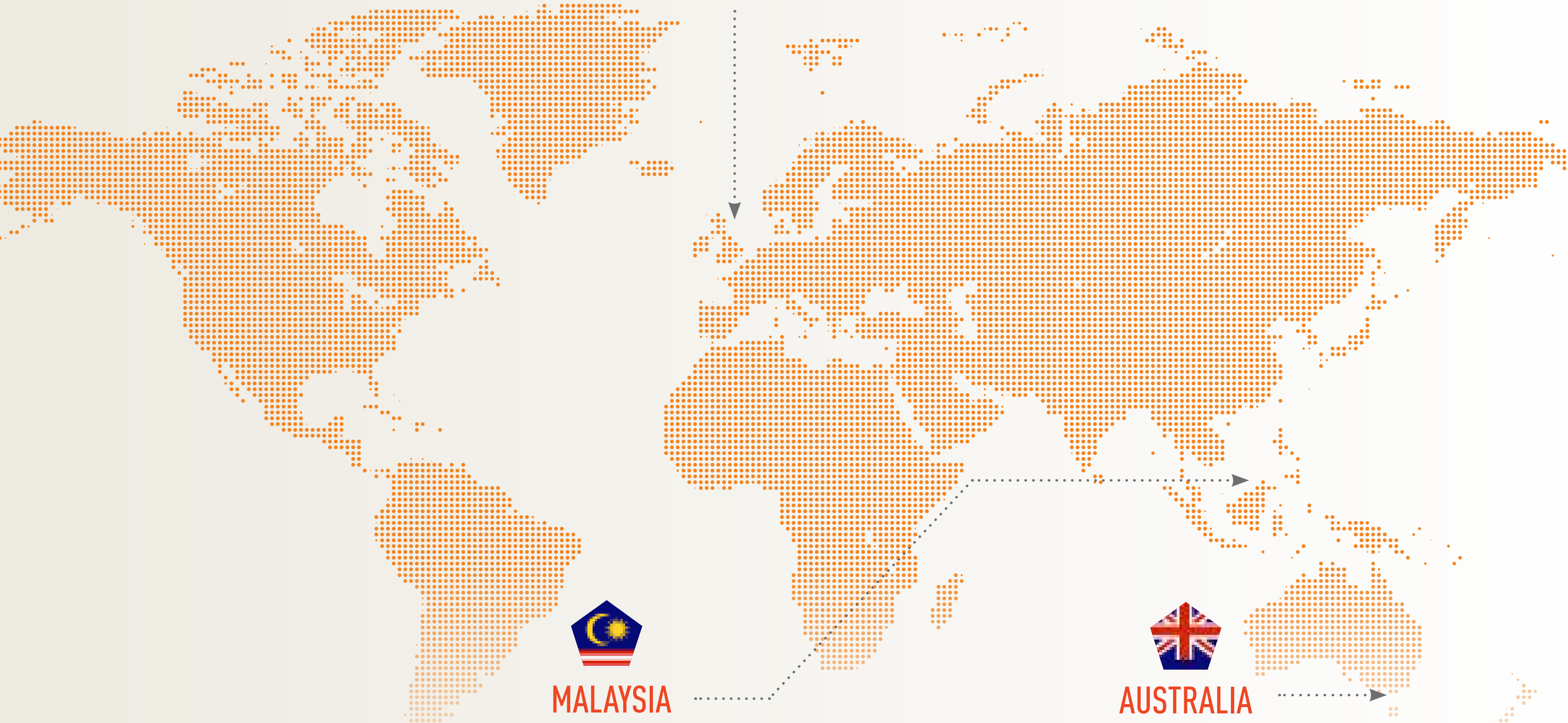
TOTAL REVENUE[4]
RM394 million

NET ASSETS[5]
RM996 million

DEBT
0

UNITED KINGDOM

The United Kingdom (UK) continental shelf is home to Hibiscus Petroleum's first producing asset - the Anasuria Cluster, a group of producing oil and gas fields and associated infrastructure. Our jointly-controlled entity, Anasuria Operating Company is joint-operator of this revenue generating asset. Recently, we have expanded our footprint by acquiring a 50% participating interest in two discovered offshore oilfields in Production Licence P.198, located in the UK Central North Sea.



MALAYSIA

In Financial Year 2018, we successfully completed the acquisition of the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract (North Sabah PSC) - our first Malaysian asset. Our wholly-owned subsidiary, SEA Hibiscus Sdn Bhd, is the operator of this producing asset.

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 holds significant potential for Hibiscus Petroleum's future development plans.

CASH[5]
RM136
million

CAPEX[6]
RM57
million

NET 2P RESERVES[7]
46
MMbbls[8]

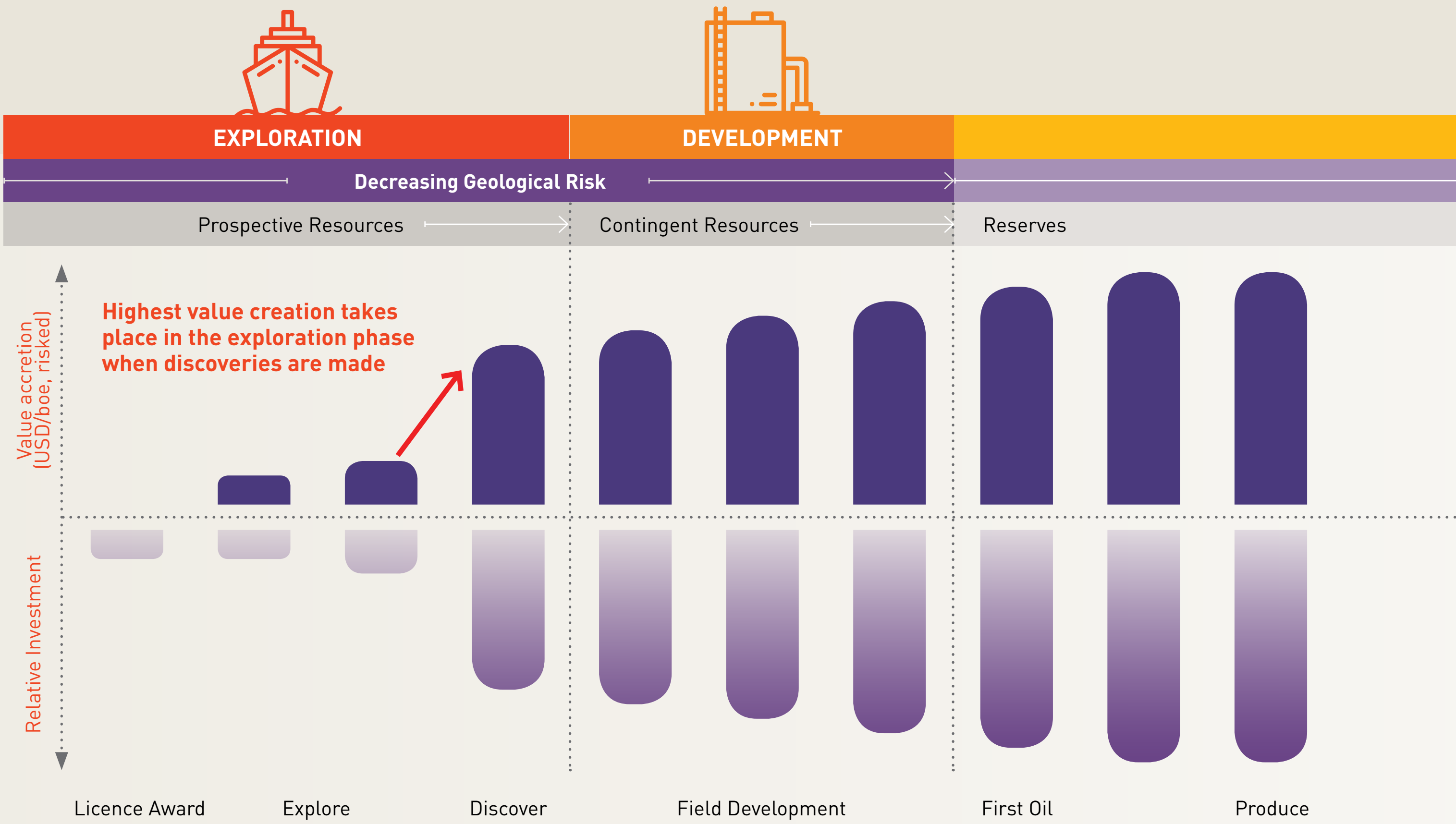
AVERAGE NET PRODUCTION RATE
8,545[4]
boe/day[9]

AVERAGE UNIT PRODUCTION COSTS[10]
USD20.13
per boe[11]

Notes:

[1] As of 12 October 2018.
[2] Earnings before interest, taxes, depreciation and amortisation.
[3] For the financial year ended 30 June 2018.
[4] On Group basis, for the financial year ended 30 June 2018.
[5] On Group basis, as at 30 June 2018.
[6] For the financial year ended 30 June 2018, for North Sabah PSC and the Anasuria Cluster.
[7] Proven and probable reserves as of 1 July 2018 for the Anasuria Cluster, as of 1 January 2018 for the 2011 North Sabah PSC.
[8] Million barrels.
[9] Barrels of oil equivalent per day.
[10] Weighted average based on net production volume and operating expenditure for Anasuria and North Sabah assets.
[11] Barrels of oil equivalent.

INVESTMENT AND VALUE CREAT



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

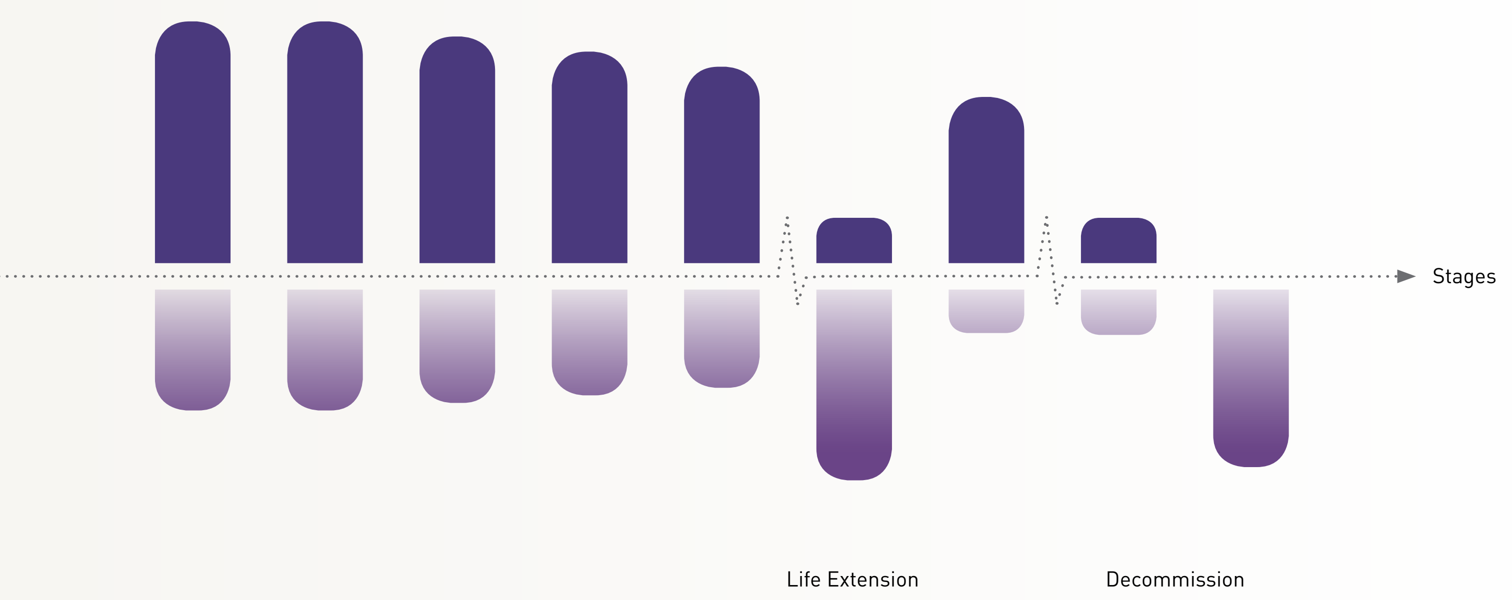
Notes:
- The table above does not account for unconventional concepts in field development.
- Inherent operational risks are not included.
- Information presented is reflective of the Company's portfolio of assets.

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

ION IN THE OILFIELD LIFE CYCLE

PRODUCTION

Increasing Sensitivity to Changes in Oil Price



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

NORTH SABAH AT A GLANCE

ST JOSEPH

Assets across development and production:

. St Joseph (50%)

. South Furious (50%)

. SF30 (50%)

. Barton (50%)

. All associated equipment and assets related to the PSC including the Labuan Crude Oil Terminal (50%)

SOUTH FURIOUS

SF30

BARTON

LABUAN CRUDE OIL TERMINAL

Production Rights until
2040

Average daily production rate*
5,600
bbl of oil per day

296
people working on the day-to-day operations
(as at 1 October 2018)

2P Reserves**
15.1
MMstb

2C Resources***
29.2
MMstb

Stable and credible partner: PETRONAS Carigali Sdn Bhd

Transaction with supermajor: Shell

Operator: SEA Hibiscus Sdn Bhd

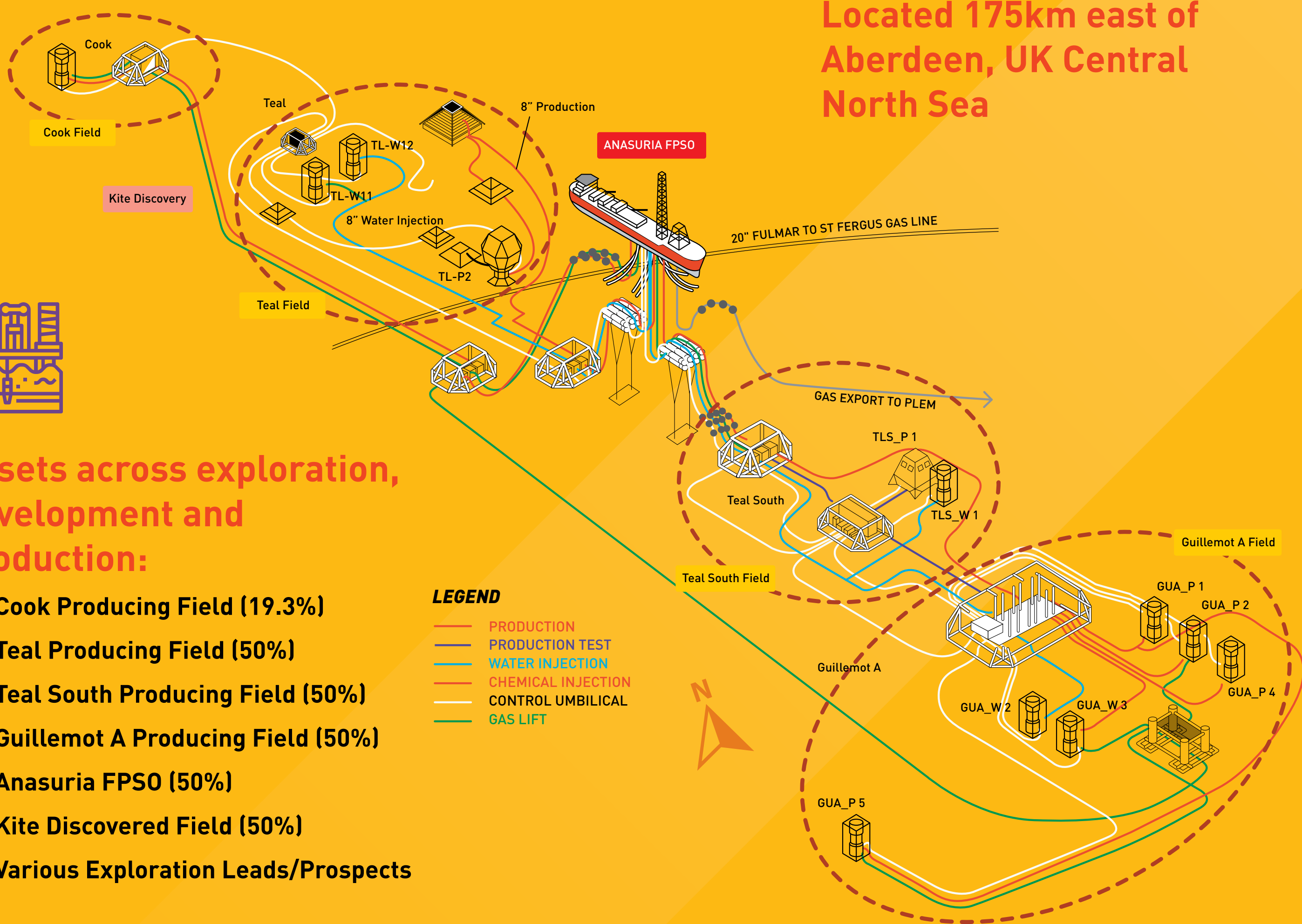
Total Purchase Consideration
USD25.0
million

Notes:

bbl	- Barrel.
MMstb	- Million stock tank barrel.
USD	- United States Dollar.
2P Reserves	- Proven and probable reserves.
2C Resources	- Contingent resources.
*	For financial year ended 30 June 2018.
**	Based on SEA Hibiscus' net entitlement, as reported in the Annual Review of Petroleum Resources (ARPR) as of 1 January 2018 for the PSC life.
***	Based on SEA Hibiscus' net entitlement, derived by independent technical valuer, RISC Operations Pty Ltd, as of 1 January 2018 for the PSC life.

ANASURIA AT A GLANCE

Located 175km east of Aberdeen, UK Central North Sea

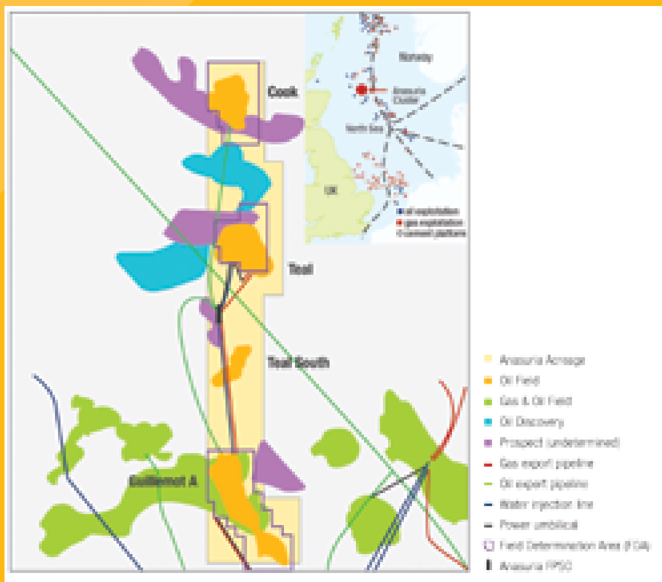


Assets across exploration, development and production:

- **Cook Producing Field (19.3%)**
- **Teal Producing Field (50%)**
- **Teal South Producing Field (50%)**
- **Guillemot A Producing Field (50%)**
- **Anasuria FPSO (50%)**
- **Kite Discovered Field (50%)**
- **Various Exploration Leads/Prospects**

On 10 March 2016, Hibiscus Petroleum Berhad (Hibiscus Petroleum) acquired a package of geographically focused producing fields and its associated infrastructure in the North Sea, United Kingdom (UK), collectively known as the Anasuria Cluster. It is our very first producing asset and fulfills the long-held strategy of balancing our portfolio with assets that span the exploration and production value chain – from exploration to development and production. The Anasuria Clustaer (Anasuria) comprises production that generates positive cash flow with in-field future development opportunities and exploration upside.

A KEY ASSET IN OUR PORTFOLIO BALANCING STRATEGY



93% Uplift

in Asset Valuation to USD401 million[2] in 2018 (from USD208 million[3] in 2016)

Remaining Production Life[1, 2]
20
years

Average daily production rate of
2,945[4]
boe/day

106
people working on the day-to-day operations
(as at 1 October 2018)

2P Gas Reserves[2]
17.5
Bscf

2P Oil Reserves[2]
24.4
MMbbls

2C Oil Resources[2]
7.8
MMbbls

Transaction with two Oil and Gas supermajors: Shell & ExxonMobil

Total Purchase Consideration
USD52.5
million

50-50
joint ownership of Anasuria Operating Company Ltd (AOC) and the Anasuria FPSO with Ping Petroleum UK Limited

Notes:

1	Subject to investment, operating expenditure, oil price and 2P reserves.
2	Source: LEAP Energy Report dated August 2018.
3	Source: RPS Energy Report dated June 2016.
4	For financial year ended 30 June 2018.
boe/day	- Barrels of oil equivalent per day.
bbl	- Barrel.
Bscf	- Billions of standard cubic feet of gas.
km	- Kilometre.
m	- Metre.
MMbbls	- Million barrels.
LEAP Energy	- LEAP Energy Partners Sdn Bhd.
USD	- United States Dollar.
2P Oil Reserves	- Proven and probable oil reserves.
2P Gas Reserves	- Proven and probable gas reserves.
2C Oil Resources	- Contingent oil resources.

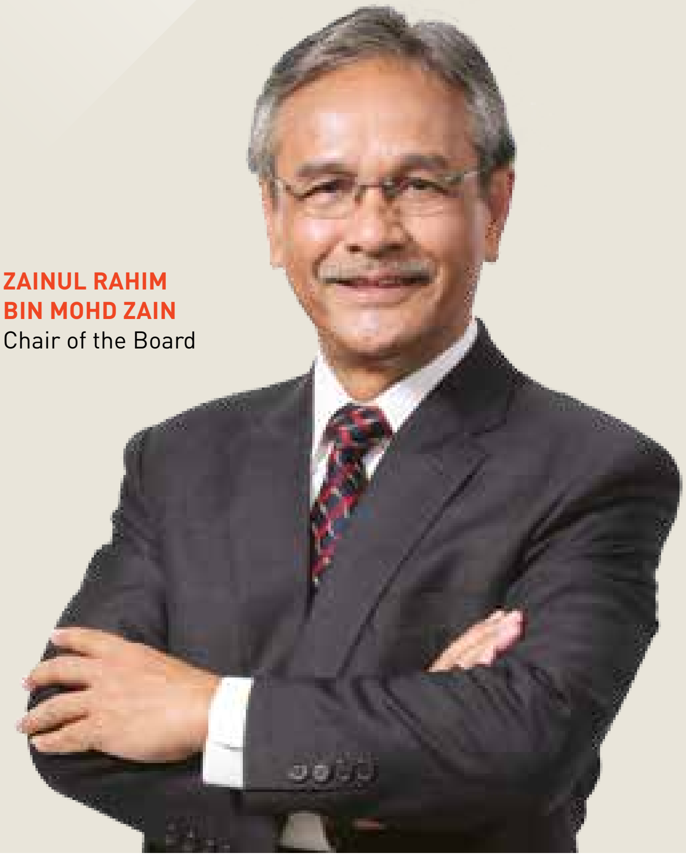
Upscaling our Operations

The acquisition of the North Sabah PSC has added significant scale to our operations. It has enlarged our portfolio of development and production assets and more importantly, it has provided a second positive cash flow stream after the Anasuria Cluster. This additional asset has also increased our capabilities and widened our geographical footprint to now cover the United Kingdom, Australia and Malaysia.

CHAIRMAN'S STATEMENT

Dear Shareholders,

It has been a busy twelve months since our last Annual General Meeting. At that point we were, as an organisation, a workforce of about 60 people jointly operating a single producing asset, the Anasuria Cluster, located in the United Kingdom Continental Shelf (UKCS). Then, our focus was on the safe enhancement of operational performance at our sole producing asset, a cluster of oil and gas fields that deliver circa 3,500 barrels of oil equivalent per day (boe/d), net to Hibiscus Petroleum Berhad (Hibiscus Petroleum or our Company).



ZAINUL RAHIM BIN MOHD ZAIN
Chair of the Board

Today, I am pleased to report that the profile of our Company has materially improved through the addition of another producing asset into our portfolio.

On 31 March 2018, we completed the acquisition of a 50% interest in the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract (North Sabah PSC). The acquisition, which came with operatorship of the asset, was secured from companies within the Shell Group (Sabah Shell Petroleum Company Limited and Shell Sabah Selatan Sdn Bhd). This acquisition allows us to build a sustainable business with a solid competency platform, that will hold us in good stead in the future. Effective 1 April 2018, our Company has been delivering, in aggregate, an average net production of circa 9,600 boe/d from both the Anasuria Cluster and the North Sabah asset. The size of the Hibiscus Petroleum family has also increased, and today approximately 320 people work for us in various onshore and offshore locations in the United Kingdom and Malaysia.

Whilst we have been growing our portfolio of assets and increasing our daily production rates, oil prices have risen and seem to have stabilised between USD70 and USD80 per barrel (bbl). The volatility that was previously seen has significantly diminished. The majority of industry commentators agree that oversupply and accumulating inventories that was previously so noticeable and acted as a driver of low and fluctuating oil prices, have been replaced with a managed business environment.

The Organisation of Petroleum Exporting Countries (OPEC) and its allies, primarily Russia, remained faithful to agreements made in late 2016 to materially reduce bloating inventory levels through a series of production cuts. Whilst production in the United States of America (USA) continues to increase, factors such as the extended period of reduction of crude oil supply from Libya and Venezuela, global economic growth, and the potential imposition of sanctions on Iran, have collectively interacted to deliver the current stable oil price scenario.

I am pleased to report that an improved oil price environment, coupled with a second cash flow stream originating from the North Sabah PSC have resulted in a favourable business performance for our Company. Our Profit After Taxation (PAT) for the financial year under review has increased by 92% to approximately RM204 million. More importantly, Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) has increased by 114% to RM334 million whilst (useable) cash balances as of 30 June 2018 stood at RM136 million, more than double the amount reported on 30 June 2017.

Given the current sector landscape, we are positioning our Company for further growth, both organically and through acquisitions. In this regard, we are preparing our Balance Sheet to enable execution of larger initiatives. Thus, in March this year, our Company issued 317,645,723 free warrants (on the basis of one new warrant for every five existing ordinary shares in Hibiscus Petroleum) to shareholders on the Record of Depositors of the Company, on the designated date. We are pleased that such an initiative was well received by the capital markets and we hope that our business performance will encourage our warrant holders to exercise their warrants to eventually enhance their equity ownership levels in the Company.

"In March this year, our Company issued 317,645,723 free warrants... We are pleased that such an initiative was well received..."

INDUSTRY OUTLOOK

As mentioned in a preceding paragraph, crude oil prices have improved and are currently stabilising. We see financial institutions re-entering the oil and gas space with various debt instruments and appear ready to fund projects and acquisition related activity that beat their minimum lending criteria. Private equity is also demonstrating interest in the sector. Against this backdrop, we have observed numerous mergers and acquisition opportunities being offered within the oil and gas exploration and production (E&P) sector.

We have analysed these opportunities and the signals suggest:

- There are established E&P players that wish to reduce their carbon footprint and shift towards a 'greener' organisational positioning.
- Relatively large, well-known industry participants have adopted a view that they cannot profitably operate certain mature assets in the current oil price environment: Declining production rates are causing a reduction in operating margins and an accelerated 'economic cut-off', causing early exposure to the risk of the crystallisation of abandonment and decommissioning liabilities.
- Portfolio rationalisation:
  - o American companies with largely a USA-based portfolio and with a limited foreign-based asset exposure are disposing their 'orphan' and non-material assets; and
  - o Established E&P players are utilising this period of relatively stable oil prices to generally rationalise their asset portfolio.
- Specific country exits: In certain cases, security concerns or the threat of the imposition of sanctions by American or European Union authorities appear to be the factors driving divestment decisions for certain E&P players.

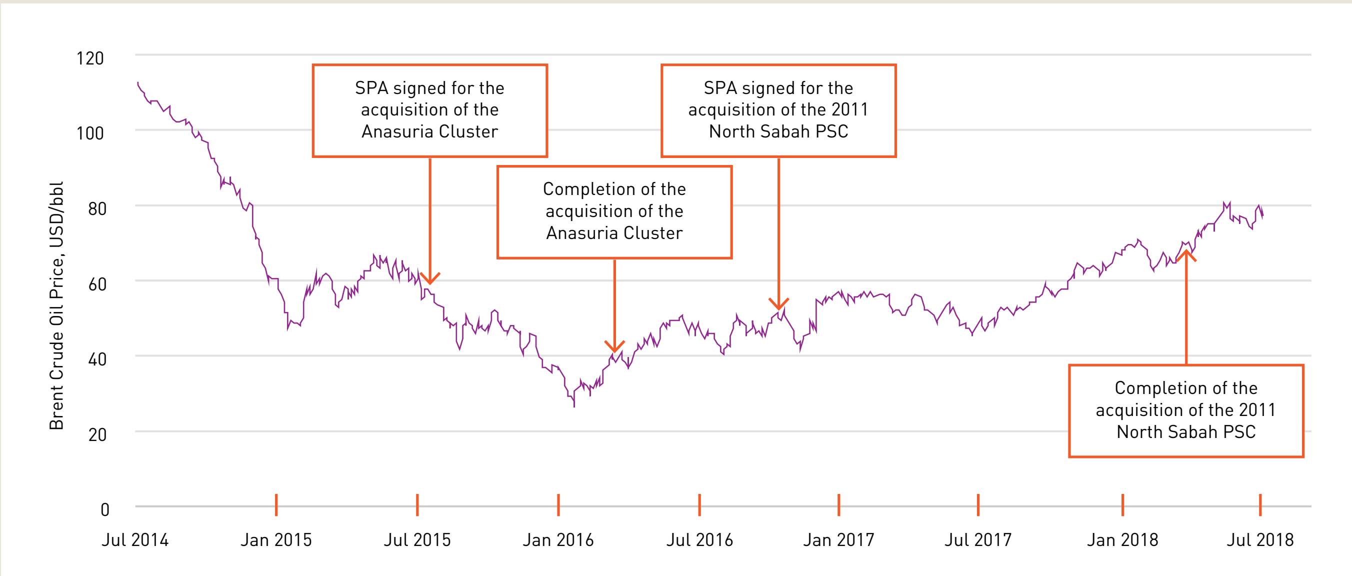
Whilst there may be a relatively large number of opportunities on offer, we will be selective when pursuing acquisition targets.

CHAIRMAN'S STATEMENT

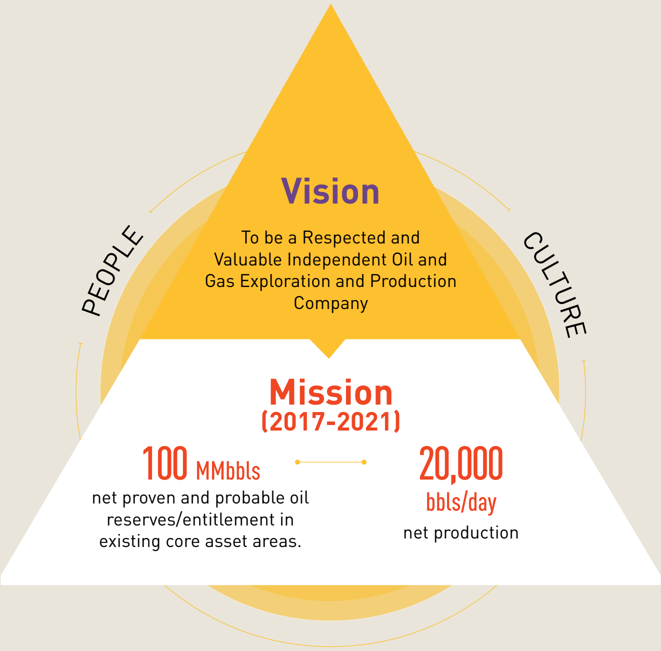
OUR NEAR-TERM BUSINESS DIRECTION

We have been fortunate to secure two producing assets during periods of industry uncertainty and relatively low oil prices that hold substantial inherent potential for further development. The subsequent increase in crude oil prices has strengthened the financial position of the Company, making these acquisitions a platform upon which we can grow and build greater sustainability in our business.

Within the assets that we have in hand, our day-to-day activity has been to evaluate and safely develop numerous opportunities to enhance production, albeit in relatively small steps. Each individual small step may only equate to a small gain but when all these small wins are aggregated, we are able to deliver greater returns to our stakeholders. We also try to ensure that appropriate opportunities that are consistent with our near-term business strategy do not escape our attention as we continue to be on the lookout for the right acquisition opportunities that will enable us to build our proven and probable (2P) reserves and contingent resources bases.



Notes:
bbl - Barrel.
USD - United States Dollar.
SPA - Sales and Purchase Agreement.



"Our team, operating the St Joseph platform offshore Sabah, was a Gold Class 1 award winner for health and safety performance for the 2017 calendar year. This prestigious recognition was accorded to us by the Malaysian Society for Occupational Safety & Health."

OUR SAFETY PERFORMANCE

Over the past year, the scale and complexity of the operations that we undertake have increased. The number of people who directly work for us, the communities that are impacted by what we do, and the regulators who provide oversight on our daily activities, rely on us to address Health, Security, Safety and Environment (HSSE) considerations responsibly and with the utmost care.

On this note, I am delighted to report that in the United Kingdom, the Royal Society for the Prevention of Accidents (ROSPA), recognised the team at the Anasuria Floating Production Storage and Offloading facility (Duty Holder: Petrofac Facilities Management Limited) with the following awards:

- Continuation of Gold Award for the 19th consecutive year; and
- The Order of Distinction for 19 consecutive Gold awards for health and safety performance for the calendar year 1 January 2017 to 31 December 2017.

In the case of Malaysia, I am also pleased to be able to inform our shareholders that our team operating the St Joseph platform offshore Sabah, was a Gold Class 1 award winner for health and safety performance for the 2017 calendar year. This prestigious recognition was accorded to us by the Malaysian Society for Occupational Safety & Health.

Specific HSSE statistics relating to all our operations are reported elsewhere in this Annual Report. Suffice to say that whilst we cherish the awards that have been won, we are cognisant that such recognition celebrates historical health and safety achievements. The tool that ensures our work place remains safe and our work processes remain environmentally friendly is a consistent, proactive work culture, led by the most senior level of management that prioritises HSSE considerations. Your Board sees it as its duty to provide the necessary leadership that promotes and inculcates this proactive work culture.

CHAIRMAN'S STATEMENT

"This year, our Company has implemented the Hibiscus Hope Scholarship programme. This academic (full) scholarship is being awarded to a deserving top British student, who is interested to pursue a petroleum engineering master's level degree programme at a Malaysian campus of a British university, commencing the 2018 academic year."

CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

The geographic footprint of our activities is increasing. We also recognise that people, in our Company and communities associated with our internal staff and wider operations, play a critical role in the determination of the fate of our business. Given the improving performance of our overall business, we have established a dedicated management committee to evaluate a modest participation in several community related initiatives. We are mainly considering opportunities that have a positive impact on the communities who live in the areas in which we make investments. Some of the initiatives we are in the process of rolling-out are detailed elsewhere in this Annual Report but I would like to take this opportunity to highlight one specific programme.

This year, our Company has implemented the Hibiscus Hope Scholarship programme. This academic (full) scholarship is being awarded to a deserving top British student, who is interested to pursue a petroleum engineering master's level degree programme at a Malaysian campus of a British university, commencing in the 2018 academic year. This scholarship recognises that our UKCS operations has contributed a great deal to the business success of our Company and is our modest contribution back to the British community. We believe that this programme will introduce young British graduates to Malaysian values and work ethics and, in the long-term, help us build a robust operating work culture based on diversity, high levels of competence and motivation, mutual respect and teamwork.

Next year, we hope to mirror the Hibiscus Hope Scholarship with the Harapan Hibiscus Scholarship . The Harapan Hibiscus Scholarship will be awarded to a deserving Malaysian graduate, preferably from the state of Sabah, who has secured a place for a relevant master's level qualification at a reputable university in Malaysia or elsewhere, commencing in the 2019 academic year.

It is our hope that over the years, recipients of these scholarships will eventually become integral members of our operations and leadership teams, domestically and internationally.

OUR THANKS

Once again, I am pleased to report that the past twelve months have been eventful. The obligations of the Board are now wider than ever before, whilst the duties and responsibilities of each Board Committee are becoming more extensive. On the back of a change in government in Malaysia, regulators are also raising their expectations in the area of corporate governance and transparency.

Against this backdrop, I would like to thank my fellow Board members who have discharged their duties with utmost dedication and professionalism. Their work has been meticulous and of the highest quality.

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 of Malaysia, Bursa Malaysia Securities Berhad and Bank Negara Malaysia. They have all assisted us in providing timely approvals or guidance in regulatory related matters.

Our industry-specific regulators also deserve special mention, namely Petroliam Nasional Berhad (PETRONAS) of Malaysia, the United Kingdom's Oil and Gas Authority (OGA) and Health and Safety Executive (HSE), and, the National Offshore Petroleum Safety and Environmental Agency (NOPSEMA) of the Commonwealth of Australia. In addition, in the performance of our operations, we interact with the various agencies of host governments in the countries in which we operate. To each and everyone one of you, your support has been, and continues to be, very much appreciated. 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 and grow our business. I am encouraged by their willingness to positively 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 not too distant future.

In addition, various analysts have covered our equities in recent months and, in doing so, have spent valuable time understanding in detail our activities. We believe that their analyses have helped our shareholders better appreciate the key elements that impact our business, more specifically, the nature of the various risk factors that could affect us, and the complex fiscal systems that are applied to our industry sector in the various jurisdictions.

Finally, I would like to extend my thanks to the Management Team and employees of Hibiscus Petroleum Group. Once again, your hard work and dedication towards delivering our vision and mission have been of the highest standard. The achievement of a safe and seamless transition of the North Sabah operations and an improved overall business performance in the past year are tangible pieces of evidence that reflect your professionalism and hard work. I also feel that the initiatives you have implemented towards further improving the level of HSSE performance, corporate governance and transparency will, in the long-term, be recognised and rewarded.

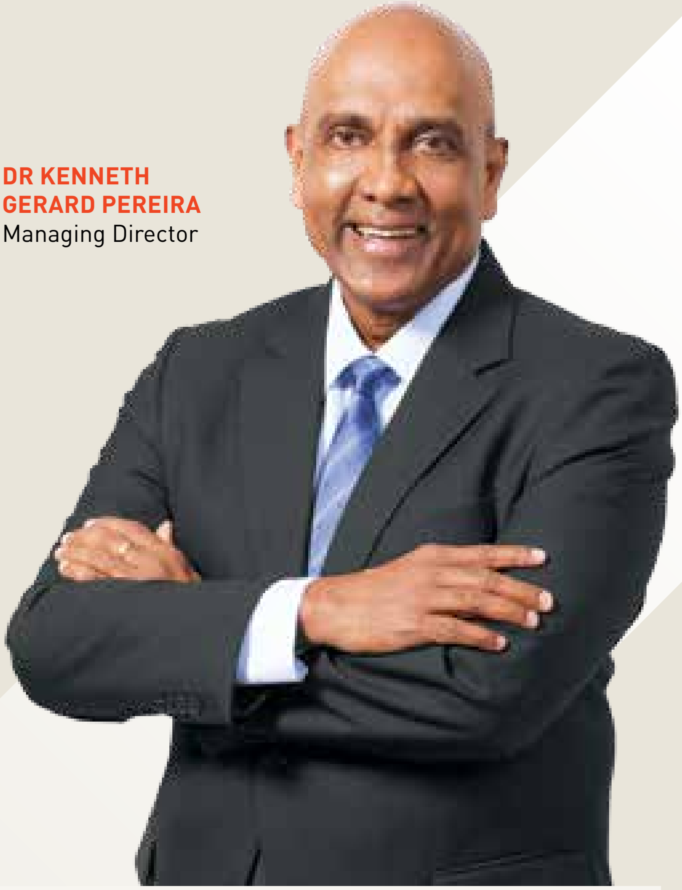
In the past twelve months, we have built and achieved a strong business foundation. Going forward, we see opportunities to pursue that could enable us to create a sustainable and resilient organisation. With your continuing support, we will strive to deliver that organisation.

Thank you.

ZAINUL RAHIM BIN MOHD ZAIN
Chair of the Board

5 October 2018

MANAGEMENT DISCUSSION & ANALYSIS



DR KENNETH GERARD PEREIRA
Managing Director

1. OVERVIEW OF OUR BUSINESS AND OPERATIONS

A. OUR BUSINESS

For Hibiscus Petroleum Berhad and our subsidiaries (Hibiscus Petroleum, our Company or our Group), our primary business entails the safe and efficient production and sale of crude oil. Crude oil is a commodity and the price at which we can sell the volumes that we produce is characterised by the dynamics of global supply and demand. Our business margins are primarily a function of production, oil price, operating costs and the various fiscal regimes applicable within the geographies in which we operate.

Figure 1 below shows the historical relationship between global supply, demand and oil price movements.

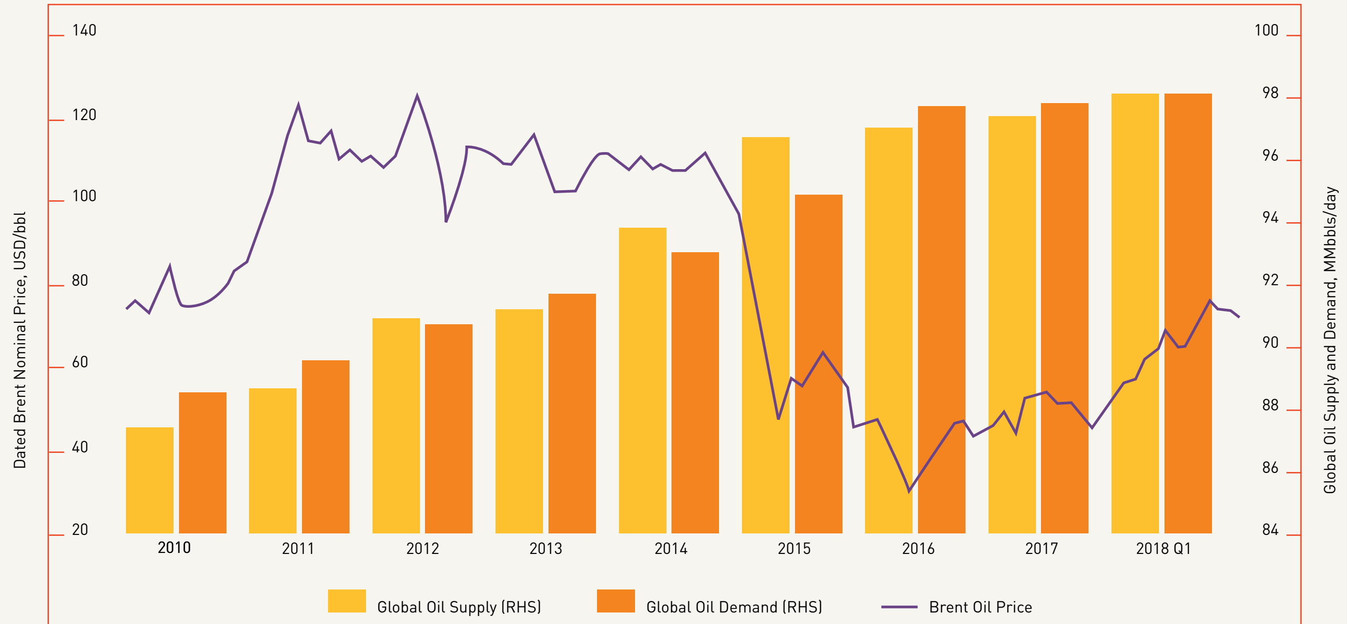


Figure 1: Global oil supply and demand balance[1] and oil price movement[2] for the period 2010 – 2018.

Notes:

[1] Source: International Energy Agency (IEA).

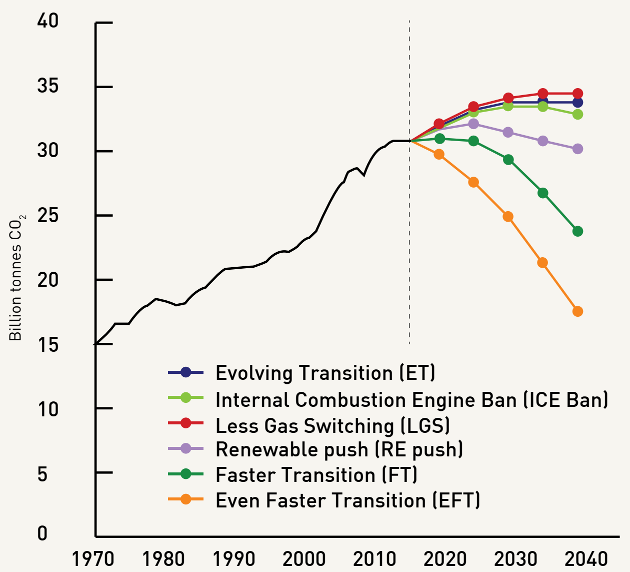
[2] Source: U.S. Energy Information Administration (EIA).

B. MACRO TRENDS

Oil and gas will remain significant components of the energy mix

Several scenarios have been developed by credible analysts and industry participants that project the outlook for the energy industry over the next twenty years. In the collective quest to reduce our carbon footprint, several paths are being pursued, each with its own drivers and effects, resulting in a range of scenarios that could materialise. In its 2018 Energy Outlook publication, BP have considered the various paths available and developed six potential scenarios (reproduced as Figure 2) which look forward to 2040.

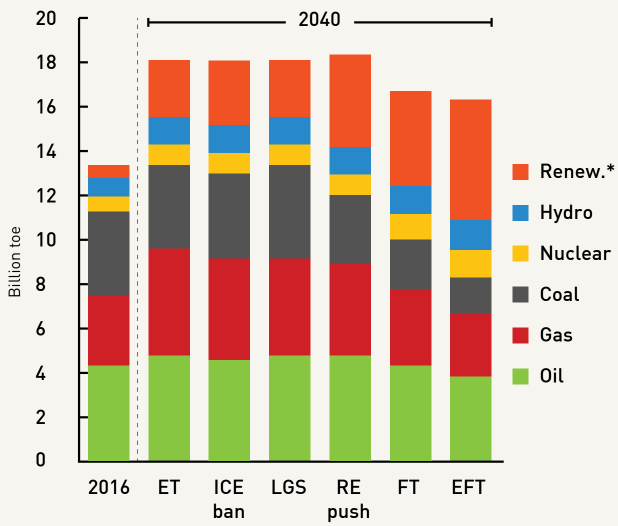
In the majority of their long-term forecasts of primary energy consumption (Figure 3), oil and gas are dominant components of the evolving energy mix. The Evolving Transition (ET) scenario, which assumes that government policies, technology and social preferences continue to evolve in a manner and speed as seen over the recent past, assumes that global population grows to approximately 9.2 billion people in 2040 . As a consequence, global Gross Domestic Product (GDP) will increase, driving growth in energy demand by about 30%[1].



Scenarios:

ET	:Government policies, technology and social preferences continue to evolve in a manner and speed seen over the recent past.
ICE Ban	:Assumes governments impose a worldwide ban on the sale of cars with internal combustion engines and plug-in hybrids by 2040.
LGS	:Weak policy support to switch from coal to gas.
RE push	:Greater policy push to renewable energy.
FT and EFT	:The ET scenario does not achieve the goals of the Paris Climate Agreement (PCA). The FT scenario and the EFT scenarios simulate 'decisive breaks' from the ET to move towards PCA targets.

Figure 2: Projected carbon emissions for various scenarios.[1]

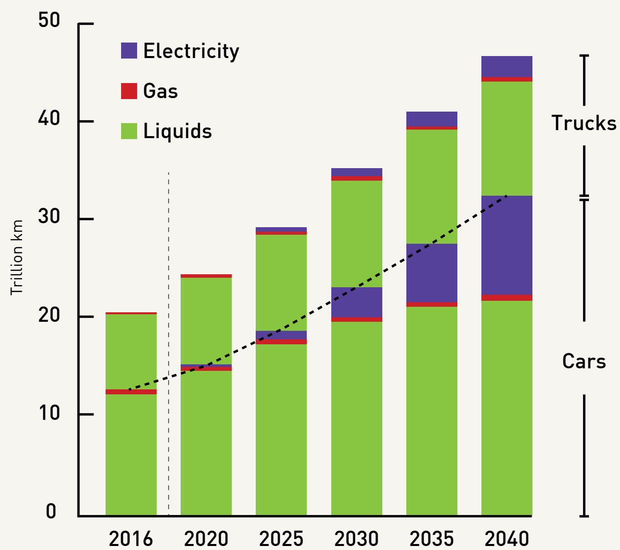


*Renewables include wind, solar, geothermal, biomass and biofuels

Figure 3: Projections of primary energy consumption in 2040 by fuel type for various future scenarios.[1]

Electric vehicles will have an impact but liquid fuel use in cars is projected to be flat

Much has been written about the effect of the proliferation of the use of electric vehicles (EV) and its impact on oil price. The importance of electric vehicles is best measured by the share of vehicle-kilometres (Vkm) powered by electricity (as this considers: (i) different types of electric vehicles, and (ii) the different intensities of usage of all vehicles). Figure 4 shows the BP (ET scenario) projection of the share of Vkm by fuel type, looking forward to 2040.



Cars exclude 2- and 3- wheelers

Figure 4: Vehicle kilometres by fuel type.[1]

Note:
[1] Source: BP Energy Outlook 2018 Edition

MANAGEMENT DISCUSSION & ANALYSIS

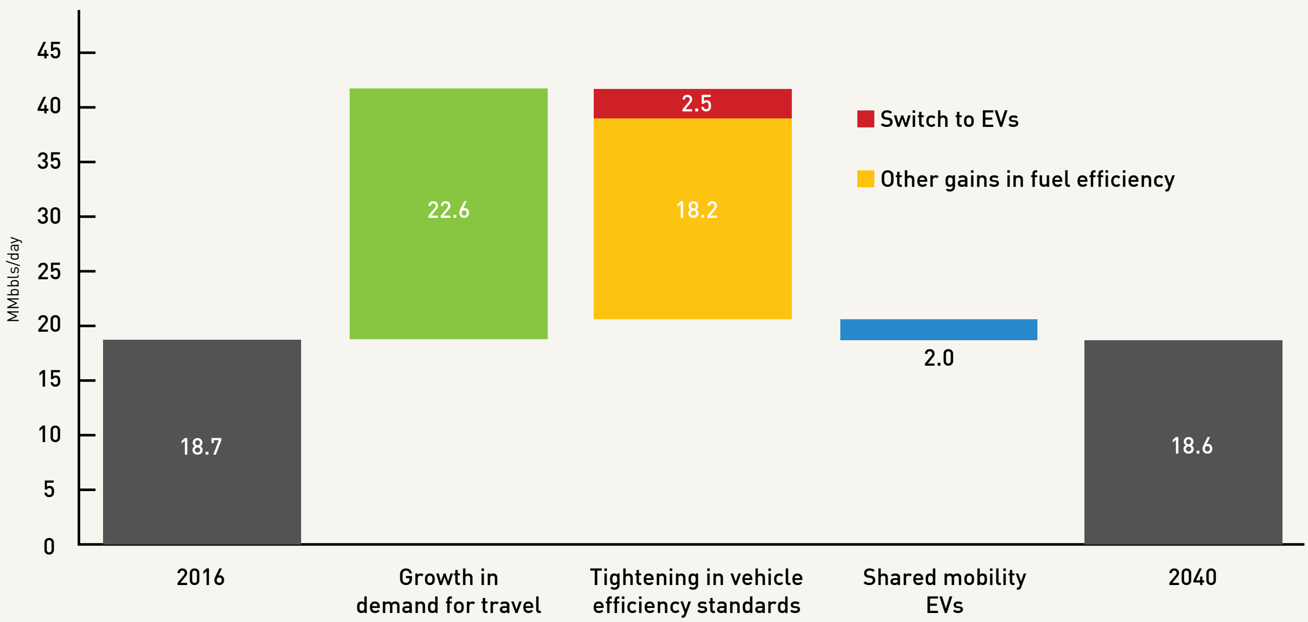
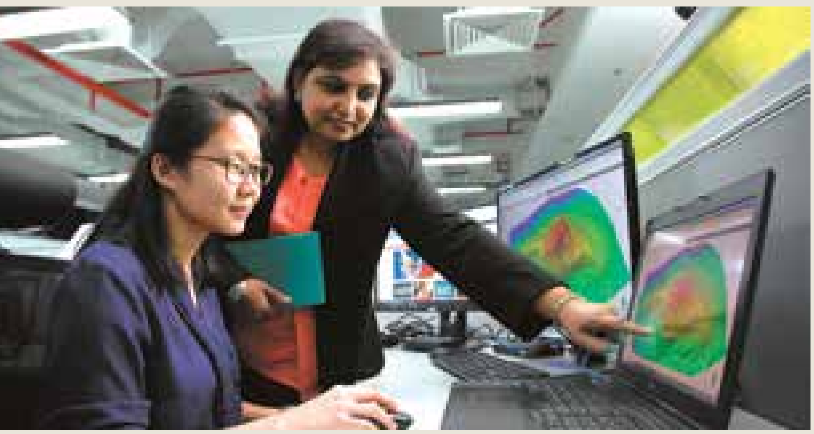


Figure 5: Changes in liquids demand from cars: 2016 – 2040.[1]



The projections show that whilst the number of Vkm travelled, specifically by passenger cars will more than double, the impact of increased car travel on liquid fuel demand is largely offset by a tightening in vehicle emission standards (Figure 5).

In any model there are uncertainties. In the ICE Ban scenario, BP simulated an extreme, total ban on the sale of cars with internal combustion engines and plug-in hybrids by 2040. Even in such a scenario, the level of overall oil demand in 2040 is higher than that in 2016.

Note:
[1] Source: BP Energy Outlook 2018 Edition

Majors are gradually rationalising their oil portfolios

The traditional attributes of a viable fuel source were that it had to be affordable and there had to exist a security of supply. Today, an "energy trilemma" has evolved. Even though there appears to be abundant crude oil available for extraction in the foreseeable future, matched with equally strong demand, certain supermajors and independent oil companies are transitioning to cleaner and greener fuels. We understand that they are being driven to meet society's need for lower carbon energy and by their own corporate consciousness to care for the environment.

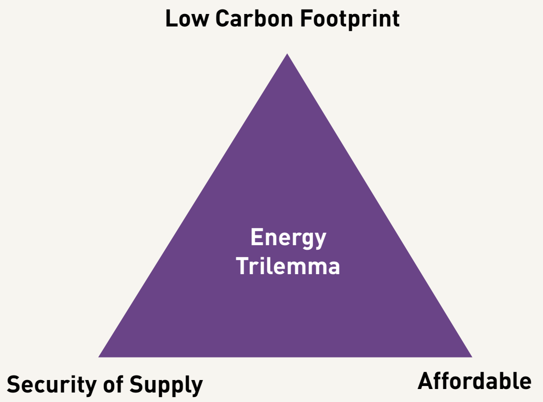


Figure 6: The "Energy Trilemma"

The 2014 – 2016 downturn in oil prices caused many large players to rationalise their portfolios. Some have realised that their cost structures or internal investment criteria are incompatible with the needs of mature asset operations. Mature assets, with their associated aging infrastructure, are in constant need of maintenance and investment to enhance production.

A lack of investment reduces the economic viability of an asset and can lead to the early crystallisation of abandonment and decommissioning liablities.

Large players prefer to invest in material projects which generate returns that commensurate with the risk capital being invested. They also prefer to apply their scarce, skilled human resources to projects that maximises shareholder value. Abandonment and decommissioning activities do not fall into this category of investment. Hence, mature, late-life assets are not the focus for large players.

Focus on certain geographies has also led to a degree of portfolio rationalisation. Some companies have elected to divest 'orphan' assets and, instead, direct capital to their geographies of interest. We have observed several indigenous American companies pursuing this path, repatriating capital from foreign asset sales back to their home country to focus on shale-related opportunities, onshore the United States.

Thus, whilst we have a situation of projected demand for oil, the long-term industry supply chain is being gradually vacated by some of its largest producers. Having noted the above-mentioned trends, we conclude that what may be viewed as a 'sunset sector' on the one hand could be a unique opportunity for our Company.

Admittedly, some of the largest oil producers are demonstrating a preference to migrate to gas exploration or are exiting production of oil from mature, late-life fields but concurrently, we observe that these same players remain anchored in the oil trading and distribution elements of the global supply chain. This reinforces our analysis that oil continues to be a very important component of the energy mix going forward, despite changes in the profile of producers. Oil traders will require a source of supply and in this area, there is a gap to be filled.

"Thus, whilst we have a situation of projected demand for oil, the long-term industry supply chain is being gradually vacated by some of its largest producers."

MANAGEMENT DISCUSSION & ANALYSIS

Significant producer groups are emerging but supply opportunities continue to exist

Our premise, going forward, is that:

- National Oil Companies (NOCs) will dominate crude oil production in the Middle-East, Asia and South and Central America;
- Unconventional producers will continue to monetise the opportunity brought about through the confluence of technology and geology onshore the United States of America (USA);
- Large Independent Oil Companies (IOCs) will focus their operations in West Africa; and
- Quasi-IOCs and state-owned entities in the Commonwealth of Independent States (CIS or Russian Commonwealth) will also play an important role in the supply-side of crude oil production.

In 2017, three producer groups delivered approximately 63%[1] of global production (Middle-East: 32MMbopd, USA: 13MMbopd and the CIS: 14MMbopd). Whilst these three producer groups delivered a substantial percentage of global supply, they alone are not able to meet current and (increasing) future demand. A rejuvenated North Sea regulatory regime in the British sector is fuelling new investment into this proven, mature basin by operators and their co-venturers. Similar activities are ongoing in the Norwegian Continental Shelf and the Barents Sea.

"Competitive acquisition of contingent resources is going to be important as it provides us with a platform to build a sustainable business and the impetus to achieve our 2021 mission."

C. OUR POSITIONING

We are amongst the exploration and production (E&P) companies operating and investing in the mature basins of the United Kingdom Continental Shelf (UKCS), Malaysia and the Bass Strait of Australia. We are currently 'sweating' our producing assets in the North Sea and Malaysia. Crude oil price is now relatively strong, so our immediate focus is to generate cash for future investment. The critical success factor for Hibiscus Petroleum is to maintain the ability to operate with a low-cost base and to grow production without disproportionately increasing the risks we assume. We also recognise that as oil prices increase, the cost of a growth strategy founded on securing high potential producing assets will be prohibitive. To accrete shareholder value, our options are thus limited to:

- growing our production incrementally by executing low risk projects from within our current asset base; and/or
- acquiring assets that are not in production but have the exploration element removed as a risk factor. These assets must be acquired at a competitive price as they may require significant capital infusion before they can deliver returns. Competitive acquisition of contingent resources is going to be important as it provides us with a platform to build a sustainable business and the impetus to achieve our 2021 mission.

We are pursuing both options that are itemised above and we believe that we have an advantage – we completed two material transactions between 2015 and 2018 with two supermajors. We acted while many hesitated in a volatile oil price environment. The ability to close transactions with large companies during the tough times has resulted in our Company receiving multiple invitations to bid for assets around the world.

The likelihood of our Company achieving our 2021 mission will depend on our ability to make smart acquisitions, leveraging on a healthy balance sheet and executing projects diligently and cost effectively.

Notes:

[1] Source: BP Statistical Review of World Energy 2018.

MMbopd - million barrels of oil per day.

D. OUR ASSETS

An overview of the assets held by our Company is provided in Figure 7.

Jurisdiction	United Kingdom		Malaysia	Australia	
Fiscal System	Concession		Production Sharing Contract	Concession	
Licence Name	Anasuria Cluster		2011 North Sabah Enhanced Oil Recovery Production Sharing Contract (North Sabah PSC)	VIC/L31	VIC/P57
	P013	P185			
Fields	Producing: Teal, Teal South, Guillemot A Discovered: Kite	Producing: Cook	Producing: St Joseph, South Furious, SF30, Barton	Discovered: West Seahorse	Prospects: Salsa, Kangafish, Dexter, Pointer, Lucifer, Flinders, Felix
Location	North Sea		Offshore Sabah	Bass Strait	
Licence Tenure	Life of Field	Life of Field	2011 – 2040	Life of Field	2023
Participating Interest	50.0%	19.3%	50.0%	100%	78.3%
Operatorship	Jointly-operated	Non-operated	Operated	Operated	Operated
Asset Type	Producing	Producing	Producing	Development	Exploration
Facilities/ Infrastructure	12 Subsea Trees, 1 Floating Production Storage and Offloading (FPSO) Facility		20 Platforms/Structures[1], 135 Wells[1], 1 Crude Oil Terminal	N/A	N/A
Net 2P Reserves (MMbbls)	20.0[2]	4.4[2]	15.1[3]	6.5	–
Net 2C Resources (MMbbls)	7.8[2]	–	29.2[4]	1.5	–

Figure 7: An overview of our portfolio of assets as of 1 July 2018.

On 17 October 2018, Hibiscus Petroleum announced the completion of our acquisition of a 50% participating interest in Block 15/13a and Block 15/13b within Licence P.198, which is located offshore, in the UK sector of the North Sea. The blocks consist of two discovered oil fields with a total of 30 MMbbls of net 2C Resources.

Notes:

[1] As of January 2018.

[2] Source : Net to Anasuria Hibiscus UK Limited (AHUK), as reported by LEAP Energy Partners Sdn Bhd (LEAP Energy) report, as of 1 July 2018.

[3] Source : Based on net entitlement of SEA Hibiscus Sdn Bhd (SEA Hibiscus), as reported in the Annual Review of Petroleum Resources (ARPR) as of 1 January 2018 for the PSC life.

[4] Source : Based on net entitlement of SEA Hibiscus, derived by independent technical valuer, RISC Operations Pty Ltd, as of 1 January 2018 for the PSC life.

2P Reserves: Proven and probable oil reserves.

2C Resources: Contingent oil resources.

MANAGEMENT DISCUSSION & ANALYSIS

E. OUR CUSTOMERS

We produce crude oil and sell it in cargoes. From the Anasuria FPSO facility, we sell our crude oil in cargoes of approximately 250,000 barrels. We have appointed BP Oil International Limited (BPOI) to lift our cargoes and to market them to refineries in the region. The parent organisation of BPOI is BP p.l.c., a global energy company. To date, BPOI has successfully marketed all our cargoes at competitive prices. Figure 8 provides details of all cargoes marketed through this arrangement.

Statutory Financial Year End	30 Jun 2016		30 Jun 2017				30 Jun 2018		
Cargo Number	AOC1	AOC2	AOC3	AOC4	AOC5	AOC6	AOC7	AOC8	AOC9
Offtake Date	Mar 16	May 16	Sep16	Nov 16	Feb 17	May 17	Aug 17	Dec 17	Feb 18
Volume (barrels)	185,178	274,963	271,576	298,909	273,419	284,963	246,132	274,644	271,047

Figure 8: Details of cargo offtakes at Anasuria that were conducted through BPOI since taking over the asset.

In North Sabah, oil is lifted from the Labuan Crude Oil Terminal (which we operate). Cargoes from Labuan are sold in parcels of approximately 300,000 barrels directly to the Trafigura Group (Trafigura), a large global commodities trader. Details of our crude oil sales to Trafigura are shown in Figure 9.

Cargo Number	HPB001	HPB002
Offtake Date	Apr 18	Jun 18
Volume (barrels)	311,688	311,856

Figure 9: Details of cargo offtakes at North Sabah that were conducted through Trafigura since taking over the asset.

We are pleased with both our oil trading arrangements in Anasuria and in North Sabah. Our counter-parties are reputable and have a large pool of clients. Working with major global players also ensure transparency and allow us to gradually develop business relationships with some of the largest oil traders.

F. FINANCIAL PERFORMANCE

Statutory Financial Year/Period End	30 Jun 2018	30 Jun 2017	30 Jun 2016	30 Jun 2015	31 Dec 2013
Number of months	12 months	12 months	12 months	18 months	9 months
Activity	Production (Mature Fields) Centric			Exploration Centric	
Revenue (RM 'million)	394.3	261.3	81.7	15.6	13.3
EBITDA/(LBITDA) (RM 'million)	334.1	156.5	(17.2)	(67.0)	13.9
PAT/(LAT) (RM 'million)	203.7	106.1	(60.0)	(74.2)	12.1
Net Assets per Share (RM)	0.63	0.51	0.45	0.55	0.73
Debt (RM 'million)	-	-	-	-	-

Figure 10: Hibiscus Petroleum's financial performance over the last five financial years/periods.

Figure 10 demonstrates our Company's financial performance over the last five years. Our financial position has never been stronger. Our strategy of acquiring producing assets during the recent downturn of the industry, our ability to optimise operating costs and a gradual upturn in crude oil prices have combined to yield positive results.

Since the acquisition of Anasuria, our balance sheet has been strengthening and we have recorded ten consecutive quarters of profitability. More recently, the introduction of the North Sabah assets as part of our Group's overall business portfolio has reinforced our financial stability.

As of 30 June 2018, we have built our total assets to approximately RM2 billion and shareholders' funds stand at about RM1 billion, representing an increase of 50% and 34%, respectively, from 30 June 2017.

All indicators are demonstrating improved financial stability and strength. We currently have no debt and have been utilising equity and internally generated funds to finance acquisitions and value enhancing projects.

Prudent cashflow management, loyal shareholders and careful sequencing of investment into projects have been key in ensuring that we maintain financial independence. Whilst profits are extremely important, management's focus remains on delivering strong and sustainable EBITDA levels as long-term business continuity is of the highest priority.

Access to capital is an important enabler for growth. Whilst our immediate capital requirements are expected to be internally generated, we expect that in the coming years, new opportunities will require a combination of debt and equity. We wish to maintain a conservative level of gearing. Hence, a strong equity base will be essential.

Figure 11 shows our share price performance over the last five financial years. As part of our mid-term capital planning and to reward loyal shareholders, we issued and listed 317,645,723 Warrants C on the Main Market of Bursa Malaysia Securities Berhad on 28 March 2018. We hope that the performance of our underlying shares will result in the Warrants C being eventually exercised in the coming years to the benefit of both our Company and all our Warrants C holders.

Statutory Financial Year/Period End	30 Jun 2018	30 Jun 2017	30 Jun 2016	30 Jun 2015	31 Dec 2013
Number of months	12 months	12 months	12 months	18 months	9 months
Activity	Production (Mature Fields) Centric			Exploration Centric	
Year/period high (RM)	1.150	0.540	0.880	2.210	2.680
Year/period low (RM)	0.400	0.175	0.140	0.675	1.370
Year/period close (RM)	0.885	0.410	0.180	0.745	1.750
Trading volume (mil)	10,091	7,805	2,703	303	214
Market capitalisation (as at the year/period end) (RM 'mil)	1,405	592	236	691	892
Oil Price at year/period close (USD/bbl)	79	48	48	60	111

Figure 11: Hibiscus Petroleum's share performance over the last five financial years/periods.

Notes:

EBITDA – Earnings before interest, taxes, depreciation and amortisation.
LBITDA – Loss before interest, taxes, depreciation and amortisation.
PAT – Profit after taxation.
LAT – Loss after taxation.

MANAGEMENT DISCUSSION & ANALYSIS

2. REVIEW OF OPERATING ACTIVITIES

A. SAFETY PERFORMANCE

Our vision to be a respected participant in the E&P industry demands that we maintain a strong focus on the health, security and safety aspects of our business. It is imperative that we provide our people with the safest (as practically possible) working environment. Whilst there are always areas for improvement and we have a 'zero tolerance' approach towards non-adherence to safety related policies, the indicators we monitor demonstrate that initiatives we continue to implement are delivering positive results.

Anasuria

Safety Indicator	Cumulative Result (July 2017 – June 2018)
Lost Time Incidents (LTIs)	0
Fatalities	0

In Financial Year (FY) 2018, we experienced no LTIs and no fatalities at Anasuria. Subsequent to the end of the financial year end, in August 2018, the team operating the Anasuria FPSO facility was awarded the Order of Distinction from the Royal Society for the Prevention of Accidents (ROSPA), United Kingdom for achieving nineteen consecutive annual gold awards.

Anasuria Hibiscus UK Limited (AHUK) has been a joint-operator of the Anasuria Cluster since 10 March 2016. Prior to this, Shell had been the operator of Anasuria since the fields started producing in 1996. We are proud that together with our partner Ping Petroleum UK Limited and the Duty Holder of the Anasuria FPSO, Petrofac Services Limited, we have been able to continue upholding the safety performance of the Anasuria asset since taking over the operatorship from Shell.

North Sabah PSC

Safety Indicator	Cumulative Result (April 2018 – June 2018)
Lost Time Incidents (LTIs)	0
Fatalities	0

We are also proud to report that we recently received recognition from the Malaysian Society of Occupational Health & Safety (MSOSH) as a recipient of the MSOSH[1] OSH Gold Class 1 Award for 2017 for safety performance at our St Joseph Platform, which is part of the North Sabah PSC, in the Petroleum, Gas, Petrochemical and Allied Sectors category. More than 50 companies and contractors were considered for this award.

B. CARE FOR THE ENVIRONMENT

In the conduct of our activities and operations, it is inevitable that we impact the environment in some manner. As a Management Team, we are conscious of our duty to minimise the negative effects we may leave on the planet. Further details of our continuous efforts in this area are provided in the Sustainability Statement of this Annual Report.

"Whilst there are always areas for improvement and we have a 'zero tolerance' approach towards non-adherence to safety related policies, the indicators we monitor demonstrate that initiatives we continue to implement are delivering positive results."

Notes:

[1] Source: The MSOSH OSH Award is an annual award presented to organisations in Malaysia with proven outstanding Occupational Safety and Health performance. Identified companies are subjected to stringent document and site verification audits by the MSOSH panel of qualified and dedicated auditors which comprise, amongst others, representatives from the Department of Occupational Safety & Health (DOSH) and National Institute of Occupational Safety & Health (NIOSH) prior to being considered by the MSOSH Technical Committee for the respective awards.

C. OPERATIONS: UNITED KINGDOM
THE ANASURIA CLUSTER

Production Operations Performance

Metric	Units	FY2018[1] Jul 2017 - Jun 2018	FY2017[2] Jul 2016 - Jun 2017
Average uptime	%	76	85
Average daily oil production rate	bbl/day	2,705	3,197
Average daily gas export rate[3]	boe/day	240	356
Average daily oil equivalent production rate	boe/day	2,945	3,552
Total oil sold	bbl	791,823	1,128,868
Total gas exported (sold)	MMscf	523	779
Average realised oil price	USD/bbl	60	48
Average OPEX/ boe	USD/ boe	23	15

Figure 12: Operational performance of the Anasuria Cluster.

The average uptime and daily oil equivalent production rate in FY2018 reduced by 11% and 15%, respectively, compared to FY2017. The primary reason for this reduction was the execution of a 30-day planned turnaround of the Anasuria FPSO, which entailed a full shutdown of production operations during the period commencing mid-September 2017. The turnaround covered critical maintenance work undertaken to improve the reliability of the topside facilities and to ensure a safe working environment for our personnel offshore.

Production was also impacted by an unplanned, temporary failure of our gas compression facility on board the Anasuria FPSO. This failure affected gas lift operations on the Guillemot A field. These planned and unplanned events had an unfavourable effect on the average oil production rate and further resulted in increased operating costs for the financial year. Thus, the average unit production cost (OPEX/boe) also increased to USD23.46/boe in FY2018 from USD15.12/boe compared to FY2017.

Over the past two years, we have been able to conduct at least one cargo offtake per quarter. However, the cargo from the Anasuria FPSO, scheduled for delivery in the final quarter of FY2018, was deferred by several days before being conducted on 2 July 2018 (2 days post-closing of the quarter). This deferment ensured the overall safety and smooth running of operations at the Anasuria Cluster whilst the drilling of the GUA-P2 side-track well on the Guillemot A field was ongoing. The reduction of one offtake for the financial year thus resulted in total oil sold in FY2018 declining by approximately 30% to 0.8 million barrels compared to FY2017.

Production Enhancement Projects

There are three production enhancement projects of note which we conducted in FY2018. These are tabulated below:

Project	Description	Status
GUA-P4 Gas Lift Installation	Re-entry of the existing GUA-P4 well using a Light Weight Intervention Vessel (LWIV) to install a gas lift system to enhance production.	Completed in 2Q FY2018.
GUA-P2 Side-Track	Re-entry of the existing GUA-P2 well to side-track the wellbore towards a compartment of the Forties reservoir that was prognosed to be untapped, to unlock additional volumes of oil.	Completed in 1Q FY2019.
Cook Water Injection	Drilling of a water injector well in the Cook field to increase its reservoir pressure by injecting water into the formation in order to stimulate higher production and enhance oil recovery from this field.	Sanctioned in 4Q FY2018.

Figure 13: Production enhancement project of the Anasuria Cluster

GUA-P4 Gas Lift Installation

In October 2017, subsea well intervention activities were conducted to install gas lift facilities on the GUA-P4 well located in the Guillemot A field. The project was completed in November 2017, upon which production from this well, net to Hibiscus Petroleum, increased to approximately 350 bbls/day, from approximately 30 – 100 bbls/day previously. Whilst production uplift was not very significant, this activity gave us confidence to undertake more material projects such as the GUA-P2 Side-Track.

Notes:

[1] Financial year ended 30 June 2018.
[2] Financial year ended 30 June 2017.
[3] Conversion rate of 6,000 standard cubic feet per barrel of oil equivalent.

MMscf – million standard cubic feet.
bbl – barrel.
boe – barrel of oil equivalent.
OPEX – operational expenditure.
Q – quarter.

MANAGEMENT DISCUSSION & ANALYSIS

GUA-P2 Side-Track Project

The drilling of a side-track from the GUA-P2 wellbore on the Guillemot A field (P2-ST) was our Group's first major capital expenditure programme in the Anasuria Cluster. Activity commenced on 4 June 2018 and the well returned online in September 2018.

On 3 September 2018, we announced that during the clean-up and flowback phase of the P2-ST programme, the well achieved a stabilised gross production flow rate (on a 32% choke) to the Anasuria FPSO of 4,750 bbls/day (2,375 bbls/day, net to our Group). The P2-ST well was then shut-in to allow the drilling rig to demobilise from its location before production resumed in mid-September 2018.

Cook Water Injector Project

In May 2018, AHUK, together with its partners in the Cook field, sanctioned the Cook Water Injector (Cook WI) project. Ithaca Energy UK Limited is the operator of the Cook field. This project entails the drilling of a water injector well in mid-2019 and the concurrent installation of a subsea pipeline to deliver treated water from the Anasuria FPSO into the Cook reservoir. First water is expected to be injected late in 2019.

It is anticipated that this water injection project will unlock 2.8 million barrels (MMbbls) of oil, net to AHUK, from the Cook field. The sanctioning of this project contributed to the upgrade of the 2P Reserves of AHUK, as elaborated in the next section.

Anasuria Reserves Upgrade

We commissioned LEAP Energy Sdn Bhd (LEAP Energy) to undertake an independent evaluation of in-place and recoverable hydrocarbons in the Anasuria Cluster attributable to AHUK. In a report dated 23 August 2018, LEAP Energy stated that, based on their evaluation, the 2P Reserves net to AHUK have increased to 24.4 MMbbls as of 1 July 2018.

This recent estimate by LEAP Energy represents a net 4.2 MMbbls or 20.8% increase in 2P reserves when compared to the 20.2 MMbbls forecasted by RPS Energy Consultants Limited (RPS Energy) as of 1 March 2016. Given that AHUK's production in the interim period between 1 March 2016 and 1 July 2018 was approximately 2.5 MMbbls of oil, then the net addition to our 2P Reserves since the acquisition of our participating interest in the Anasuria Cluster is 6.7 MMbbls.

We are pleased that the work and projects being carried out by our team overseeing the Anasuria Cluster are resulting in significant value accretion for our stakeholders.

Anasuria FPSO Audit

In July 2018, our Group conducted a compliance audit onboard the Anasuria FPSO. The audit was focused on adherence to our Group's Health, Safety, Security & Environment Management Systems and the results of the audit were encouraging.

D. OPERATIONS: MALAYSIA
THE 2011 NORTH SABAH PSC

Transfer of Operatorship

For the Company, activities on the North Sabah PSC in FY2018 were primarily focused on completing the acquisition transaction. Apart from regulatory and partner approvals (which were primarily administrative) our practical efforts largely involved the transfer of operatorship of this asset from the vendors (Shell) to SEA Hibiscus.

Operational risk assessments conducted jointly by Shell and SEA Hibiscus determined that SEA Hibiscus was ready to fully operate the asset, effective 31 March 2018.

Thus, on 2 April 2018, our Group announced the completion of the North Sabah PSC transaction and we welcomed a highly capable team of 215 people who had transferred from Shell to SEA Hibiscus.

44,131 hours

Hibiscus Petroleum **Transition Team manhours** to transfer operatorship from Shell to SEA Hibiscus

215 people

Transferred from Shell to SEA Hibiscus to continue working on North Sabah PSC

202 people

East Malaysians in Hibiscus Petroleum upon completion, working on the North Sabah PSC

287 people

Hibiscus Petroleum employees upon completion with 260 dedicated to operate North Sabah PSC

Production Operations Performance

Metric	Unit	FY2018				FY2017	
		Apr – Jun 2018[1]	Jan - Mar 2018	Oct – Dec 2017	Jul – Sep 2017	Apr – Jun 2017	Jan – Mar 2017
Average uptime	%	96	96	93	88	92	95
Average gross oil production	bbl/day	15,954	15,167	14,866	14,048	14,614	14,992
Average net oil production	bbl/day	5,903	5,710	5,500	5,198	5,407	5,547
Total oil sold	bbls	623,544	287,019	586,657	287,850	593,086	587,228
Average realised oil price[2,3]	USD/bbl	73.26	71.44	67.2	55.8	56.93	59.41
Average OPEX/bbl (unit production cost)	USD/bbl	8.15	12.92	18.5	15.25	11.75	10.81

Figure 14: Operational performance of North Sabah fields since taking-over operatorship of this asset as well as for the prior 15 months.

Since we took over the operatorship of the North Sabah PSC, the asset has demonstrated a relatively high average uptime, peaking at 96%. We are also encouraged that the average daily oil production rate has been gradually increasing over the course of FY2018. Average OPEX/boe has also been demonstrating a decreasing trend.

We have only recently immersed ourselves in the day-to-day operations of the North Sabah PSC fields and are extremely excited by their potential. Net 2C Resources are estimated to be 29.2 million barrels and in this respect, the management team at SEA Hibiscus is maturing several projects to convert some of these 2C Resources into producible 2P Reserves.

Given the readily available infrastructure, we expect that we shall begin to observe an increase in production volumes and a reduction in unit production costs by financial year ending 30 June 2020.

	Units	Net
Remaining Reserves (2P)[4]	MMstb	15.1
Contingent Resources (2C)[5]	MMstb	29.2

Figure 15: Reserves and resource estimates for SEA Hibiscus' entitlement in the North Sabah PSC.

Notes:

1 Figures are provisional and may change subject to the PSC Statement audit for the period April to June 2018.

2 For quarterly periods between January 2017 to March 2018, the average realised oil price is the weighted average price of all the Labuan crude sales from various parties during the quarter.

3 For April to June 2018, the average realised oil price represents the weighted average price of all Labuan crude sales from SEA Hibiscus.

4 Based on SEA Hibiscus' net entitlement, as reported in the Annual Review of Petroleum Resources (ARPR) as of 1 January 2018 for the PSC life.

5 Based on SEA Hibiscus' net entitlement, derived by independent technical valuer, RISC Operations Pty Ltd, as of 1 January 2018 for the PSC life.

MMstb – million stock tank barrel.

MANAGEMENT DISCUSSION & ANALYSIS

E. AUSTRALIA VIC/P57 AND VIC/L31

VIC/P57 – Exploration Activity

Last year the VIC/P57 joint venture agreed to renew the permit for a further five-year period following the results of a thorough prospectivity review that identified significant remaining value likely to be present within the acreage. A renewal application was lodged with the National Offshore Petroleum Titles Administrator (NOPTA) in September 2017 and it was subsequently granted in March 2018. The retained area shown below (Figure 16) was carefully chosen to include only the most promising leads and prospects as defined in last year's prospectivity review.

The work programme for the primary term of the renewal period, which is the first three years, is designed to de-risk and upgrade the prospect inventory and ultimately progress prospects to 'drill-ready', while also providing an opportunity to identify previously undetected gas targets.

An exploration well is proposed to be drilled in year 4 of the renewal term which, being in the secondary term of the renewal period, is an optional programme.

In mid-July 2018, the joint venture received a 564 km^2 subset of the CGG Gippsland Regeneration reprocessed data, covering the entirety of VIC/P57 area and relevant nearby oil & gas fields including West Seahorse. This exceeds a key work commitment for the primary term which entailed 230 km^2 of seismic reprocessing. The dataset has been loaded into the interpretation software and preliminary analysis show exceptional improvement to the data quality.

Throughout the reporting period, the joint venture had already entertained preliminary discussions with major E&P companies which have expressed strong interest in one of our prospects, namely Pointer.

VIC/L31 – Development Activity

In 2013, Carnarvon Hibiscus Pty Ltd (CHPL) had secured approval from the Australian authorities to develop the West Seahorse Field within the VIC/L31 Production Licence. Financing was also secured. However, the downturn in oil prices in 2014 caused us to halt investment before the commencement of the development phase.

Oil prices have now stabilised to a level which provides us encouragement that we may be able to economically develop the West Seahorse Field.

We have reactivated project activities and are evaluating our development options including the potential tie-back of the West Seahorse Field to existing nearby infrastructure.

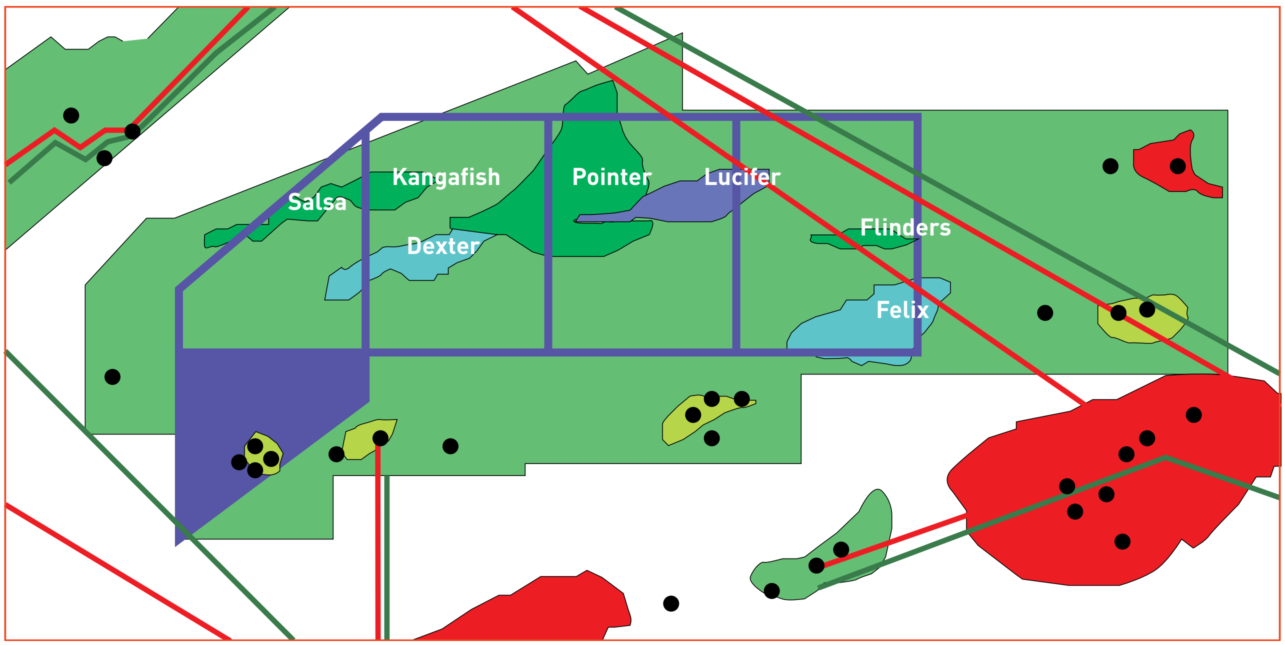


Figure 16: VIC/P57 acreage (blue boundary), Gippsland Regeneration Data (dark green polygon).

3. REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

A. STATEMENTS OF PROFIT OR LOSS

For the current twelve-month period, i.e. from 1 July 2017 to 30 June 2018 (FY2018), Hibiscus Petroleum posted revenue of RM394.3 million, up from RM261.3 million achieved in the corresponding twelve-month period in the previous financial year ended 30 June 2017 (FY2017). Our Group achieved profit after taxation of RM203.7 million in FY2018 compared to RM106.1 million in FY2017.

Our Group completed the acquisition of 50% participating interests in the North Sabah PSC on 31 March 2018 (Completion Date). This acquisition together with the performance of the Anasuria Cluster were the main drivers of our Group's financial performance.

	North Sabah PSC	Anasuria Cluster	3D Oil, VIC/L31 & VIC/P57	Investment holding and group activities	Total
Financial year ended 30 June 2018	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	181,886	207,379	–	5,079	394,344
EBITDA/(LBITDA)	266,173	107,400	(4,494)	(34,948)	334,131
PBT/(LBT)	247,037	49,209	(5,041)	(46,738)	244,467
Taxation	(25,507)	(15,299)	42	9	(40,755)
PAT/(LAT)	221,530	33,910	(4,999)	(46,729)	203,712
Financial year ended 30 June 2017	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	–	256,818	–	4,455	261,273
EBITDA/(LBITDA)	–	160,519	(7,368)	3,345	156,496
PBT/(LBT)	–	82,578	(13,389)	(7,182)	62,007
Taxation	–	47,240	(3,173)	23	44,090
PAT/(LAT)	–	129,818	(16,562)	(7,159)	106,097

	North Sabah PSC		Anasuria Cluster		3D Oil, VIC/L31 & VIC/P57		Investment holding and group activities		Total	
Variance	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue	181,886	–	(49,439)	-19%	–	–	624	14%	133,071	51%
EBITDA/(LBITDA)	266,173	–	(53,119)	-33%	2,874	39%	(38,293)	–	177,635	114%
PBT/(LBT)	247,037	–	(33,369)	-40%	8,348	62%	(39,556)	-551%	182,460	294%
Taxation	(25,507)	–	(62,539)	–	3,215	–	(14)	-61%	(84,845)	–
PAT/(LAT)	221,530	–	(95,908)	-74%	11,563	70%	(39,570)	-553%	97,615	92%

Figure 17: Analysis of the Group's financial performance by operating segments.

Notes:

EBITDA - Earnings before interest, taxes, depreciation and amortisation.
LBITDA - Loss before interest, taxes, depreciation and amortisation.
PBT – Profit before taxation.
LBT – Loss before taxation.
PAT - Profit after taxation.
LAT - Loss after taxation.

MANAGEMENT DISCUSSION & ANALYSIS

"From Completion Date to 30 June 2018, the North Sabah PSC contributed RM181.9 million to revenue and RM96.9 million to gross profit from the sale of crude oil."

North Sabah PSC

Our Group completed the acquisition of 50% participating interests in the North Sabah PSC on 31 March 2018. From Completion Date to 30 June 2018, the North Sabah PSC contributed RM181.9 million to revenue and RM96.9 million to gross profit from the sale of crude oil. From this segment of our business, we sold 623,544 barrels of crude oil in two cargoes, at an average realised price of USD73.26/bbl.

In addition, the fair value of the share of net identifiable assets acquired (reviewed in accordance with the provisions of MFRS 3 'Business Combinations') as at the date of acquisition, when compared against the purchase consideration, resulted in a negative goodwill of RM206.3 million.

This was partly off-set by transition costs in connection with the acquisition (which are non-recurring in nature) and segment-specific expenses of RM21.3 million and RM15.7 million, respectively, resulting in an EBITDA for the segment of RM266.2 million for FY2018.

Segment PBT was RM247.0 million after deducting the following items, all of which are non-cash in nature:

- Amortisation of intangible assets of RM13.8 million;
- Unwinding of discount on deferred consideration and non-current payables of RM3.6 million; and
- Unwinding of discount on provision for decommissioning costs of RM1.8 million.

The tax regime under which Malaysian oil and gas activities are governed is the Petroleum (Income Tax) Act 1967 (PITA). The provisions of PITA are applied to net taxable petroleum income at the rate of 38%. Net tax expenses incurred in FY2018 were due to taxes levied on taxable profits generated from operations, partly off-set by the reversal of deferred tax liabilities.

Anasuria Cluster

The Anasuria operating segment recorded an EBITDA of RM107.4 million (FY2017 EBITDA: RM160.5 million), or 51.8% margin over revenue in FY2018.

There were three crude oil offtakes in FY2018, and a total of 791,822 bbls were sold at an average realised oil price of USD60.11/bbl. In FY2017, 1,128,868 bbls were sold in four offtakes at an average realised oil price of USD47.50/bbl. Since our Group acquired a 50% interest in the Anasuria Cluster on 10 March 2016, it has been the practice to conduct at least one crude oil offtake per quarter. However, in the fourth quarter of FY2018, our Group varied this practice and elected not to conduct an offtake from the Anasuria Cluster. The offtake was deferred to 2 July 2018 to ensure the overall safety and smooth running of operations as the drilling of a side-track from the GUA-P2 oil-producing well on the Guillemot A field was ongoing.

The segment recorded a net tax charge in FY2018 amounting to RM15.3 million. Income tax expenses amounted to RM16.8 million. These were partly off-set by a net reversal of deferred tax liabilities which amounted to RM1.5 million. There were significant investments in capital expenditure in FY2018 amounting to RM57.2 million (FY2017: RM0.6 million) primarily attributable to the GUA-P2 side-track project.

The tax regime in the United Kingdom (UK) applicable to exploration for, and production of, oil and gas, allows any investment in capital expenditure made to be fully deducted from the taxable income in the same financial year/period in which they are incurred, thus lowering corporate taxation for that financial year/period. At the same time, a deferred tax liability (based on the existing applicable UK tax rate of 40%) needs to be recognised in respect of the carrying value of this capital expenditure at the point when such capital expenditure is made, creating a tax expense in the profit or loss account. Such a tax expense is non-cash in nature.

Note that in FY2017, RM83.5 million was recognised as a tax credit caused by the impact of a reduction in the rate of the supplementary charge in the UK on deferred tax liabilities relating to the fair value of the identifiable assets and liabilities of the Anasuria Cluster recognised as at 30 June 2016. This adjustment was one-off and was non-cash in nature.

3D Oil Limited (3D Oil), VIC/L31 & VIC/P57

In FY2018, this segment recorded a LAT of RM5.0 million, a decrease of RM11.6 million when compared against a LAT of RM16.6 million incurred in FY2017.

The appreciation of the USD against the Australian Dollar (AUD) in FY2017 adversely impacted the segment, as most of its payables were USD-denominated. As a result, the LAT in FY2017 was largely caused by foreign exchange losses arising from the settlement and period-end retranslation of such USD-denominated payables.

Note that a large portion of such USD-denominated payables has since been repaid and as a result, a similar impact in FY2018 has been greatly reduced.

Investment Holding and Group Activities

This operating segment recorded a LAT of RM46.7 million in FY2018 compared to a LAT of RM7.2 million in FY2017.

In FY2018, after due consideration and assessment, our Group concluded that there will be no anticipated utilisation of the Britannia Rig (Rig) within our Group's planned production related activities for the foreseeable future. In addition, there is evidence of a global oversupply of drilling rigs (available for conversion into production-related equipment). As a result, our Group believes that market demand for the Rig is likely to be limited and hence, wrote down the carrying costs of the Rig to its scrap value and recognised an impairment loss of RM6.6 million.

In addition, the segment's net foreign exchange losses in FY2018 are RM38.2 million higher compared to FY2017, which is primarily due to fluctuations of both the USD and AUD against the Malaysian Ringgit on both inter-Group balances and securities.

"Current assets increased from RM83.6 million as at 30 June 2017 to RM402.5 million as at 30 June 2018."

B. STATEMENTS OF FINANCIAL POSITION

Non-current Assets

Our Group's non-current assets amounted to RM1,571.5 million as at 30 June 2018 compared to RM1,236.0 million as at 30 June 2017.

The increase was mainly driven by the inclusion of amounts attributable to the fair value of identifiable non-current assets of our Group's 50% participating interests in the North Sabah PSC upon completion of the acquisition.

Current Assets

Current assets increased from RM83.6 million as at 30 June 2017 to RM402.5 million as at 30 June 2018.

From the Completion Date of our Group's acquisition of 50% participating interests in the North Sabah PSC to 30 June 2018, our Group achieved sales of 623,544 barrels of crude oil from the asset via two cargoes. As at 30 June 2018, only proceeds from one of the two offtakes were included in the cash balance. Proceeds from the second crude oil offtake amounting to RM95.8 million were received on schedule on 24 July 2018.

Cash and bank balances increased by RM81.5 million, largely due to the timely collection of proceeds from crude oil offtakes in both the Anasuria and North Sabah PSC segments by 30 June 2018.

In addition, other operational-related receivables in North Sabah PSC and Anasuria amounted to RM66.5 million and RM13.6 million respectively. Inventories have increased by RM53.9 million largely due to higher crude oil balances as at the end of FY2018.

MANAGEMENT DISCUSSION & ANALYSIS

Total Liabilities

Our Group's total liabilities amounted to RM978.2 million as at 30 June 2018, an increase of RM401.0 million from RM577.2 million as at 30 June 2017.

The increase in total liabilities include the following significant transactions relating to the North Sabah PSC:

- Present value of decommissioning costs upon completing the acquisition, amounting to RM127.7 million;
- Reimbursement to Sabah Shell Petroleum Company Limited and Shell Sabah Selatan Sdn Bhd (collectively the Sellers), being the sellers of the 50% participating interests in the North Sabah PSC to our Group, of over a period of three years from 2019 to 2021 for recoverable capital expenditure incurred by the Sellers as part of its executed work programme but not yet recovered as of 1 January 2017 (being the effective date of the acquisition), subject to oil prices having reached certain thresholds. The net present value of the amount recognised as at 30 June 2018 is RM112.6 million;
- Operations-related payables and accruals of RM80.3 million; and
- Provision for taxation of RM44.9 million.

In addition, as at 30 June 2018, our Group recorded its share of higher liabilities of the joint operating company, Anasuria Operating Company Limited, compared to 30 June 2017 relating to capital expenditure and operational activities, amounting to RM53.3 million.

Total Equity

The increase in total equity in FY2018 by RM253.4 million was mainly attributable to cash inflows originating from the issuance of new ordinary shares, net earnings generated from both the Anasuria Cluster and the North Sabah PSC assets, and the inclusion of negative goodwill in relation to the business combination of the acquisition of 50% participating interests in the North Sabah PSC.

C. STATEMENTS OF CASH FLOWS

Our Group's net cash inflow for FY2018 from operating activities was RM102.1 million. It mainly comprises cash received from operations at the Anasuria Cluster and North Sabah PSC assets, partly off-set by payment of taxation obligations in the UK and group-wide operating overheads.

Net cash used in investing activities amounted to RM87.6 million. Cash outflow, equivalent to RM57.2 million, was paid for capital expenditure incurred in FY2018, largely for activities conducted at the Anasuria Cluster. In addition, RM30.5 million (USD7.5 million) was incurred to fulfil payment of the final tranche of the deferred consideration relating to the purchase of our Group's equity interest in the Anasuria Cluster.

Net cash generated by our Group from financing activities amounted to RM72.3 million comprising of proceeds derived from the issuance of new ordinary shares in FY2018.

4. IDENTIFIED ANTICIPATED AND KNOWN RISKS

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

Risk Factor	Potential Impact	Mitigation Measure
Unplanned extended shutdown of Anasuria operations	Any prolonged stoppage of production from the Anasuria Cluster or associated infrastructure could negatively impact our revenue generation capacity.	We have put in place a degree of 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. We have also completed a planned 30-day FPSO Turnaround which saw a full shutdown of production operations during this period. This allowed for critical maintenance work to improve the reliability of the topside facilities, as well as to ensure a safe working environment for our personnel offshore.
Unplanned extended shutdown of North Sabah PSC operations	Any prolonged stoppage of production from North Sabah PSC Fields or associated infrastructure could negatively impact our revenue generation capacity.	We have put in place a degree of Business Interruption Insurance for the North Sabah PSC asset that will mitigate a major portion of our operating expenditure if any unplanned major shutdown exceeds 60 days (continuous) duration. We have embarked on a planned ramp-up of maintenance activities over the first half of the financial year ending 30 June 2019. This maintenance will be carried-out on the offshore facilities to improve the reliability of the facilities.
Project cost overruns	Any significant cost overruns on future capital expenditure projects, undertaken on the Anasuria Cluster or the North Sabah PSC Fields could negatively impact our current liquidity and our ability to fund future production or value enhancing initiatives.	We mature every project through a stringent, peer-reviewed Gate process. This is to ensure adequate technical work and engineering has been done prior to a material quantum of capital being invested. On execution of the relevant project, we focus on ensuring constant and open communication channels between all project stakeholder groups and we ensure sufficient resources are available and applied in all phases of the execution of the project. As far as possible, we utilise a flat project management organisational structure, thus enabling quick decision making. We also put in place strong and effective supervision at all levels of the project organisation. Our Company also maintains a cash buffer to mitigate any significant cash shortfalls that may occur during the project. As we grow the number of projects we may execute simultaneously, it is likely that we will also put in place a revolving credit facility to become an emergency financial line.
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.	For business planning purposes, we utilise conservative oil price projections for investment decision making purposes. Our Company is always cognisant of the fact that if oil price trends towards a level that approaches our unit operating cost, we will consider entering into an appropriate hedging programme after carefully assessing prevailing market conditions. The Audit and Risk Management Committee and the Board of Directors will be consulted for the necessary guidance and approvals if such a hedging programme is invoked.

MANAGEMENT DISCUSSION & ANALYSIS

5. OUR FUTURE: OBJECTIVES AND STRATEGIES FOR CREATING VALUE

A. MISSION 2021

In 2015, in the wake of declining oil prices, Hibiscus Petroleum made a conscious, strategic decision to abandon its exploration-led strategy and instead, secure cash-generating producing assets. We believed that a low oil price environment would precipitate portfolio rationalisation exercises by the larger producers and sub-scale fields (for large companies) with relatively high unit operating costs and near-term abandonment liabilities, would come onto the market.

From 2015 through to 2018, as we prognosed, several opportunities did come to market and we acquired two high potential assets at a relatively low cost. A subsequent upturn of crude prices combined with our ability to reduce unit operating costs safely and our capacity to invest in the acquired assets have resulted in substantial value accretion and job creation.

The platform we have established now provides us with a springboard to achieve our future objectives. Our mission for 2021 is articulated in Figure 18.

"A subsequent upturn of crude prices combined with our ability to reduce unit operating costs safely and our capacity to invest in the acquired assets have resulted in substantial value accretion and job creation."

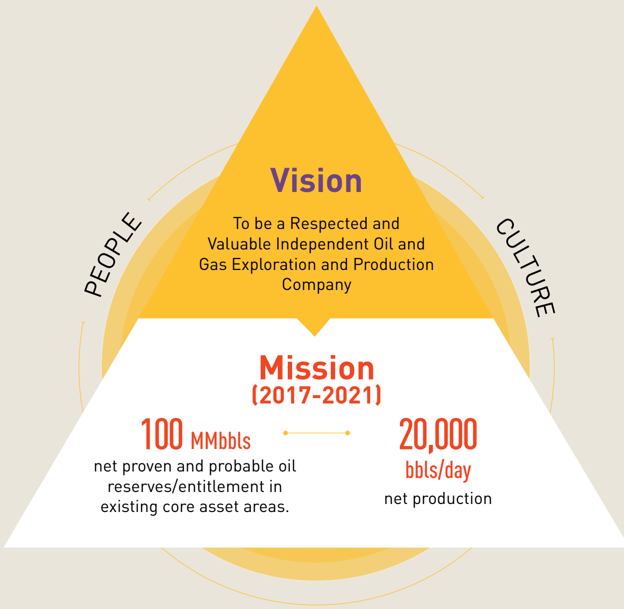


Figure 18: Hibiscus Petroleum's Strategic Vision and Mission 2021.

Achieving the quantitative objectives of Mission 2021 (which we believe will deliver value to our stakeholders) in a risk-managed manner will require a mix of:

- developing internally identified opportunities within the current portfolio of assets; and
- acquiring new assets for development (given the current crude oil price), at a reasonable cost, with some production infrastructure already in place or in the near vicinity.

"Industry relationships we have established coupled with the knowledge and experience of the people within our organisation are opening opportunities which may allow us to adapt and implement acquisition strategies and principles that have previously been successfully applied."

In our pursuit of Mission 2021 we intend to remain close to the geographies in which we already operate. Whilst the upward movement of crude oil prices may make it difficult for us to repeat the type of transactions we have already completed, industry relationships we have established coupled with the knowledge and experience of the people within our organisation are opening opportunities which may allow us to adapt and implement acquisition strategies and principles that have previously been successfully applied.

B. OUR VISION

Pursuing our vision will require the continued implementation of a wider range of strategies and objectives which include:

- providing a safe and secure working environment for our employees and continuously demonstrating a care for our natural environment;
- maintaining high levels of transparency and governance;
- building trusted relationships with key industry players and financial institutions;
- being innovative and pioneering; and
- cultivating a highly motivated and talented management team bound together by a diligent work ethic, high performance work culture and a 'never give up' attitude.

If we achieve these objectives, we will deliver superior levels of value to our long-term stakeholders and be recognised as a respected industry player.

Concluding Remarks

The Brent crude oil benchmark has been averaging above USD72/bbl this year and we believe this trend will continue. The International Energy Agency (IEA) has recently indicated that prices could rise above USD80/bbl unless producers make up for lost supply from OPEC members Iran and Venezuela. While financial woes in some emerging markets could threaten an erosion of crude oil demand, the IEA, believes that stressed supply risks outweigh such concerns.

A strong American economy, albeit protected or threatened by concerns of mutually applied trade tariffs will be a catalyst for global growth. In such an environment, we will need to remain disciplined. Unit production costs will attempt to increase but we must not give up gains made these past two years through process improvements and embracing a diligent work culture. We must also be very careful with our capital investment and deployment strategies. We believe that we have built a sustainable business foundation with a relatively small amount of capital. We need to continue with this approach and build our reserves base at the lowest possible cost per barrel.

Over the past year, we have scaled up in all critical areas of our business. The competence and quality of our people and their dedication towards achieving tough targets gives us the confidence to collectively aim even higher. We believe that the next twelve months will demonstrate the potential of our Company.

DR KENNETH GERARD PEREIRA
Managing Director

17 October 2018

Uplifting our Community

With our financials on firmer footing, we have lined up several socially driven initiatives, in both our bases of operations, to give back to the community. This year, we have successfully implemented the Hibiscus Hope Scholarship programme, awarding a full academic scholarship to a top British student to pursue a petroleum engineering master's degree in Malaysia. In addition, as we conduct operations in Sabah, where viable, we unbundle scopes of integrated contracts and carve out minor works for tender and award these to indigenous contractors from within the state. This practice directly generates job opportunities within local communities in Sabah, where we operate.

CALENDAR OF EVENTS

9 NOVEMBER 2017

Hibiscus Petroleum Berhad (Hibiscus Petroleum or Company) provided a corporate and business update, which highlighted the completion of two key projects in the Anasuria Cluster of oil and gas fields situated in the United Kingdom Continental Shelf (UKCS) by its wholly-owned subsidiary, Anasuria Hibiscus UK Limited (AHUK), which are anticipated to improve short and medium term performance of the asset.

4 DECEMBER 2017

Hibiscus Petroleum announced that Sabah Shell Petroleum Company Limited and Shell Sabah Selatan Sdn Bhd (collectively Shell) received Petronas Carigali Sdn Bhd's (PCSB) unconditional consent under the Joint Operating Agreement (JOA) for the assignment of the entire participating interests of Shell in the:

- 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract entered into between Petroliam Nasional Berhad (PETRONAS), Shell and PCSB (PSC); and
- JOA between Shell and PCSB in relation to the PSC (JOA) (collectively the Interest) to SEA Hibiscus Sdn Bhd (SEA Hibiscus), an indirect wholly-owned subsidiary of Hibiscus Petroleum.

5 DECEMBER 2017

Hibiscus Petroleum announced that it received unconditional consent from PCSB under the JOA for SEA Hibiscus to acquire from Shell their 50% participating interests in the PSC (North Sabah Acquisition).

8 DECEMBER 2017

Hibiscus Petroleum announced that the Company proposed to undertake the issuance of up to 317,645,744 free warrants in Hibiscus Petroleum (Warrants) on the basis of one (1) new Warrant for every five (5) existing ordinary shares in Hibiscus Petroleum (Proposed Free Warrants Issue).

26 DECEMBER 2017

Hibiscus Petroleum disclosed that the PETRONAS Conditions (as announced on 29 May 2017) had been clarified and agreed between Shell, PETRONAS and SEA Hibiscus. In connection thereto, SEA Hibiscus, PETRONAS, Shell and PCSB had on 22 December 2017, entered into a novation agreement for the assignment and transfer of the entire Interest of Shell to SEA Hibiscus to continue production and to further develop petroleum resources within the North Sabah fields (Novation Agreement) upon the completion of the North Sabah Acquisition.

18 JANUARY 2018

Hibiscus Petroleum announced that the Proposed Private Placement was completed on 18 January 2018 following the listing of and quotation for the third and final tranche placement shares of 44,305,400 shares on the Main Market of Bursa Malaysia Securities (Bursa Securities) Berhad on 18 January 2018.

2 FEBRUARY 2018

Hibiscus Petroleum announced that Bursa Securities had resolved to approve the admission to the Official List of Bursa Securities and the listing and quotation of up to 317,645,738* Warrants to be issued pursuant to the Proposed Free Warrants Issue, and listing and quotation of up to 317,645,738* new ordinary shares to be issued pursuant to the exercise of the Warrants.

** Based on the number of the then issued ordinary share capital of the Company of 1,588,228,691 ordinary shares following the completion of the proposed private placement of shares on 18 January 2018.*

7 FEBRUARY 2018

Hibiscus Petroleum announced that its jointly-controlled operating company, Anasuria Operating Company Limited (AOC) was on track to execute and complete the Guillemot A GUA-P2 side-track well, a planned production enhancement project in the Anasuria Cluster concession.

21 FEBRUARY 2018

Hibiscus Petroleum announced that its adjusted profit after tax (PAT) for the six months ended 31 December 2017 (1H2018) rose 125% to RM21.8 million from RM9.7 million in the six months ended 31 December 2016 (1H2017). The PAT for 1H2017 included a one-off tax gain of RM81.3 million arising from a downward revision of petroleum tax rates in the United Kingdom. The 1H2018 PAT growth was driven by higher oil prices achieved from crude oil sold during the period.

1 MARCH 2018

Hibiscus Petroleum received shareholders' approval for the Proposed Free Warrants Issue.

2 MARCH 2018

Hibiscus Petroleum announced that the Board of Directors of the Company had, on 2 March 2018, resolved to fix the exercise price of the Warrants for Year 1 at RM1.00 each and that thereafter, the exercise price of the Warrants would be subject to a fixed step-up of RM0.06 per year on each of the anniversary dates from the date of the first issuance of the Warrants (subject to any permitted adjustments, if any, in accordance with the terms of the deed poll).

7 MARCH 2018

Hibiscus Petroleum announced that the Australian National Offshore Petroleum Titles Administrator (NOPTA) had granted the VIC/P57 Joint Venture a renewal term of 5 years from 7 March 2018 to 6 March 2023 for the VIC/P57 exploration permit (VIC/P57) located in the northwest part of the offshore Gippsland Basin. The permit is close to shore, in shallow water depth, and proximal to infrastructure.

28 MARCH 2018

Hibiscus Petroleum announced that the Free Warrants Issue had been completed following the listing of and quotation for 317,645,723 Warrants on the Main Market of Bursa Securities on 28 March 2018.

2 APRIL 2018

Hibiscus Petroleum announced that the conditions precedent to the North Sabah Acquisition had been fulfilled on 31 March 2018. On the same day, SEA Hibiscus assumed operatorship of the PSC.

CALENDAR OF EVENTS

28 MAY 2018

Hibiscus Petroleum announced a PAT for the nine-month period ended 31 March 2018 (9M FY2018) of RM105 million, up 8% from RM97.4 million achieved in the corresponding period ended 31 March 2017 (9M FY2017). The Company and its subsidiaries (Group) also reported earnings before interest, taxes, depreciation and amortisation (EBITDA) of RM156.9 million for 9M FY2018, an increase of 46% compared to RM107.5 million in 9M FY2017.

23 AUGUST 2018

Hibiscus Petroleum announced that the estimated 2P Reserves of oil and gas of the Anasuria Cluster, net to its wholly-owned subsidiary, AHUK, stood at 24.4 MMbbls and 17.5 billion standard cubic feet (bscf), respectively, as of 1 July 2018. The update, based on a reserves report (Reserves Report) issued by LEAP Energy Partners Sdn Bhd, which was commissioned to acquire an independent evaluation of in-place and recoverable hydrocarbons.

29 AUGUST 2018

Hibiscus Petroleum announced that it recorded a tenth consecutive quarter of profitability for the fourth quarter ended 30 June 2018 (4Q2018). Fair value gains from its newly acquired North Sabah asset also lifted full year (FY2018) Group PAT by 92% to RM203.7 million (FY2017: RM106.1 million) and EBITDA by 114% to RM334.1 million (FY2017: RM156.5 million), respectively.

3 SEPTEMBER 2018

Hibiscus Petroleum announced that the GUA-P2 side-track (P2-ST) well, located in the Guillemot A field of the Anasuria Cluster and targeting untapped volumes of oil in the Forties reservoir, had been drilled and completed using the West Phoenix semi-submersible drilling rig. During the clean-up and flowback phase of the P2-ST programme, the well achieved a stabilised gross production flow rate to the Anasuria Floating Production Storage and Offloading (FPSO) of 4,750 barrels of oil per day (2,375 barrels of oil per day, net to the Group).

9 OCTOBER 2018

Hibiscus Petroleum announced that AHUK had entered into a conditional sale and purchase agreement with Caldera Petroleum (UK) Ltd to acquire a 50% interest in the United Kingdom Continental Shelf Petroleum Production Licence No. P.198 Block 15/13a and Block 15/13b in the UK Central North Sea (Proposed Acquisition). The Proposed Acquisition increases the Group's 2C Oil Resources by 30 million barrels to 68.5 million barrels.

17 OCTOBER 2018

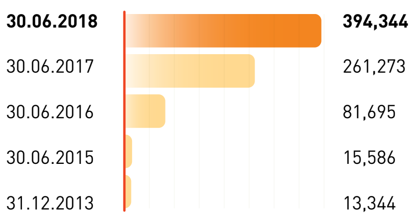
Hibiscus Petroleum announced the completion of the Proposed Acquisition, increasing its footprint in the UK to include a 50% interest in two discovered oilfields in Production Licence No. P.198 in the UK Central North Sea.

FINANCIAL HIGHLIGHTS

	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2015 RM'000	31.12.2013 RM'000
Revenue	394,344	261,273	81,695	15,586	13,344
Profit/(loss) after taxation	203,712	106,097	(59,960)	(74,216)	12,135
Total assets	1,973,965	1,319,586	1,269,167	551,037	388,662
Shareholders' equity	995,790	742,362	584,259	511,737	370,135
Net assets per share	RM0.63	RM0.51	RM0.45	RM0.55	RM0.73
Basic earnings/(loss) per share	13.19 sen	7.51 sen	(5.66 sen)	(9.68 sen)	2.63 sen

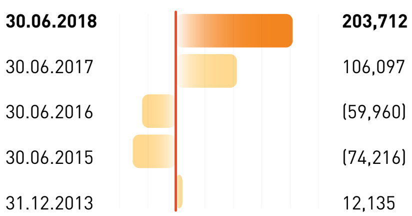
+50.9%[1]

REVENUE
(RM'000)



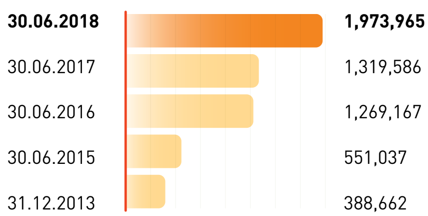
+92.0%[1]

PROFIT/(LOSS) AFTER TAXATION
(RM'000)



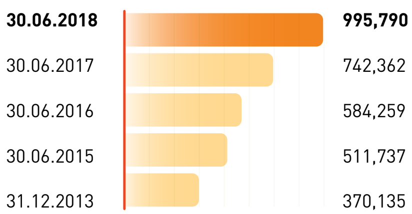
+49.6%[2]

TOTAL ASSETS
(RM'000)



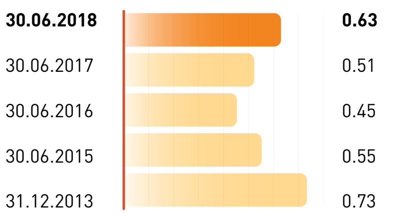
+34.1%[2]

SHAREHOLDERS' EQUITY
(RM'000)



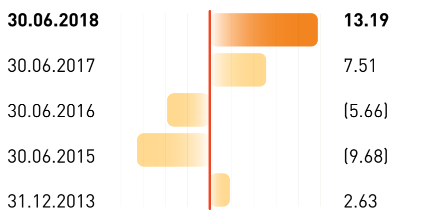
+23.5%[2]

NET ASSETS PER SHARE
(RM)



+75.6%[1]

BASIC EARNINGS/(LOSS) PER SHARE
(sen)



Notes:

[1] : Financial year ended 30 June 2018 versus financial year ended 30 June 2017.

[2] : As at 30 June 2018 versus as at 30 June 2017.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Dr Kenneth Gerard Pereira
Managing Director

Dato' Roushan Arumugam
Independent Non-Executive Director

Thomas Michael Taylor
Senior Independent Non-Executive Director

Dato' Dr Zaha Rina Zahari
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Thomas Michael Taylor
Chair

Zainul Rahim bin Mohd Zain
Member

Dato' Dr Zaha Rina Zahari
Member

NOMINATING COMMITTEE

Dato' Dr Zaha Rina Zahari
Chair

Zainul Rahim bin Mohd Zain
Member

Dato' Roushan Arumugam
Member

Thomas Michael Taylor
Member

REMUNERATION COMMITTEE

Dato' Roushan Arumugam
Chair

Zainul Rahim bin Mohd Zain
Member

Thomas Michael Taylor
Member

COMPANY SECRETARIES

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

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

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

AUDITORS

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF1146)
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur
Tel: +603-2173 1188
Fax: +603-2173 1288

STOCK EXCHANGE LISTING

The Main Market of Bursa Malaysia Securities Berhad
Stock Name: HIBISCS
Stock Code: 5199
Sector: Energy
Sub-sector: Oil & Gas Producers

SHARE REGISTRAR

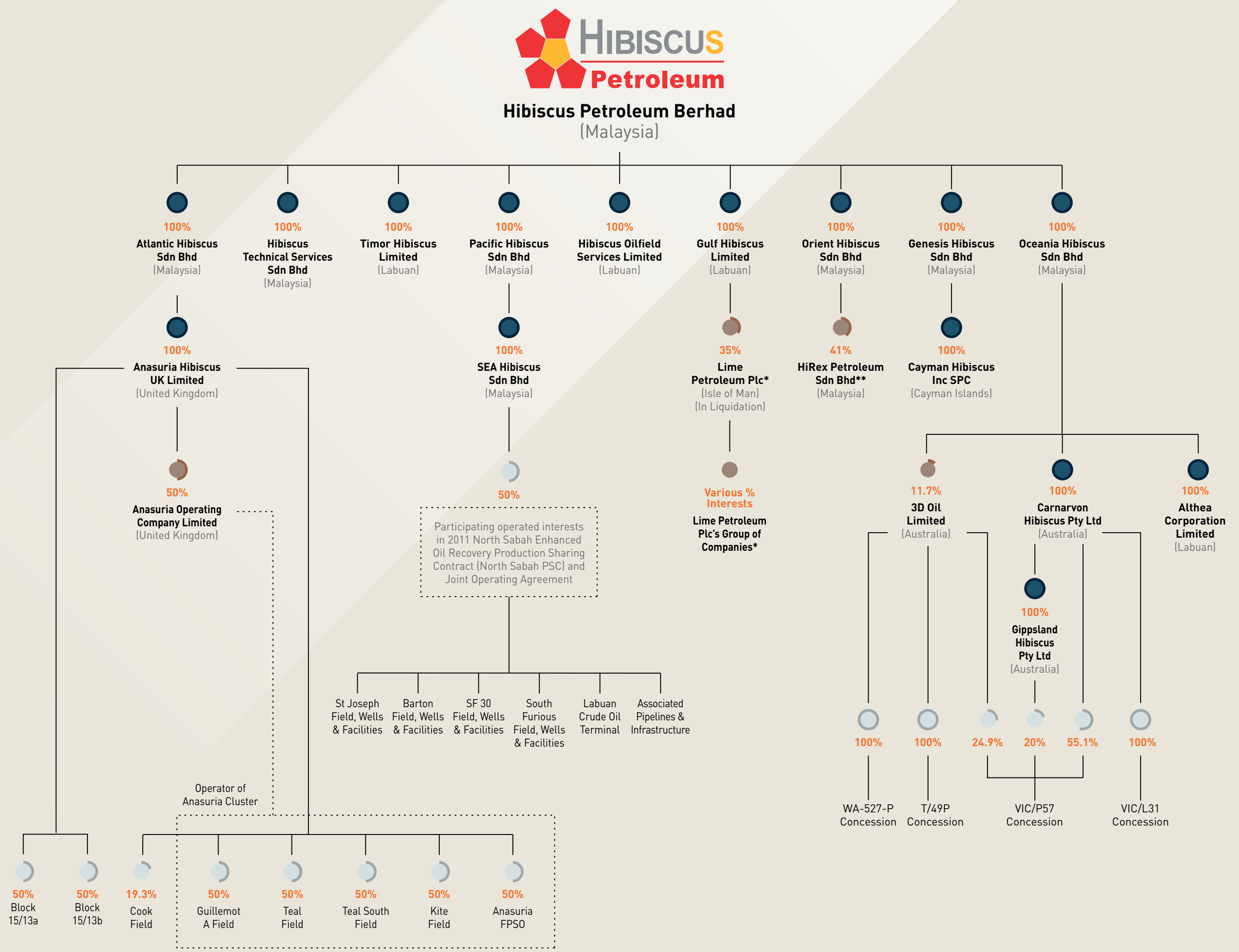
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel: +603-2783 9299
Fax: +603-2783 9222

PRINCIPAL BANKERS

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

CORPORATE STRUCTURE

(AS AT 17 OCTOBER 2018)



Notes:

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

** Subject to winding-up proceedings.

Upskilling our Team

The integration of North Sabah PSC employees into Hibiscus Petroleum has strengthened our technical and operational capabilities. The influx of talent will increase our institutional knowledge over time through the skills transfer between the personnel of our two operational assets, positioning us to better capitalise on future growth opportunities.

BOARD OF DIRECTORS
(AS AT 9 OCTOBER 2018)

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

Nationality	Age/Gender	Date appointed to Board
Malaysian	65/Male	14 December 2010

Date of Last Re-election
6 December 2016

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):
- Chairman, Cenergi SEA Sdn Bhd
- Chairman, Malaysian Dutch Business Council

Work Experience and/or Past Directorship(s) and/or Appointment(s):
- 40 years of experience in the oil & gas exploration and production (E&P) industry
- Adviser, Sime Darby Energy & Utilities Division
- Director, Bank Pembangunan Malaysia Berhad
- Director, Petronas Carigali Sdn Bhd
- Director, redT Energy Plc
- Director, UKM Holdings Sdn Bhd
- 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	60/Male	13 September 2010

Date of Last Re-election
5 December 2017

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

Work Experience and/or Past Directorship(s) and/or Appointment(s):
- 30 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	46/Male	25 July 2011

Date of Last Re-election
5 December 2017

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:
- Chair, 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 Advisory Board of Oakhouse Partners

Work 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

THOMAS MICHAEL TAYLOR
Senior Independent Non-Executive Director

Nationality	Age/Gender	Date appointed to Board
British	62/Male	1 August 2016

Date of Last Re-election
6 December 2016

Academic/Professional Qualification(s):
- MA, Engineering, University of Cambridge, United Kingdom
- Member of the Chartered Institute of Management Accountant

Membership on the Board Committees:
- Chair, Audit and Risk Management Committee
- Member, Nominating Committee
- Member, Remuneration Committee

Present Directorship(s) in other companies:
Listed Entity: Nil
Other Public Companies: Nil

Work Experience and/or Past Directorship(s) and/or Appointment(s):
- 30 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

BOARD OF DIRECTORS

(AS AT 9 OCTOBER 2018)

DATO' DR ZAHA RINA ZAHARI

Independent Non-Executive Director

Nationality	Age/Gender	Date appointed to Board
Malaysian	56/Female	15 September 2017

Date of Last Re-election
5 December 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

Membership on the Board Committee:
- Chair, Nominating Committee

Present Directorship(s) in other companies:
Listed Entity:
- Chairman, Manulife Holdings Berhad
- Director, Hong Leong Industries Berhad
- Director, Pacific & Orient Berhad
- Director, IGB Berhad

Other Public Companies:
- Director, Pacific & Orient Insurance Co Bhd

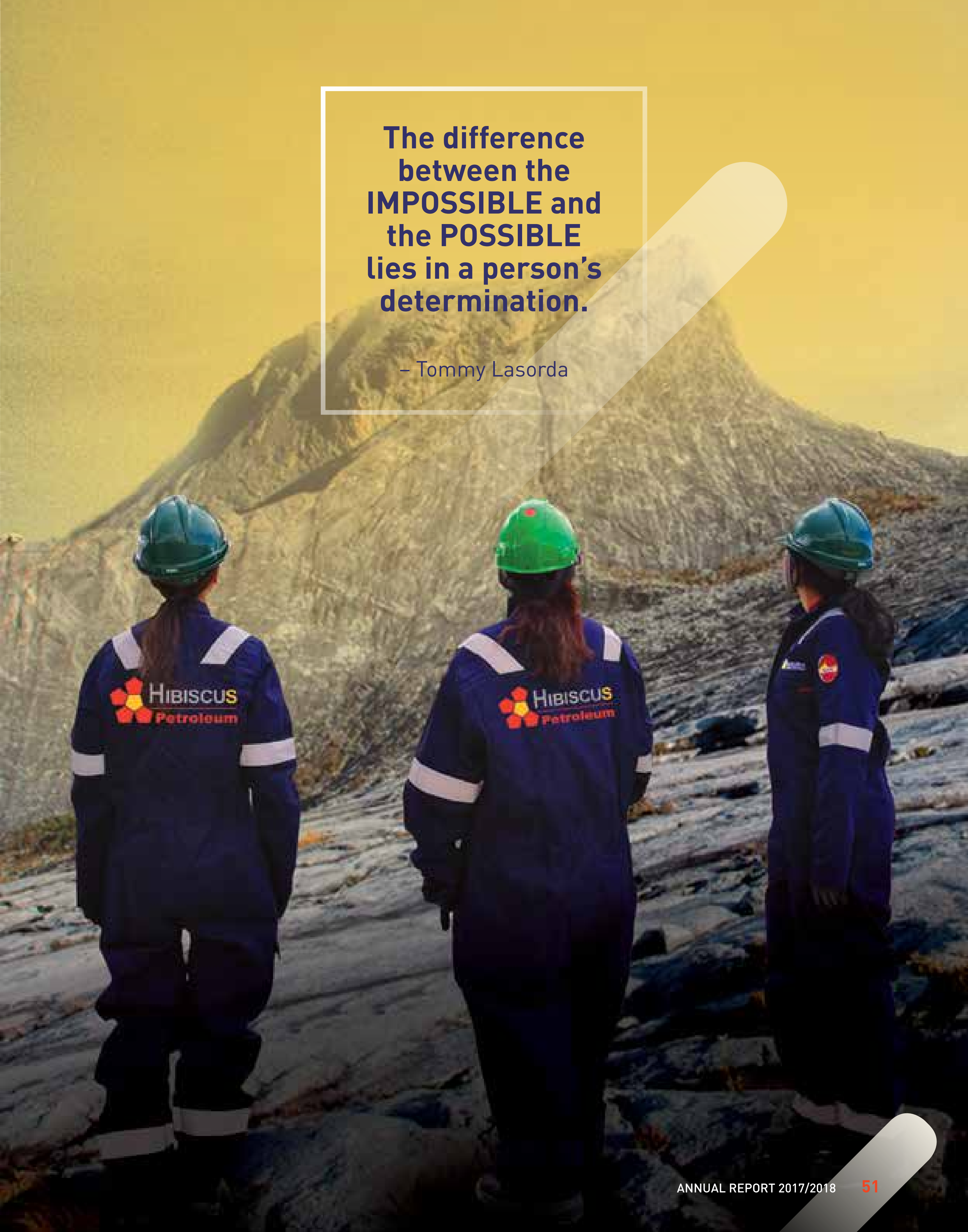
Present Appointment(s):
- Director, Sage 3 Capital Sdn Bhd
- Director, FWU Malaysia Sdn Bhd
- Director, L'Oreal Malaysia Sdn Bhd
- Director, Sri Communications Sdn Bhd
- Director, Pacific & Orient Properties Limited
- Market Participants Committee (MPC) of Bursa Malaysia Bhd

Work Experience and/or Past Directorship(s) and/or Appointment(s):
- 26 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
- Licenced 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 InternationalAssurance Ltd
- Board Member, Trustee for Malaysia AIDS Foundation

Declarations:

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 (Hibiscus Petroleum).
2. **Conflict of Interest**
   None of the Directors has any conflict of interest with Hibiscus Petroleum.
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 body* during the financial year ended 30 June 2018.
5. **Attendance at Board Meetings**
   The details of attendance of each Director at Board Meetings are set out on page 68 of this Annual Report 2017/2018.

Note:
* Regulatory bodies refers to any regulator that regulates Hibiscus Petroleum or its subsidiaries or any authority or organisation which regulates the business activity of Hibiscus Petroleum or its subsidiaries. This includes Bursa Malaysia Securities Berhad, the Securities Commission of Malaysia, Bank Negara Malaysia, the Companies Commission of Malaysia, the Employees Provident Fund, the Inland Revenue Board, the Department of Environment and the local municipal councils, amongst others.



The difference between the IMPOSSIBLE and the POSSIBLE lies in a person's determination.

– Tommy Lasorda

LEADERSHIP TEAM AND TECHNICAL EXPERTS

(AS AT 9 OCTOBER 2018)

DR KENNETH GERARD PEREIRA

Managing Director

Please refer to page 48 of this Annual Report 2017/2018.

MARK JOHN PATON

Chief Operating Officer

Nationality
British and Australian

Age/Gender
59/Male

Date appointed to the current designation: 1 December 2017

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

Working Experience:
- Joined Hibiscus Petroleum Berhad (Hibiscus Petroleum) in March 2013.
- Has over 38 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

Nationality
Malaysian

Age/Gender
61/Male

Date appointed to the current designation: 7 March 2017

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

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.

DR PASCAL HOS

Chief Executive Officer,
SEA Hibiscus Sdn Bhd (SEA Hibiscus)

Nationality Dutch

Age/Gender 47/Male

Date appointed to the current designation: 28 September 2017

Qualifications:

- PhD in Mechanical Engineering, Rice University, Texas, United States of America (USA)
- B.Sc in Mechanical Engineering, Rice University, Texas, USA

Working Experience:

- Joined 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 18 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.

CHONG CHEE SEONG

Chief Operating Officer,
SEA Hibiscus

Nationality Malaysian

Age/Gender 41/Male

Date appointed to the current designation: 1 December 2017

Qualifications:

- Master in Mechanical Engineering, Cambridge University, UK
- Master of Arts in Engineering, Cambridge University, UK

Working Experience:

- Joined Hibiscus Petroleum in December 2017.
- Has over 17 years work experience in the oil & gas industry.
- Joined ExxonMobil Exploration & Production Malaysia Inc in 2001 in the Development Projects Department as a Mechanical Engineer and subsequently transitioned through various technical and leadership roles, including assignments in Reservoir Engineering, Production Planning, Operations and Integrity Management.
- Previously worked at Newfield Malaysia (later acquired by Sapura Energy) initially as Business Planning Manager, subsequently assuming technical and operations responsibilities for the company's crude oil Production Sharing Contracts (PSCs) as its Oil Assets Manager.

DAVID JAYAKUMAR RICHARDS

Head of Geoscience and Subsurface,
SEA Hibiscus

Nationality Malaysian

Age/Gender 55/Male

Date appointed to the current designation: 1 January 2018

Qualifications:

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

Working Experience:

- Joined Hibiscus Petroleum in October 2011.
- Has over 29 years of experience as Petroleum Geoscientist in oil and gas exploration, development and production activities.
- Position prior to joining Hibiscus Petroleum was as Senior Geologist with Newfield Sarawak Malaysia Inc.

LEADERSHIP TEAM AND TECHNICAL EXPERTS

DEVARAJAN INDRAN

Chief Executive Officer,
Anasuria Operating Company Limited

Nationality Malaysian

Age/Gender 52/Male

Date appointed to the current designation: 1 January 2018

Qualifications:

- B. Petroleum Engineering, Universiti Teknologi Malaysia

Working Experience:

- Joined Hibiscus Petroleum in November 2014.
- Has over 27 years of experience in the upstream oil and gas industry with specific expertise in Production Technology and Production Optimisation.
- Has worked for Petronas Carigali, Shell, PTTEP and Petrofac prior to joining Hibiscus Petroleum.

YIP CHEE YEONG

VP Finance and Group Controller

Nationality Malaysian

Age/Gender 44/Male

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, UK
- Association of Chartered Certified Accountants, UK
- Bachelor of Arts (Honours) in Accounting and Finance, Middlesex University, London, UK

Working Experience:

- Joined Hibiscus Petroleum in November 2013.
- Has over 24 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, responsible for company-wide financial management and was a key member of the senior management team.

CATHERINE CHOW

VP Treasury

Nationality Malaysian

Age/Gender 55/Female

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 28 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.

UDAY JAYARAM

VP Corporate Development

Nationality
Malaysian

Age/Gender
50/Male

Date appointed to the current designation: 1 April 2018

Qualifications:

- B.Sc (Honours) in Economics majoring in Accounting and Finance, London School of Economics, UK
- Chartered Accountant, Institute of Chartered Accountants of England and Wales.

Working Experience:

- Has 25 years' experience covering the fields of audit, management consultancy, equities research, institutional sales, capital markets and stock exchange business.
- Began his career with Ernst & Young, London in 1990. Audited several large public limited companies including HSBC Bank, British Airways, ABB Group and IKEA. Also worked in Kazakhstan undertaking a banking diagnostic study for the World Bank.
- Worked at Deutsche Morgan Grenfell, CIMB and ING Financial Markets in equities research moving to become Head of Equity and Division Director from 2005 - 2009 at Macquarie Capital Securities.
- Joined Bursa Malaysia Berhad as Global Head of Securities Markets in 2010 responsible for developing the securities markets business of the stock exchange. Served as a member of Bursa's Market Participants Committee and was Chairman of the FTSE Bursa Index Advisory Committee.

VIVIAN PHANG MUN YEE

Senior General Manager, HR and Administration

Nationality
Malaysian

Age/Gender
49/Female

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:

- Joined Hibiscus Petroleum in January 2015.
- Has 25 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.

SYARIFAH ALIZA SYED AZAUDDIN

Senior General Manager, Corporate Finance, Secretarial & Regulatory Compliance

Nationality
Malaysian

Age/Gender
43/Female

Date appointed to the current designation: 1 June 2018

Qualifications:

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

Working Experience:

- Joined Hibiscus Petroleum in September 2011.
- Has 22 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.

LEADERSHIP TEAM AND TECHNICAL EXPERTS

JOEL SHENG

Head, Information Technology & Information Management

Nationality
Malaysian

Age/Gender
47/Male

Date appointed to the current designation: 1 July 2018

Qualifications:

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

Working Experience:

- Joined Hibiscus Petroleum in July 2012.
- Has 26 years of experience in Information Technology and Information Management.
- Previously worked at SapuraAcergy Sdn Bhd as Project Document Control Manager.

DEEPAK THAKUR, CFA

Group Petroleum Economist and UK JV Asset Manager

Nationality
Indian

Age/Gender
36/Male

Date appointed to the current designation: 1 January 2018

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 11 years of experience in the 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 Programme (BLP), Morgan Stanley and Prize Petroleum Ltd in India on multiple oil and gas opportunities based in Africa and the Indian subcontinent.

JENNY POH

Deputy General Manager, Corporate Secretarial

Nationality
Malaysian

Age/Gender
46/Female

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 22 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

Nationality
Malaysian

Age/Gender
44/Female

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 21 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.

Declarations:

1. **Family Relationship with Director and/or Major Shareholder**
   None of the Leadership Team and Technical Experts have any family relationship with any Director and/or major shareholder of Hibiscus Petroleum Berhad (Hibiscus Petroleum)

2. **Conflict of Interest**
   None of the Leadership Team and Technical Experts have any conflict of interest with Hibiscus Petroleum

3. **Conviction of Offences**
   None of the Leadership Team and Technical Experts have been convicted for offences within the past 5 years other than traffic offences, if any.

4. **Public Sanction/Penalty**
   None of the Leadership Team and Technical Experts have any public sanction or penalty imposed on them by any regulatory body* during the financial year ended 30 June 2018.

5. **Directorship in Public Companies and Listed Issuers**
   None of the Leadership Team and Technical Experts have any directorship in public companies and listed issuers, save for Mark John Paton who is a director of AusTex Oil Limited (listed public company trading on the Australian Securities Exchange).

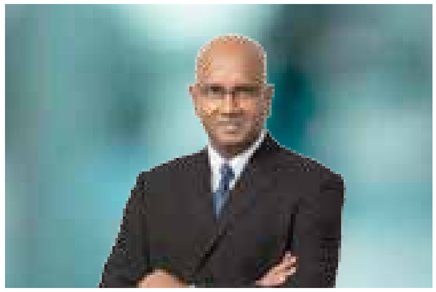
Note:

* Regulatory bodies refer to any regulator that regulates Hibiscus Petroleum or its subsidiaries or any authority or organisation which regulates the business activity of Hibiscus Petroleum or its subsidiaries. This includes Bursa Malaysia Securities Berhad, the Securities Commission of Malaysia, Bank Negara Malaysia, the Companies Commission of Malaysia, the Employees Provident Fund, the Inland Revenue Board, the Department of Environment and the local municipal councils, amongst others.

SEA HIBISCUS MANAGEMENT TEAM

DR PASCAL HOS
Chief Executive Officer

CHONG CHEE SEONG
Chief Operating Officer



DAVID JAYAKUMAR RICHARDS
Head of Geoscience & Subsurface

MICHAEL ANTHONY FOX
Operational Improvement Lead

EDMUND ANG
Operations Manager

DR ADRIAN TAN
Manager, Engineering

NOR AINA AHMAD
Logistics Manager

ANWAR HISHAM ZAINAL ANUAR
Acting Drilling Manager

NURASHIKHIN MD SHARIF
Head, Human Resources

NG KOK KONG
Manager, Finance

MUHAMAD HER NASIR
Head, Contracts & Procurement

ALAN TOH
Manager, Business Planning

MOHAMED HANIF ABDUL HAMID
Head, Commercial & Strategic Relations

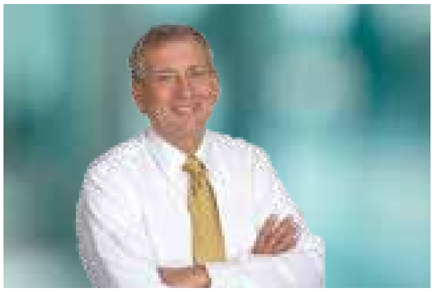
TOH MI CHELE
Legal Counsel

MOHAMMAD HATTA RIZAL MANSOR
Head, Health, Safety, Security & Environment

ANASURIA MANAGEMENT TEAM

DEVARAJAN INDRAN

Chief Executive Officer
Anasuria Operating Company Limited



JAMES FRANCIS EISTERHOLD

Advisor
Anasuria Operating Company Limited

DEEPAK THAKUR

UK JV Asset Manager

GOLOKAVASINI RAVI PILLAI

UK JV Asset Co-ordinator

YEE SHEN YANN

Senior Finance Executive
Anasuria Operating Company Limited

"Good governance, safety, a chance to grow economically and professionally - those are important things."

– Dana Perino

Upholding our Safety Standard

ds

We continue to maintain an accident- and incident-free track record in all our operations. In 2017, our team on the Anasuria FPSO was awarded the Order of Distinction from the Royal Society for the Prevention of Accidents, UK, for nineteen consecutive annual gold awards. Meanwhile, our team on the St Joseph Platform of our North Sabah PSC was awarded the MSOSH OSH Gold Class 1 Award by the Malaysian Society for Occupational Safety and Health.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The Corporate Governance Overview Statement (Statement) provides an overview of the corporate governance (CG) practices of the Company under the leadership of the Board during the financial year ended 30 June 2018.

This Statement is prepared in compliance with Bursa Malaysia Securities Berhad's (Bursa Securities) Main Market Listing Requirements (MMLR)[1] and is to be read together with the CG Report for the financial year ended 30 June 2018 of the Company (CG Report) which is available on Hibiscus Petroleum's website (http://www.hibiscuspetroleum.com)

The CG Report provides the details on how the Company has applied each Practice as set out in the Malaysian Code of Corporate Governance during the financial year ended 30 June 2018.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board Responsibilities

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 mitigated by leveraging on the Management's knowledge and experience.

Note

[1] Compliance with paragraph 15.08A(3) and 15.25 as well as Practice Note 9 of MMLR on the preparation of Nominating Committee statement and Disclosure of CG related information.

In order to ensure orderly and effective discharge of the above functions and responsibilities of the Board, the Board has established three Board Committees namely; the Audit and Risk Management Committee (ARMC), the Nominating Committee (NC) and the Remuneration Committee (RC). The Board Committees review in detail, 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 as well as by the briefings given by the Chair of the respective Board Committees on key matters discussed within their respective committees.

STAKEHOLDERS

BOARD OF DIRECTORS

- Provides strategic leadership necessary to enable the Group's business objectives to be met within a framework of internal controls
- Ensures that the interest of the stakeholders are safeguarded
- Responsible for overseeing the management and business affairs and makes all the policy decisions of the Group

ARMC
Monitors integrity of financial statements, risk management and internal controls and effectiveness of external and internal audit processes

NC
Ensures that the Group adheres to corporate governance best practices and reviews Board composition, skills and mix

RC
Ensures that the remuneration strategy and policy, for the Non-Executive Directors (NEDs), Managing Director (MD) and Senior Management are aligned to the business and interest of the stakeholders

MD

- Has the overall responsibility over day-to-day operations and management
- Ensures organisational effectiveness and implementation of Board policies, strategies and decisions
- Responsible for providing leadership to Management and advancing relationships with regulators
- Accountable to the Board and reports to the Board at every Board meeting and on material issues, as and when required

LEADERSHIP TEAM & TECHNICAL EXPERTS

Assist the MD to manage the business on a day-to-day basis

CORPORATE GOVERNANCE OVERVIEW STATEMENT

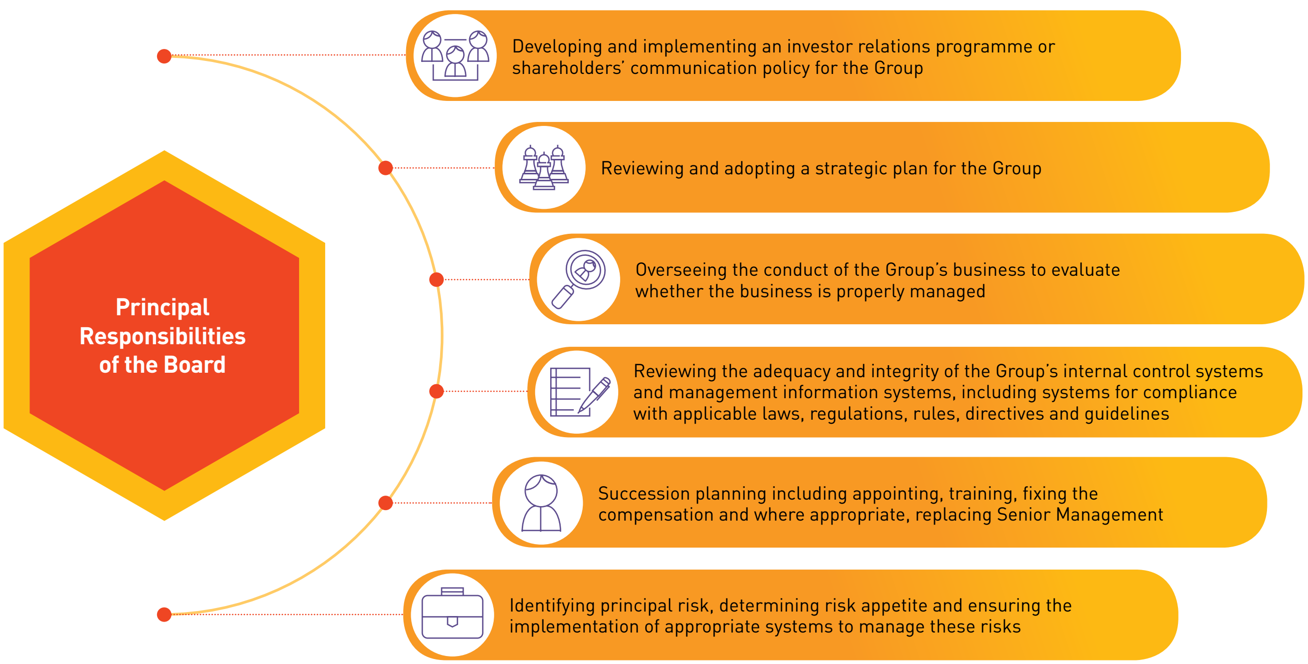
The Board has a wide range of responsibilities, which are discharged in the best interest of the Company in pursuance of its business objectives. The Board plays an active role guiding the strategic direction, supervising Management, reviewing performance and determining business risk parameters. The 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 and the 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:

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 MD. The delegation of authority to the Board Committees and the MD 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 MD, strategic business plans and annual budgets, 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 persons authorised to approve the various decisions to be taken.

Additionally, Hibiscus Petroleum has in place a Code of Conduct and Ethics, a Whistle Blower Policy and an Health, Safety, Security and Environment (HSSE) Policy. This is to ensure that good standards of behaviour and professionalism permeate throughout all levels of the Group. They also facilitate efforts to prevent misconduct and promote ethical practices and consequently, support the delivery of a long-term sustainable success for the Company. Further details of the Board Charter, Code of Conduct and Ethics and HSSE policy are set out in the CG Report, and these documents can be found on Hibiscus Petroleum's website:

http://www.hibiscuspetroleum.com/corporate-governance

The Board Members have full access to two (2) Company Secretaries who provide advisory services to the Board, particularly on matters relating to the constitution of the Company, facilitating compliance with the listing requirements and the relevant legislation. 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.

2. Board Composition

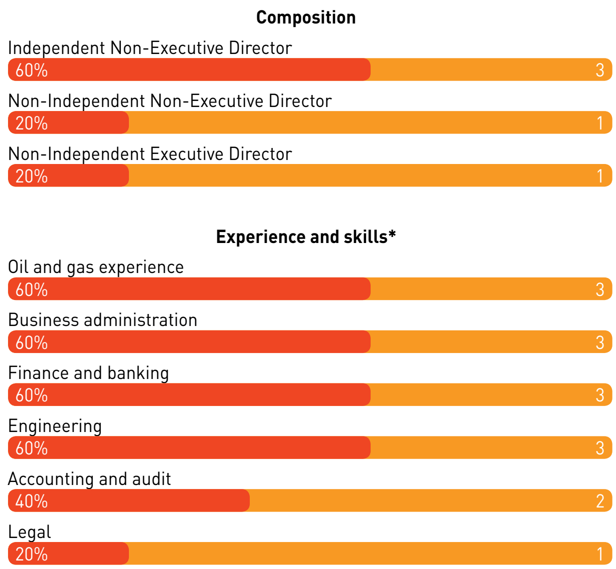
The Board recognises the benefits of having a diverse Board to ensure that the mix and profiles of the Board members in terms of age, ethnicity, gender, skillset and professional background provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management. The Board believes that a truly diverse and inclusive Board will leverage the differences in thought process, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age, ethnicity and gender, which ensures that Hibiscus Petroleum retains its competitive advantage.

In this regard, the Board through its NC conducts an annual review of its size and composition to determine if the Board is the right size and sufficient diversity with independence elements that fit the Company's objectives and strategic goals. The Board has in place a policy which limits the tenure of the Independent NEDs of the Company to nine (9) years or a cumulative period of nine (9) years with intervals, with the view to enable the Board to continuously maintain its objectivity and effectiveness. The above policy is currently set out in the Directors' Assessment Policy. The Board also has in place a Diversity Policy, which sets out that it is the Board's intention of having at least a 30% representation of women directors on the Board.

Our NC conducts an annual review of the board size and composition. During the financial year ended 30 June 2018, the Board reduced in size on 17 October 2017 from six (6) members to five (5) members. For the duration of approximately one (1) month in 2017 (from September 2017 to October 2017), there was 33.33% women representation on the Board, but this percentage reduced to 20% in October 2017. Since October 2017, the NC has actively carried out a Board selection and recruitment exercise to achieve an optimum size with balanced diversity, while aiming to achieve its target of at least 30% women representation on the Board. However, to-date, no additional directors have been added.

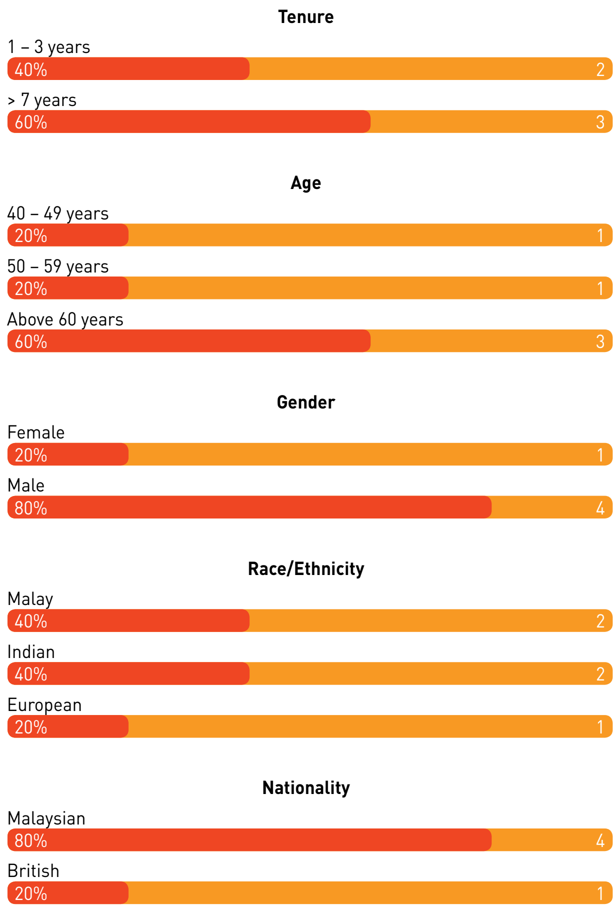
The diversity in the skills, experience, age, race/ethnicity (cultural background) and nationality of the existing Board are shown below:

Board Diversity



* *Individual Directors may fall into one or more categories*

CORPORATE GOVERNANCE OVERVIEW STATEMENT



The Board annually assesses the effectiveness of the Board as a whole, with the Board Committees and Directors evaluated individually through the NC. The NC has engaged Boardroom Corporate Services (KL) Sdn Bhd to facilitate the annual assessment for the financial year ended 30 June 2018. Based on the findings from the annual assessment for financial year ended 30 June 2018, our Board and Board Committees have discharged their roles and responsibilities in accordance with their respective charters.

Specific disclosures on the activities of the NC (including training attended by the Directors) are provided in the NC Report on page 84, and in the CG Report available on Hibiscus Petroleum's website.

A total of eleven Board Meetings and six ARMC meetings were held during the financial year ended 30 June 2018.

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

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

Name	Board	ARMC	NC	RC
Number of meetings held during the financial year ended 30 June 2018	11	6	5	4
Zainul Rahim bin Mohd Zain	11/11	6/6	5/5	4/4
Dr Kenneth Gerard Pereira	11/11	n/a	n/a	n/a
Dato' Roushan Arumugam	10/11	n/a	4/5	3/4
Sara Murtadha Jaffar Sulaiman[1]	2/3	2/2	n/a	n/a
Thomas Michael Taylor	11/11	6/6	5/5	4/4
Dato' Dr Zaha Rina Zahari[2]	10/10	4/4	n/a	n/a

Notes:
1 Resigned 17 October 2017.
2 Appointed to the Board on 15 September 2017. She was subsequently appointed as the Chair of the NC on 30 May 2018.
n/a Not applicable.

3. Remuneration

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. This component of the policy is now irrelevant as Company is in the post-qualifying acquisition, producing (profitable) and growing phase of its lifecycle. As the Group is currently profitable and relatively strong cashflows are fuelling growth opportunities (both organic and through acquisition, all of which have to be reviewed in detail by Board members), 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 NEDs 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 (Act), the Company is seeking shareholders' approval for the payment of Directors' fees and the meeting allowances to the NEDs from 5 December 2018 and up to the date of the next Annual General Meeting (AGM) of the Company to be held in 2019, 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 the performance of their duties. This includes, but is not limited to, travel and accommodation.

The disclosure of the detailed remuneration of the NEDs for the financial year ended 30 June 2018 and meeting allowances for the same period is provided in the CG Report.

MD's Remuneration

The MD 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.

The breakdown of the MD's remuneration can also be referred to in the Audited Financial Statements on page 191.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

1. ARMC

The ARMC of the Company comprises three (3) members who are all NEDs, with a majority of them being Independent NEDs, in compliance with Paragraph 15.09(1) of the MMLR. The ARMC is chaired by Mr Thomas Michael Taylor, who is also the Senior Independent NED. Annually, the composition of the ARMC is reviewed by the NC and recommended to the Board for approval. With the view to maintain an independent and effective ARMC, the NC ensures that only a NED who is financially competent, possess the appropriate level of expertise and experience and has strong understanding of the Company's business is considered for membership in the ARMC.

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 Act in Malaysia.

The ARMC members 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 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.

In the annual assessment on the suitability, objectivity and independence of the external auditors, the ARMC is guided by the factors as prescribed under Paragraph 15.21 of the MMLR as well as the External Auditor Independence Policy which was approved by the Board on 12 February 2014.

2. Risk Management and Internal Control Framework

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 has been reviewed by the external auditors, is set out on pages 91 to 96 of this Annual 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.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

1. Communication with Stakeholders

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

public. We have enhanced a process for the preparation of announcements to Bursa Securities, which is coordinated between the Corporate Finance, Company Secretarial, 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 MD is obtained.

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, quarterly reports, notice of general meetings, investor briefing slides, press releases, public announcements and responses to frequently asked questions, amongst others. There are also dedicated sections on corporate governance and financial results.

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 better appreciation of our activities and further allows our business and its prospects to be better understood and evaluated 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.

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

If required, queries or concerns may be directed to the Board through the Chair or the Senior Independent NED:

Encik Zainul Rahim bin Mohd Zain
(Chair)
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

2. Conduct of General Meetings

The Company's AGM is an important means of communicating with its shareholders. To ensure effective participation of and engagement with shareholders at the 7th AGM of the Company held on 5 December 2017, all members of the Board were present at the meeting to respond to the questions raised by the shareholders or proxies. The Chair of the Board conducted the 7th AGM in an orderly manner and allowed the shareholders or proxies to speak at the meeting. The MD presented to the meeting the overall performance of the Company. The Senior Management of the Company were also present to respond to any enquiries from the shareholders. In line with good CG practice, the notice of the 7th AGM was issued at least 28 days before the AGM date.

The voting at the 7th AGM was conducted through electronic voting system. The Company continues to explore the leveraging of technology, to enhance the quality of the engagement with its shareholders and facilitate further participation by shareholders at AGMs of the Company.

The Board is pleased to report that the Group has been, and is continuously committed to, operating within its established governance framework which has been designed to foster transparency, integrity and good standards of behaviour of all personnel within the Group.

As part of efforts to further strengthen the governance establishment within the Group, future considerations for improvement which are being considered include integrating associated responsibilities in one document to facilitate reference such as inclusion of the Company Secretaries' roles and responsibilities into the Board Charter (although this is currently reflected in their terms of engagement), and reviewing the need for more specific guidelines for certain areas, instead of overview principle-based ones, to further tighten and streamline the behaviour of personnel within the operating environment of the Group.

This CG Overview Statement was approved by the Board on 9 October 2018.

SUSTAINABILITY STATEMENT

Introduction

At Hibiscus Petroleum Berhad (Hibiscus Petroleum or Company), considerations around business sustainability are at the core of how we create and deliver value to all our stakeholders in a responsible manner over the long-term.

Building any business requires investment. Today, to secure investor support, it is not enough to solely deliver a solid financial performance. Informed stakeholders and sophisticated investors have raised the bar and are looking for investable entities that incorporate business sustainability considerations as an integral and critical component of their operating model. Hence, a company today is also assessed on:

- how its activities touch the environment and what it is doing to mitigate any negative impact;
- what it is returning to society at large, particularly to those communities that contribute to its business success;
- how it provides and maintains a safe working space for its employees, service providers and suppliers; and
- how it governs its activities coupled with the degree of transparency in its reporting.

In summary, it is not solely what you deliver that counts; how you deliver it, is also extremely critical.

Our Approach to Business Sustainability Considerations

Our vision is clear. Our long-term intention is to be a **respected** and **valuable** independent oil and gas exploration and production company. Two key words included in our vision statement drive the business sustainability agenda in our organisation;

- Respected: To be a respected player in our industry requires recognition of our technical proficiency and competence, the relentless pursuit of improved safety and operational performance, care for the environment and transparency in the communication of our overall business performance. Furthermore, we need to ensure we conduct our business in an ethical manner, treating all stakeholders respectfully; and
- Valuable: To be a valuable organisation requires that we continuously accrete value for our stakeholders and we are perceived as a contributing member of the community within which we co-exist.

SUSTAINABILITY STATEMENT

We see a comprehension of, and, an alignment to, our vision, as being the first step in the successful implementation of the business sustainability agenda within the management team of our organisation.

Our declared **corporate core values** of being;

- agile;
- tenacious;
- enterprising;
- cost competitive;
- trustworthy;
- people focused; and
- environmentally conscious

are also all elements of a wider sustainability framework that we use in the planning and conduct of our business.

Across our portfolio of assets, we apply our Business Sustainability Principles in the day-to-day management of our operations. These principles are itemized in Figure 1.

As an organisation, we are driven by many competing objectives. Corporate commercial targets that are drivers of returns to our shareholders, safety and security for our employees, care for the environment, social responsibilities towards the communities that are close to our operating locations and the legal and statutory obligations we have committed to regulators and host governments are part of a diverse and complex array of requirements which feed into a decision-making process that delivers a financially tangible and perceived valuation that is placed on us by the eco-system relevant to our business.

With this underlying awareness, we have established a robust governance framework to guide us in the management of our business sustainability objectives to ensure cohesiveness with our business strategies, policies and procedures whilst promoting a culture of long-term thinking and sustainability within Hibiscus Petroleum and its subsidiaries (Group).

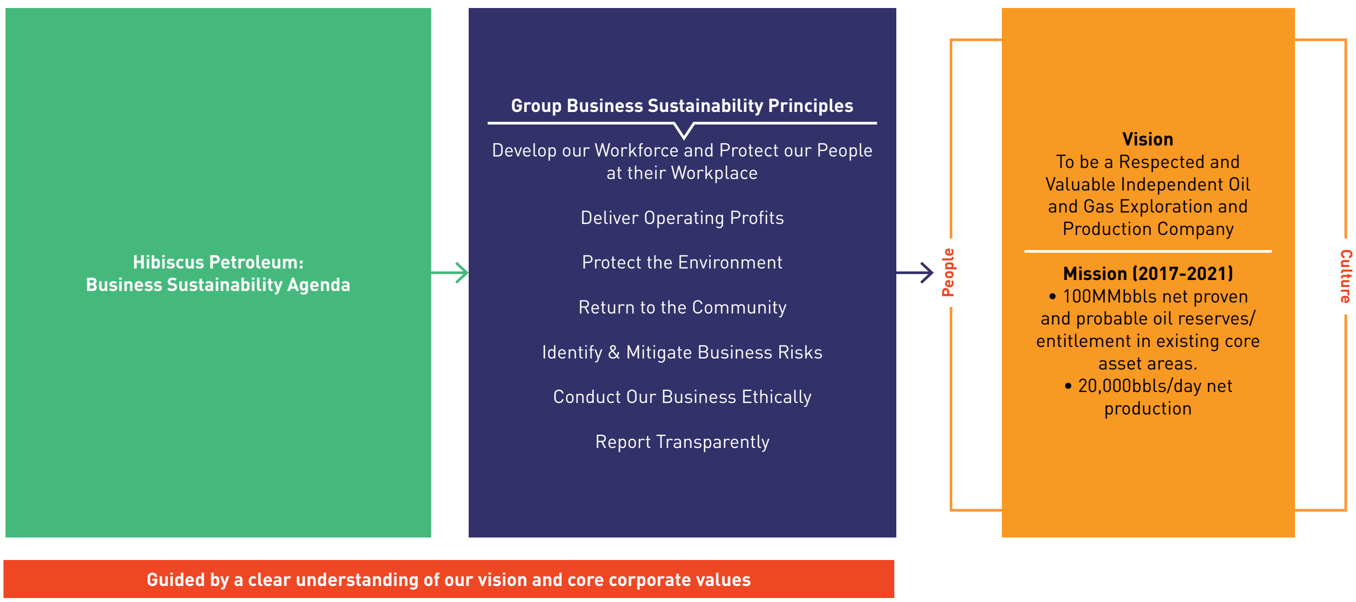


Figure 1: Hibiscus Petroleum – Group Business Sustainability Framework

Business Sustainability Governance Framework

Business sustainability related activities are led by our Managing Director, who is supported by a diverse team within our Group; collectively, our Business Sustainability Management Committee. Varied input from members, with diverse areas of expertise and experience, facilitates a comprehensive approach towards the design of our Business Plan so that it incorporates our Business Sustainability Principles in the primary initiatives that we undertake.

By introducing Business Sustainability Principles within the initiatives of an annual and long-term Business Plan, we are ensuring that the delivery of targets, in accordance with these principles, are captured as part of the key performance indicators which are monitored for each business unit and its leader.

Our Business Sustainability Management Committee meets monthly and one of its key roles is to ensure that all aspects of our activity comply with the guidelines of our Business Sustainability Principles.

Managing Director as Business Sustainability Management Committee Chair

- Charts the development of our Sustainability Strategy after consideration of input from the Business Sustainability Management Committee.
- Approves targets and timelines for implementation.

Business Sustainability Management Committee Members

- Assists the Managing Director drive sustainability through the strategies, policies and programmes planned.
- Promotes sustainability priorities and drives its permeation into the Group culture.

Team Composition

- Corporate Development
- Human Resource & Administration
- Legal
- Risk & Compliance
- Corporate Finance
- Finance
- Commercial & Strategic Relations
- Health, Safety, Security & Environment
- Engineering & Asset Management
- Operations
- Corporate Secretarial

Figure 2: Sustainability Governance in our Group

Business Sustainability Focus Areas

The scope covered in this Sustainability Statement relies on the identification of areas which have the greatest impact on our business continuity.

The methodology or process observed in defining and shaping the sustainability focus comprised:

- Setting the context by reviewing the parameters that impact our operations and the business environment in which we operate.

- Identifying sustainability issues in our sphere of activity and categorising them by materiality, taking into consideration the interest of stakeholders and the potential impact of those interests on our business. This step involved the following:
  - Updating of our 2014 Sustainability Policy;
  - Reviewing our current business strategy;
  - Collating issues highlighted by our various stakeholders and the Group leadership team; and
  - Referencing themes, guidelines and indicators as outlined in Bursa Malaysia Securities Berhad's Sustainability Reporting Guide and Toolkit.

- Review of sustainability issues through discussions and deliberations held by the Business Sustainability Management Committee. In this regard, the ranking of the impact of the respective (arising) issues to our business as well as our ability to address the same, in a manner aligned to our Group's values and goals, were assessed.

- Review of the shortlisted focus areas for engagement and approval by the Chair of the Business Sustainability Management Committee.

SUSTAINABILITY STATEMENT

In the Sustainability Statement section of this Annual Report, we shall cover the following principles:

- How we develop our people and provide them a safe and secure workplace;
- Efforts we make to mitigate any negative impact we may have on the environment; and
- Our corporate social initiatives.

The remaining pillars of our Group Business Sustainability Principles, as shown in Figure 1, are covered in other sections of this Annual Report.

I. Our People as Catalyst of a Sustainable Business

As a relatively young Group with diversified operations across multiple geographies and an ambitious growth plan, we recognise that Human Resources (HR) play a crucial role in driving sustainable business practices at all levels of our operations. Positive HR behaviours in the area of promoting sustainable practices within our business units ultimately enhance long-term shareholder value.

Our people related business sustainability practices are premised upon three fundamentals:

- A vision and mission that creates alignment in how we deliver as a team;
- A leadership cadre that is aligned and resilient towards building a sustainable business; and
- HR policies and practices that encourage individuals to continually acquire expertise and experiences that will deliver the desired outcome for our Group.

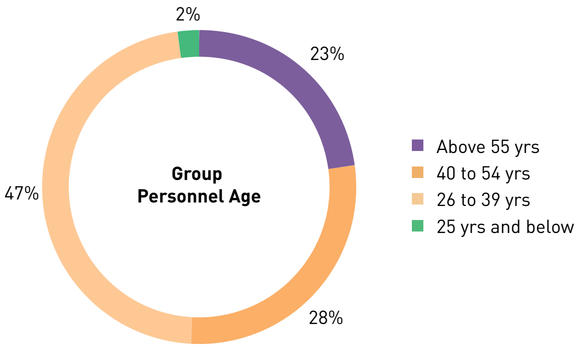
Our vision of becoming a *respected* and *valuable* independent oil and gas exploration and production company is fuelled by the seven corporate core values shown on page 72. These core values define how we work as a team and how we deliver on our commitments to shareholders. We weave and integrate our corporate core values into the way we set our targets, in how we measure our performance, and in our efforts to enhance the expertise and skillsets of our people. Our Performance Management System has also been extended to recognise (not only) an individual's personal performance but also how the individual interacts with the team to achieve common goals. We emphasise the importance of constructive feedback and conversations throughout the year and empower people to deliver on their commitments. Furthermore, we recognise that we are a growing and evolving Group and this means that we also have to revisit our assumptions and sometimes reinvent our methodologies to ensure that they remain valid.

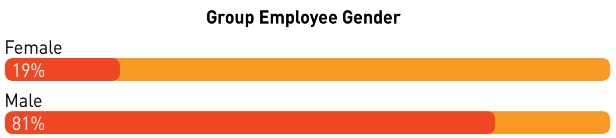
We encourage our people to demonstrate their corporate core values in all that they do. As a young organisation in a competitive, global environment, we question the status quo and challenge norms. Finding a novel solution requires a mindset that is enterprising and innovative. Implementing such an idea requires the agility and tenacity to act as well as the trust of stakeholders, whilst being conscious that no solution has utility if it is not cost competitive, safe and environmentally friendly.

Our leadership team members regularly engage each other and with all personnel levels of our Group through townhall sessions, weekly and monthly meetings and festive celebrations. Most importantly, we celebrate milestones and achievements.

"We weave and integrate our corporate core values into the way we set our targets, in how we measure our performance, and in our efforts to enhance the expertise and skillsets of our people."

As an organisation, we are a melting pot of different nationalities, gender, age-groups, education and experience levels. We embrace our rich diversity which has become a platform for creating a high-performance work culture. We believe that diversity is a contributor of sustainable growth and profitability. Our personnel have an average age of 43 years with a healthy mix across all age groups and various technical backgrounds. Thus, we recognise deep technical experience as one of our primary assets.





We are also preparing our organisation to be future-ready. Since 2016, selected Malaysian engineers, below thirty years of age, have been seconded to our Aberdeen office to work on projects on the Anasuria asset. We selected Anasuria as a learning ground as its location in the North Sea means that the use of leading technologies and methodologies can be observed and learnt. Each secondment lasts approximately four months and during the secondment period, each engineer was assigned challenging projects in the following areas from which they gained invaluable experience:

- HSSE monitoring;
- Production enhancement studies;
- Well test and sampling work; and
- An offshore rotation at the Anasuria Floating, Production, Offtake (FPSO) facility.

Equipped with their learnings and experiences from Anasuria, these engineers are now contributing members of the North Sabah asset team. In the next phase of this programme, key employees recently joining our Group as part of the newly acquired North Sabah asset, will also be given an opportunity to work on projects as part of the Anasuria operations. Using Anasuria as a base, we are creating a platform to share expertise, develop our talent and most significantly, evolve a unified work culture.

Our young engineer Nobil Zulkiflee, on the Anasuria FPSO.

SUSTAINABILITY STATEMENT

II. Health, Safety and Security at Work

Our most important asset is our people. In this respect, Hibiscus Petroleum's total employee size has increased significantly over the 2017/2018 period. In order that we attract the best talent, it is imperative that the health, safety and security considerations of the people who create shareholder value are prioritized by the Company.

Whilst each person is responsible for his or her own personal workplace safety, our obligation as an organisation is to ensure that we do not locate our people in an environment that is inherently hazardous. We have various policies that cover HSS aspects of our business but key amongst them is that we make it a duty for each and every person working in or for our organisation to IMMEDIATELY STOP WORK if they observe an unsafe act or condition that may threaten the health, safety or wellbeing of any person or cause any form of damage to an asset or the environment.

Policies alone are not enough. We also embed safety practices in the performance of our daily activities. Tool Box Meetings and the sharing of Safety Alerts are some of the safety leadership initiatives that we undertake to build employee confidence, public and stakeholder trust and corporate reputation. In addition, senior management also reviews the performance of our assets on a weekly, monthly and quarterly basis. Our performance in the areas of health, safety, security and care for environment are of specific focus. Safety performance is continuously monitored by assessing a number of leading and lagging indicators, primarily:

- Senior management visits and compliance audits at operating locations;
- High Potential Incidents (HiPo) i.e. an incident or near-miss that, realistically, could have under other circumstances caused one or more fatalities;
- Loss Time Injury (LTI) i.e. an incident that results in a fatality, permanent disability or time lost from work;
- Process safety; and
- Emissions and discharges.

North Sabah

Monitoring Done	Cumulative Result (April – June 2018)
Incident Free Days (no LTI/major spill > 5bbls, medical treatment case or major loss process containment)	91
Fatalities	0

We pride ourselves in relentlessly pursing safety performance throughout our Group and our efforts have not gone unnoticed. Recently, we received recognition from the Malaysian Society of Occupational Health & Safety by winning the MSOSH[1] OSH Gold Class 1 Award Winner for 2017 for the safety performance of our St Joseph Platform in North Sabah under the Petroleum, Gas, Petrochemical and Allied sectors. More than fifty Malaysian companies and contractors were considered for this prestigious award, so we are particularly pleased that we emerged as the selected recipient.

North Sabah Onshore/Offshore Installation Manager, Mr John Alexander Van Straten, with the award.

Note:

[1] The MSOSH OSH Award is an annual award presented to organisations in Malaysia with proven outstanding Occupational Safety and Health performance. Identified companies are subjected to stringent document and site verification audits by the MSOSH panel of qualified and dedicated auditors which comprise, amongst others, representatives from the Department of Occupational Safety & Health (DOSH) and National Institute of Occupational Safety & Health (NIOSH) prior to being considered by the MSOSH Technical Committee for the respective awards.

Anasuria

Monitoring Done	Cumulative Result (July 2017 – June 2018)
LTI	0
Fatalities	0

During the financial year 2018, Anasuria Hibiscus UK Limited (AHUK) experienced no LTIs and no fatalities.

In July 2018, our Group conducted an audit on the compliance onboard the Anasuria FPSO to the Group's Health, Safety, Security & Environment Management Systems (HSEMS) and the results of the audit were very encouraging and in line with our expectations.

In August 2018, the team on the Anasuria FPSO was awarded the Order of Distinction from the Royal Society for the Prevention of Accidents (ROSPA), United Kingdom for nineteen consecutive annual gold awards. AHUK has been a joint-operator of Anasuria since 10 March 2016. Prior to this, Shell had been the operator of Anasuria since the fields commenced production in 1996. We are proud that together with our partner Ping Petroleum UK Limited and the Duty Holder of the Anasuria FPSO, Petrofac Services Limited, we have been able to continue upholding the safety performance of the Anasuria asset.

At many of our operating sites, we work alongside third-party contractors who deliver proprietary products, specialist technical skills and services. Where third party contractors work alongside our employees, we must ensure that these members of the supply chain also subscribe to our systems and processes to assure a safe working environment for all. Thus, our selection of business partners and suppliers requires an assessment of their own organisational safety performance.

"We pride ourselves in relentlessly pursing safety performance throughout our Group and our efforts have not gone unnoticed."

We are only interested in working with those who are non-compromising in their attitude towards safety performance.

In summary, safety performance is a key area of management leadership activities as required of our vision to be a respected oil and gas exploration and production player. Our objective of providing our employees a healthy, safe and secure workplace also demands that we continuously prioritize this element of our business.

HSE Advisor for Anasuria receiving the order of distinction award from ROSPA.

Anasuria FPSO offshore leadership close-out meeting for the HSEMS Audit.

SUSTAINABILITY STATEMENT

III. Economic Benefits from Business Sustainability Initiatives

As part of pursuing our vision to be a respected and valuable entity, our operating commercial model and corporate core values require that we are cost conscious so that we can be as commercially competitive as is practically and safely possible in our area of business. Procurement processes and systems that we have in place assist us in the achievement of this goal.

In major capital or operational expenditure programmes executed in the United Kingdom and Malaysia, we conduct competitive tenders, with several layers of oversight. This ensures we obtain an optimal commercial proposal from suppliers and service providers given our technical, contractual and safety requirements.

In Malaysia, we also adhere to systems that have been established by Petroliam Nasional Berhad (PETRONAS) by complying to their Tenders & Contracts Administrative Procedures and Guidelines. The PETRONAS processes are strictly governed and incorporate wider sustainability and social responsibilities as part of a national industry sector agenda.

We also support and comply with PETRONAS' requirement for affirmative action with respect to the award of supply and service contracts to companies from the Malaysian states that produce oil and gas (Terengganu, Sabah and Sarawak). As we conduct operations in Sabah, where viable, we unbundle scopes of integrated contracts and carve out minor works for tender and award these to indigenous contractors from within the state. This practice directly generates job opportunities within local communities in Sabah, where we operate.

In summary, we are committed to methods of contracting for the provision of equipment and services that protect the organisation from commercial risk, deliver economic benefits and thus ensures business sustainability in the long run.

> ***"Our operating commercial model and corporate core values require that we are cost conscious so that we can be as commercially competitive as is practically and safely possible in our area of business."***

Leadership visit, prior to the commencement of the GUA-P2 ST well program in 2H, FY 2018 to understand safety culture on the West Phoenix Drilling Unit.

IV. Protecting the Environment

We understand that the extraction (rate) of fossil fuels needs to be balanced with the requirement to preserve the very source of those fuels – our planet. Whilst global demand for oil and gas continues to grow, the provision of its supply can only be undertaken where every process meets the stringent requirements of the rules and regulations that govern the protection of the environment.

At Hibiscus Petroleum, we observe relevant industry guidelines and practices such as those of the International Petroleum Industry Environmental Conservation Association (IPIECA), the respective regulations of the Environmental Quality Act (EQA) and the requirements under Environmental Impact Assessment (EIA) in the jurisdictions in which we operate.

As an oil and gas producer, our most significant areas of environmental concerns include:

- Greenhouse gas emissions from the flaring of gas and fuel consumption at our facilities; and
- Effluents and waste, which includes the management of hazardous waste and discharges of produced water to the sea, as well as the prevention of oil spills.

<u>Greenhouse Gas Emissions</u>

The source of greenhouse gas emissions in our operated and jointly-operated facilities are from:

- combustion sources from stationary devices such as flares, fire water pumps, drilling of wells and compressors;
- mobile sources such as company vehicles, supply boats and barges; and
- indirect sources such as electricity and from vented sources such as our process vents.

In the United Kingdom, produced gas is used as fuel gas for our machinery supporting operations, for gas lift operations to enhance production and the remaining volume is exported via pipeline to the United Kingdom mainland and sold as one of the cleaner sources of primary energy.

In Malaysia, most of our produced gas from the North Sabah fields is reinjected back into the various reservoirs as part of pressure maintenance or gas lift operations. The remaining volumes are used as fuel gas with only minimal amounts to be flared. In summary, our normal operating practices in the North Sea and Malaysia cause only a relatively small volume of greenhouse gas to be emitted into the environment.

There are circumstances where we may deviate from the above practices. These circumstances are generally centred around the temporary failure of gas compression equipment which may not permit us to manage produced gases in the above-mentioned manner. As an improvement initiative we are investing in equipment both in the North Sea and North Sabah to ensure higher levels of reliability that enable our greenhouse gas emissions to be minimised.

United Kingdom

In the United Kingdom, the Group participates in the European Union Emissions Trading Scheme (EUETS). Funds raised from organisations participating in the EUETS go toward investment in emissions-saving companies such as those that promote clean technologies and develop low carbon projects in developing countries and economies in transition.

Malaysia

In Malaysia, our efforts to reduce carbon emissions from the burning of fossil fuels to generate electricity to power gas turbines and diesel generators that drive pumps and compressors on our offshore platform operations are being addressed by the introduction of solar/photovoltaic panels on our North Sabah platforms.

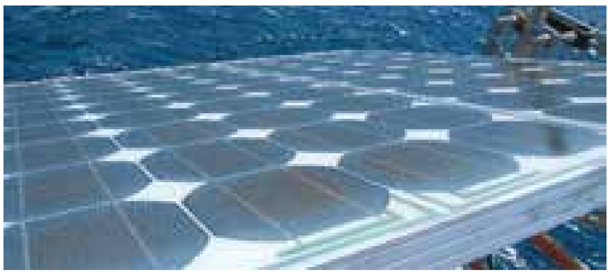
"As an improvement initiative we are investing in equipment to ensure higher levels of reliability that enable our greenhouse gas emissions to be minimised."

SUSTAINABILITY STATEMENT

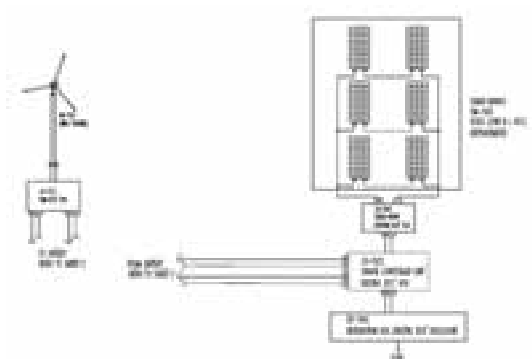
Platform	Facilities with Solar Panel
Saint Joseph (SJ)	• SJ Jacket A (SJJT-A) • SJ Jacket B (SJJT-B) • SJ Jacket F (SJJT-F) • SJ Flare (SJV-A)
South Furious (SF)	• SF Jacket B (SFJT-B) • SF Flare (SFV-A)
Barton (BT)	• BT Jacket A (BTJT-A) • BT Flare (BTV-A)

These photovoltaic panels are a source of power supply to our wireless communication, flare ignition systems and marine lanterns.

To complement solar panels as a source of clean electricity in our North Sabah operations, and to improve the availability and reliability of our offshore power supply, mini wind turbines will soon be installed together with these solar panels over a period of a year, commencing the end of 2018.



Solar Panel Installation in Saint Joseph Jacket F (SFJT-F) in Malaysia.



The wind turbine hybrid system with the existing Solar Power System.

Wind Turbine to be used.

Effluent and Waste

(i) Discharges

In our Anasuria Cluster and North Sabah assets, liquids that are produced from the reservoir consists of a mixture of oil, gas and formation water which are then separated into its constituents at our facilities. The produced water is treated to remove as much oil as practically possible before being discharged into the sea. In both assets, this parameter is monitored daily and our oil-in-water content has been well within the regulatory limit of 30 mg/l in both locations.

There were also no releases of hydrocarbons reported during the period July 2017 – June 2018 from the Anasuria FPSO. Furthermore, there were no discharges or hydrocarbon spills from the North Sabah asset which is currently under our operatorship (North Sabah).

(ii) Hazardous Waste

We ensure that any hazardous waste generated from our operations in the United Kingdom and Malaysia is treated in an environmentally responsible and auditable manner.

In the United Kingdom, the majority of waste produced offshore are classified as general (non-hazardous) waste. There is a basic level of segregation required between non-hazardous, solid and inert waste and all other categories offshore. A number of products, waste and containers, including some chemicals used offshore, are classified as special waste (hazardous waste) and therefore require to be managed according to their hazardous properties, concentrations and flash point. Some special waste materials or 'sludge' are managed by specialist contractors. All such waste is transferred ashore for disposal in an auditable process.

In Malaysia, a farm located on the premises of the Labuan Crude Oil Terminal (LCOT) treats sludge which is produced from operations and maintenance activities and reduces it to inert waste. The sources of sludge are primarily from crude oil production that originate from offshore oilfields. Once sent to the sludge farm, the sludge is then broken down by carefully cultured bacteria over a period of between one to five years until such time when it can be disposed-off into a designated landfill which is also situated within the LCOT premises.

The operations of the sludge farm are governed by the Department of Environment, Malaysia and is subject to stringent monitoring as required under the Environmental Quality (Prescribed Premises) (Scheduled Wastes Treatment and Disposal Facilities) (Amendment) Reg. 2006.

Location of Sludge Farm in LCOT.

Overview of Sludge Farm.

SUSTAINABILITY STATEMENT

V. Returning to the Community

Our presence in the various locations in which we operate place us in the position of being able to directly understand how we can make a positive difference to the communities that support us.

By implementing 'inclusive initiatives', we build trust with local communities and strong partnerships with host regulators and our stakeholders in general.

Some of our key inclusive initiatives include preparing youth for a future in the oil & gas industry.

We provide internships/practical attachments to both local and foreign university students. We believe in diversity as an asset and four Malaysians and two Dutch interns have recently been part of our Geoscience and Engineering teams during their time with us.

No.	University	Major	Nationality/ Gender	Duration
1	University of Adelaide, Australia	Bachelor of Engineering	Malaysian (F)	2 months
2	University of Groningen, Netherlands	Master in Industrial Engineering and Management	Dutch (M)	6 months
3	University Teknologi Petronas, Malaysia	Bachelor of Engineering (Hons) Chemical Engineering	Malaysian (M)	8 months
4	University Teknologi Petronas, Malaysia	Bachelor of Technology (Hons) Petroleum Geoscience	Malaysian (M)	8 months
5	Colorado School of Mines, USA	Bachelor of Science, Petroleum Engineering	Malaysian (M)	2.5 months
6	University of Groningen, Netherlands	Master in Industrial Engineering and Management	Dutch (M)	6 months

In addition, other efforts include "reach out programmes" to young school leavers in Sabah undergoing vocational training in institutes like the Kimanis Petroleum Training Centre (KTC), TAS Institute of Oil and Gas, and Institut Latihan Perindustrian Kota Kinabalu (ILPKK-INSTEP) to promote career opportunities in the oil and gas industry. We are also building pathways to support the Malaysian Government's initiative to revive Technical and Vocational Education and Training (TVET).

In early 2018, we initiated the **Hibiscus Hope Scholarship** for deserving students of British nationality to pursue fully funded postgraduate petroleum engineering degrees at a reputable British university with a campus located in Malaysia. This scholarship recognises that it was from the acquisition of our Anasuria asset, offshore United Kingdom that we commenced building a sustainable business in our Company and it affords the successful scholar an opportunity to experience the unique cultural setting of Malaysia whilst also working for a master's level qualification.

Amir Ali, first recipient of the Hibiscus Hope Scholarship

The first recipient of the Hibiscus Hope Scholarship is Amir Ali, a recent graduate in BEng (Hons) in Petroleum Engineering (Distinction) from the University of Leeds, United Kingdom. He also holds a Higher Education Certificate (HEC) in Mechanical & Petroleum Engineering (Distinction) from the University of Salford and a Higher National Certificate (HNC) in Accounting (Distinction) from City of Glasgow College.

It is hoped that Hibiscus Hope Scholar experiences the work ethic of our people through spending periods at our Group office during his academic holidays. It is intended that in the longer term, such scholarship recipients will become important members of our Group.

Our Way Forward

In the preceding paragraphs we have detailed some of the specific initiatives that we are undertaking as part of our business sustainability strategy. Much of what we do relies on the efforts and behaviours of our people.

We see Hibiscus Petroleum's corporate core values as the bedrock of our Business Sustainability Principles. Through a careful recruitment process, we select those who demonstrate or are willing to embrace our core values. We believe that to optimally contribute to our organisation and to deliver value to our stakeholders, our people need to be agile, tenacious, enterprising, trustworthy, team players, cost and environmentally conscious. Armed with these values, we believe that we are able to balance our commercial objectives of achieving profitability and growth without compromising on the overarching need to extract essential resources from our planet safely and responsibly.

Our people are also at the core of our business relationships and maintaining these relationships are central to the sustainability of our business. We can only develop and maintain strong business relationships if we trust our stakeholders and they trust us. Building the superior levels of corporate trust that we aspire to enjoy with our stakeholders will require solid organisational governance, ethical behaviour and high standards of personal integrity from our employees. We see this effort as an ongoing journey.

We are building our foothold in the oil and gas industry confidently, and we wish to be a long-term player. Our long-term existence as a commercial organisation can only be assured if we act responsibly now and always, adding elements that will contribute to the sustainability of our business. **Eventually, we wish to be an organisation that incorporates sustainability initiatives in all that we do.** We believe that such an approach is part of our obligation to accrete shareholder value responsibly, in a dynamic and evolving business environment. **Each of our stakeholders should remain assured that the Board and Management of Hibiscus Petroleum Group is committed to this goal.**

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 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 Paragraph 15.08A of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities).

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

During the financial year ended 30 June 2018, there was a change to the composition of the NC, whereby Dato' Dr Zaha Rina Zahari was appointed as the Chair of the NC on 30 May 2018.

The members of the NC are as follows:

Name of NC Member	Appointment Date	Designation
Dato' Dr Zaha Rina Zahari	30 May 2018	Chair/Independent Non-Executive Director
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

The Terms of Reference (TOR) of the NC is published on the Company's website at www.hibiscuspetroleum.com.

2. NOMINATION, ELECTION AND SELECTION OF DIRECTORS

The NC is responsible for the recommendation of candidates to the Board to fill any vacancy arising from resignation, retirement or other reasons, or, if there is a need to appoint additional directors with the required skills to the Board in order to address any competency gap in the Board identified by the NC. In such a case, the NC is responsible to conduct an assessment and evaluation on the proposed candidate.

Where possible, each Director will also be given the opportunity to meet with potential candidates before any appointment is formalised to assess their suitability based on a prescribed set of criteria as set out in the TOR of the NC. Potential candidates are required to declare and confirm in writing, amongst others, that he/she is neither an undischarged bankrupt, nor is involved in any court proceedings in connection with the promotion, formation or management of a corporation or involving fraud or dishonesty punishable on conviction with imprisonment nor is subject to any investigation by any regulatory authorities under any legislation. Furthermore, candidates being considered for the position of independent directors are required to declare and confirm their independence based on the criteria set out in the MMLR of Bursa Securities. Newly appointed directors are required to confirm in writing that he/she accepts the terms set out in his/her appointment letter which include his/her time commitment, requirement to disclose other directorships and business interest, if any.

Upon completion of the assessment and evaluation of the proposed candidate, the NC makes its recommendation to the Board. Based on the recommendation of the NC, the Board evaluates and decides on the appointment of the proposed candidate.

Management conducts an induction programme to assist new directors familiarise themselves with the Group's structure and businesses by providing the directors with relevant information about the Group. New directors are also encouraged to undertake site visits and to meet with key senior executives.

During the financial year, one new director was appointed to the Board.

In addition, 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 reviews the performance of the said Director(s) who is(are) retiring by rotation as part of the annual Board assessment and make the appropriate recommendation to the Board.

3. 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 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.

NOMINATING COMMITTEE REPORT

The NC also assesses 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.

4. SUMMARY OF ACTIVITIES UNDERTAKEN BY THE NC

A total of 5 meetings were held during the financial year under review.

The activities undertaken by the NC included the following:

- Reviewed the candidate nominated as the Chief Operating Officer of the Company and recommended the same for the Board's approval;
- Reviewed the performance evaluation and ratings of eligible staff for the award of performance bonuses for calendar year 2017;
- Reviewed the performance of the Managing Director, VP Finance & Group Controller and other senior management;
- Administered the annual Board assessment on the mix of skills, professionalism, competency, integrity, diversity and gender. Based on the results, the Board is satisfied that the Board as a whole, Board Committees, Board Chair and Chairs of the respective Board Committees, as well as the Directors individually have performed well and continue to discharge their responsibilities as expected of them. The Directors concluded 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;
- Discussed the training needs of each Director;
- Reviewed and recommended the re-election of Encik Zainul Rahim bin Mohd Zain who will be due for retirement pursuant to Articles 123 of the AA of the Company respectively for the shareholders' approval at the 8th AGM of the Company; and
- Reviewed the NC Report for inclusion in the Annual Report 2017/2018 and recommended the same to the Board for approval.

The Group practices non-discrimination in any form, whether based on age, gender, ethnicity or religion throughout the organisation. This includes the selection of Board members and senior management. In addition, the Group believes that it is of utmost importance that the Board comprises of the best-qualified individuals who possess the requisite knowledge, experience, independence, foresight and good judgement to ensure that the Board functions effectively and discharges its duties in the best interests of the Company and shareholders.

This Report is dated 5 October 2018.

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 Company) for inclusion in this Annual Report.

The RC was established on 26 February 2011 and comprises exclusively of Non-Executive Directors, of which a majority of them are Independent Directors, in compliance with the Malaysian Code on Corporate Governance 2017.

The members of the RC are as follows:

Name of RC Member	Appointment Date	Designation
Dato' Roushan Arumugam	28 March 2013	Chair of RC/Independent Non-Executive Director *(Re-designated as Chair 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

The Terms of Reference of the RC is available on the Company's website at www.hibiscuspetroleum.com.

SUMMARY OF ACTIVITIES UNDERTAKEN BY THE RC

A total of 4 meetings were held during the financial year under review.

The activities undertaken by the RC included the following:

- Reviewed the remuneration package for the Chief Operating Officer of the Company and recommended the same to the Board for approval;
- Reviewed the performance bonuses for calendar year 2017 and award of ex-gratia payment to eligible staff in conjunction with the completion of the North Sabah acquistion;
- Reviewed the Directors' fees, meeting allowances and specific meeting allowances for the Non-Executive Directors for the period from 5 December 2018 until the date of the next Annual General Meeting in 2019; and
- Reviewed the RC Report for inclusion in the Annual Report 2017/2018 and recommended the same to the Board for approval.

This Report is dated 5 October 2018.

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 2018 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 2018, is also reflected below:

Name	Designation	Directorship	Attendance at ARMC Meetings
Thomas Michael Taylor	Chair	Senior Independent Non-Executive Director	6/6
Zainul Rahim bin Mohd Zain	Member	Non-Independent Non-Executive Chair	6/6
Dato' Dr Zaha Rina Zahari[1]	Member	Independent Non-Executive Director	4/4
Sara Murtadha Jaffar Sulaiman[2]	Member	Independent Non-Executive Director	2/2

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 Chair of the ARMC.

[1] Appointed as member on 17 October 2017.
[2] Resigned as member on 17 October 2017.

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.

During the year under review, the Board of Directors (Board) of Hibiscus Petroleum Berhad (Hibiscus Petroleum), via the Nomination Committee, had performed the annual assessment on the term of office and performance of the ARMC and each of its members pursuant to Paragraph 15.20 of the MMLR of Bursa Securities to evaluate whether the ARMC and each of its members have discharged their responsibilities and duties in accordance with the ARMC's Terms of Reference (TOR).

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

SUMMARY OF THE ARMC ACTIVITIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

During the year under review, the ARMC carried out the following activities in discharging its functions and duties during the financial year ended 30 June 2018:

A. Financial Reporting

- Reviewed the draft audited financial statements of the Group and the Company for the financial year ended 30 June 2017 (annual results), together with the Directors' and Auditors' Reports thereon prior to submission to the Board of Hibiscus Petroleum for consideration and approval; and
- Reviewed the unaudited quarterly financial reports of the Group for the year ended 30 June 2018 prior to submission to the Board for consideration and approval.

B. External Audit

- Reviewed and discussed with Management and the external auditors the key audit matters connected to the review of the annual results and actions to be taken to address such matters, focusing primarily on:
  - significant matters highlighted by Management, including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters were addressed;

- compliance with accounting standards and other legal or regulatory requirements to ensure that the financial statements give a true and fair view of the state of affairs;
- financial results and cash flows of the Group and the Company;
- changes or implementation of accounting policies and standards;
- compliance with Malaysian Financial Reporting Standards and provisions of the Companies Act 2016 as well as the MMLR;

- 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;

- Reviewed the external auditors' audit plan and the audit fee of the Group for the financial year ended 30 June 2018;

- Considered the findings by the external auditors during the review of the annual results and Management's response thereto;

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

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

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

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

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

- 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;

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

- Conducted meetings with the external auditors without Management being present.

C. Internal Audit

- Reviewed the internal audit plan and scope of work for the financial year ended 30 June 2018 for the Group;

- Reviewed the internal audit reports which incorporated findings, recommendations and Management responses for the Group, in the following areas:
  (i) Anasuria Hibiscus UK Limited's key business processes and compliance;
  (ii) Group cash flow requirements and funding strategies;
  (iii) Governance processes, activities and milestones on an acquisition transaction;
  (iv) Information technology fixed assets verification and existence;
  (v) Enterprise risk management processes;
  (vi) Group expenditure cycle;
  (vii) Human resource management;
  (viii) High-level review on ad-hoc assignments requested by the ARMC;

- Ensured appropriate actions were taken to ensure the effectiveness of the internal control systems based on feedback received from the internal auditor;

- Reviewed and approved the Group Internal Audit Charter; and

- Conducted meetings with the in-house Internal Auditor without Management being present.

D. Related Party Transactions

- Reviewed related party transactions (RPTs) on a quarterly basis. During the financial year 2018, there were no RPTs that triggered the disclosure threshold under the MMLR and required approval of our shareholders.

E. Annual Report

- Reviewed and recommended the draft ARMC Report and draft Statement on Risk Management and Internal Control in the Company's Annual Report for the financial year ended 30 June 2017 to the Board for approval.

F. Others

- 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);

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

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

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

INTERNAL AUDIT FUNCTION

The 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 Group 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 plan was 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 2018 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. Evaluated and appraised the soundness, adequacy and application of accounting, financial and other controls towards promoting effective controls in the Group and the Company;

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

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

5. Conducted ad-hoc audit reviews at the request of the ARMC on specific areas of concern;

6. Reported results of internal audit reviews to the ARMC on a regular basis;

7. Performed follow-up reviews to ensure that audit recommendations and action plans were implemented by Management on a timely basis; and

8. Introduced the Internal Audit Charter which defined the internal audit function's purpose, authority and responsibility within the Group.

The sum of RM573,292 was incurred by the Group for the internal audit function for the financial year ended 30 June 2018.

This statement is made in accordance with the resolution of the Board dated 5 October 2018.

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 2018 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

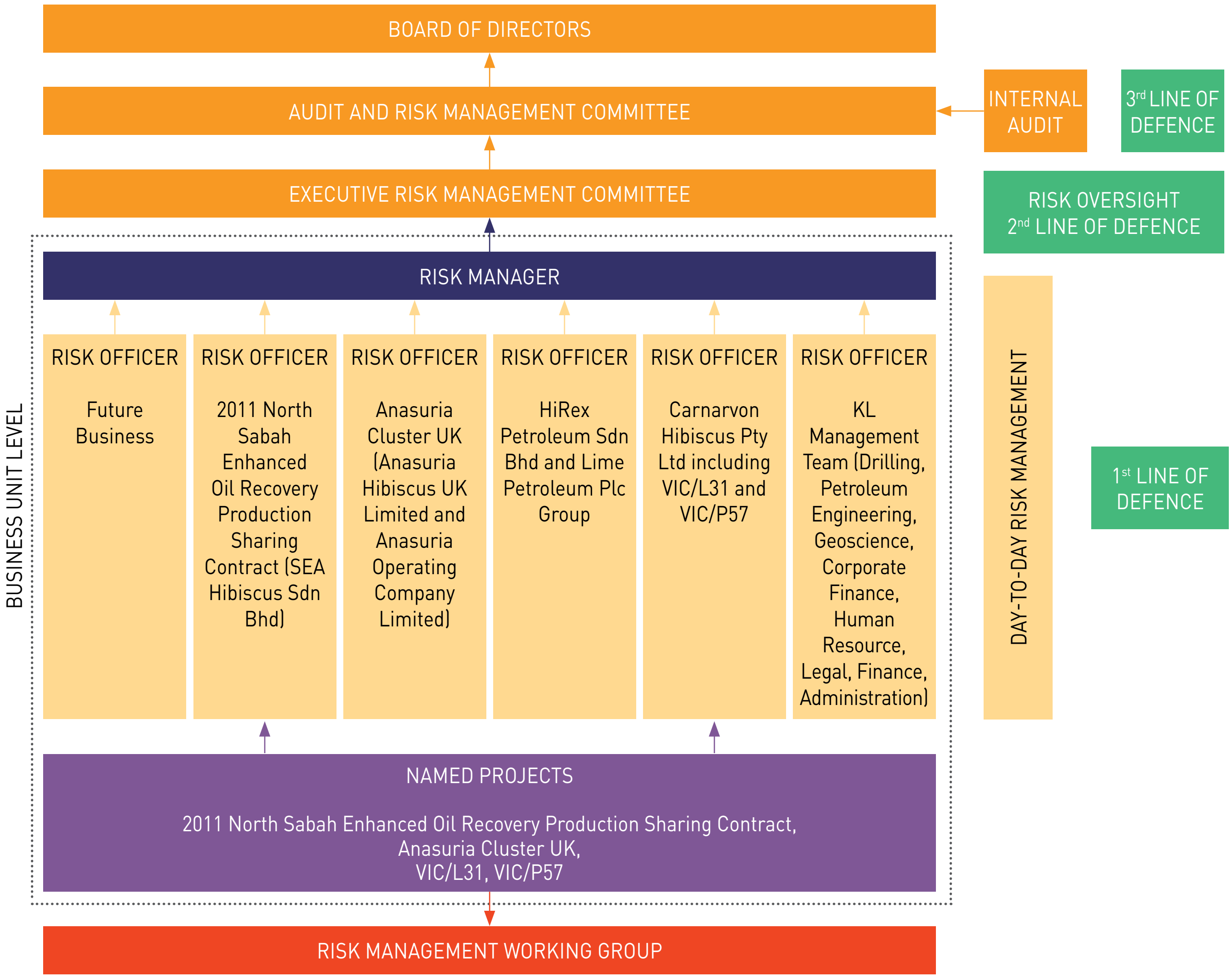
Risk management is firmly embedded in the Group's system of internal control as it is regarded by the Board to be integral to operations. Managing risk is a shared responsibility and therefore, is integrated into the Group's governance, business processes and operations. It is a reiterative process, 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 Chair of 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;

  (b) through the internal audit process, 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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;

(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, including at operating subsidiary level (SEA Hibiscus Sdn Bhd (SEA Hibiscus) and 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 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract (2011 North Sabah PSC), 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's wholly-owned subsidiary company, SEA Hibiscus is the operator of the 2011 North Sabah PSC. SEA Hibiscus' management team has established its own structure for monitoring of internal controls, which reports regularly to the Company and the Board. Any key management decisions are deliberated with the Company's key management personnel, including the Managing Director, before being presented to the Board for approval.

The Company, together with Ping Petroleum UK Limited has established the joint operating company, AOCL as the Licence 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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 ongoing 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.

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 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 – Guidelines 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 2018, 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 5 October 2018.

ADDITIONAL COMPLIANCE INFORMATION

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

Save as disclosed below, there were no other material contracts of Hibiscus Petroleum Berhad (Hibiscus Petroleum or Company) and its subsidiaries involving the interests of the directors and major shareholder, either still subsisting at the end of the financial year ended 30 June 2018 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 (MD) of Hibiscus Petroleum.

Subsequently, on 19 July 2018, a new Service Agreement to renew the appointment of Dr Kenneth Gerard Pereira as MD of Hibiscus Petroleum was executed, as he had attained the age of 60 years. This was effected to comply with the requirements of the Company's policy which requires automatic cessation of employment upon the age of 60 years, unless renewed at the Company's discretion.

2. CONTRACTS RELATING TO LOANS

There were no contracts relating to loans of the Company involving the interest of the directors and major shareholder.

3. CONVERTIBLE SECURITIES

(a) Redeemable Convertible Preference Shares (RCPS).

As at 28 September 2018, the Company has 2,193,880 RCPS outstanding. These RCPS are no longer convertible into Shares but remain redeemable at the option of the holders on any date after 25 July 2011, being the date of listing of our Company. There were no RCPS redeemed during the financial year under review.

(b) Free Warrants (Warrants C)

317,645,723 Warrants C were issued on 20 March 2018 in registered form and are constituted by the deed poll.

The Warrants C are listed on the Main Market of Bursa Malaysia Securities Berhad (Bursa Securities) and are exercisable anytime during the period commencing from 20 March 2018 to 18 March 2021, being one market day prior to the expiry date of Warrants C (i.e. 19 March 2021).

The exercise price in respect of each new ordinary share of the Company which is subject to a fixed annual step-up of RM0.06 per year on each of the anniversary dates of the date of first issuance of the Warrants C, is set out below:

YEAR		EXERCISE PRICE
Year 1	20 March 2018 to 19 March 2019	RM1.00
Year 2	20 March 2019 to 19 March 2020	RM1.06
Year 3	20 March 2020 to 19 March 2021	RM1.12

During the financial year under review, 100 Warrants C were converted into ordinary shares at an exercise price of RM1.00 per Warrant C.

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.

ADDITIONAL COMPLIANCE INFORMATION

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 RM310,350 and RM252,350 respectively, incurred for tax-related and accounting-related services/advices.

6. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

6.1 PRIVATE PLACEMENT OF UP TO 144,384,429 NEW ORDINARY SHARES IN HIBISCUS PETROLEUM REPRESENTING UP TO TEN PERCENT (10%) OF THE EXISTING ISSUED ORDINARY SHARE CAPITAL OF HIBISCUS PETROLEUM (PRIVATE PLACEMENT)

The Private Placement was completed on 18 January 2018, with a total of 144,384,400 new ordinary shares issued, raising total proceeds of approximately RM91.1 million.

As of 5 October 2018, the status of the utilisation of proceeds from the Private Placement is as follows:

	Purpose	Proposed utilisation of proceeds from the Private Placement RM'000	Actual utilisation as of 5 October 2018 RM'000	Intended timeframe for utilisation from the date of completion of the Private Placement	Percentage utilised (%)
(i)	Working capital for the business operation expenditures of the Group	37,086	36,500	Within twelve (12) months	98
(ii)	Payment of trade and other payables	17,800	16,500	Within twelve (12) months	93
(iii)	Potential expansion and capital expenditure	29,450	29,450	Within twelve (12) months	100
(iv)	New business development	5,300	440	Within twelve (12) months	8
(v)	Estimated expenses relating to the Private Placement	1,460	1,460	Within six (6) months	100
	Total	**91,096**	**84,350**		

6.2 WARRANTS C

As disclosed under Section 3(b) above, during the financial year ended 30 June 2018, 100 Warrants C were exercised at the exercise price of RM1.00 each and correspondingly, 100 new shares were allotted and issued, and subsequently listed on Main Market of Bursa Securities. Thus, the Company had received RM100.00 from the exercise of Warrants C. As the proceeds received were a relatively small amount, the Company has no plan to utilise such amount at this time.

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 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 comprehensive assessment of the Group's position and prospects in the Directors' Report as pages 103 to 109 and the financial statements from pages 120 to 220 of this Annual Report.

This statement is made in accordance with the resolution of the Board dated 5 October 2018.

Upgrading our Reserves

The sustainability of our business relies on our ability to upgrade our contingent resources into producible proven and probable reserves. In March 2016, an independent expert assessed our net proven and probable reserves of the Anasuria Cluster to be 20.2MMbbls (as of 1 March 2016). Following two years of joint operations during which we produced 2.5MMbbls, our reserves were then independently assessed to be 24.4MMbls (as of 1 July 2018), a net upgrade of 6.7MMbbls.

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 2018.

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	203,712,111	(28,810,651)

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.

ISSUANCE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital by way of:

i) issuance of 144,384,400 new ordinary shares, raising a total of RM91,095,873, which was undertaken in three tranches; 62,000,000 shares were issued on 14 August 2017 at RM0.385 per share, 38,079,000 shares were issued on 26 October 2017 at RM0.695 per share and 44,305,400 shares were issued on 16 January 2018 at RM0.920 per share; and,

ii) exercise of 100 free warrants at the exercise price of RM1.00 each and correspondingly, 100 new ordinary shares were allotted and issued, raising a total of RM100.

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

DIRECTORS' REPORT (CONTINUED)

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 144,384,429 NEW ORDINARY SHARES IN THE COMPANY, REPRESENTING UP TO 10% OF THE ISSUED 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 in the Company ("Placement Shares"), representing up to 10% of the then existing issued and paid-up ordinary share capital of the Company ("Private Placement").

Bursa Malaysia Securities Berhad ("Bursa Securities"), vide its letter dated 7 July 2017, had resolved to approve the listing and quotation of the Placement Shares pursuant to the Private Placement.

On 27 December 2017, the Company received a letter from Bursa Securities approving an extension of time of three months from 7 January 2018 to 6 April 2018 for the Company to complete the implementation of the Private Placement.

The Private Placement was completed on 18 January 2018, with a total of 144,384,400 new ordinary shares issued.

ISSUANCE OF UP TO 317,645,738 FREE WARRANTS IN THE COMPANY

The Company announced on 8 December 2017 that it proposed to undertake an issue of up to 317,645,744 free warrants ("Warrants C") on the basis of one new Warrant C for every five existing ordinary shares in the Company held on an entitlement date to be determined later ("Free Warrants Issue").

Following the completion of the Private Placement on 18 January 2018, the number of Warrants C to be issued under the Free Warrants Issue was adjusted accordingly to up to 317,645,738 Warrants C.

Bursa Securities, vide its letter dated 30 January 2018, resolved to approve the following:

(i) admission to the Official List of Bursa Securities and the listing and quotation of up to 317,645,738 Warrants C to be issued pursuant to the Free Warrants Issue; and,

(ii) listing and quotation of up to 317,645,738 new ordinary shares to be issued pursuant to the exercise of Warrants C.

The approval by Bursa Securities was subject to conditions, as further disclosed in the announcement dated 2 February 2018.

Shareholders' approval was obtained on 1 March 2018 and the Free Warrants Issue has been completed following the listing of and quotation for 317,645,723 Warrants C on the Main Market of Bursa Securities on 28 March 2018.

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.

DIRECTORS' REPORT (CONTINUED)

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 substantially affected by the recognition of negative goodwill amounting to RM206,254,161 upon the acquisition of 50% participating interests in the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract (refer to Note 15 to the financial statements).

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	
Thomas Michael Taylor	
Dato' Roushan A/L Arumugam	
Dato' Dr Zaha Rina binti Zahari	(appointed on 15 September 2017)
Sara Murtadha Jaafar Sulaiman	(resigned on 17 October 2017)

In accordance with Article 123 of the Company's Articles of Association, Zainul Rahim bin Mohd Zain shall retire by rotation from the Board of Directors at the forthcoming Annual General Meeting of the Company and being eligible, offers himself for re-election.

The names of the Directors of subsidiaries are set out in the respective subsidiaries' financial statements and the said information is deemed incorporated herein by such reference and made 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 01.07.2017/ date of appointment	**Bought**	**Sold**	**At 30.06.2018**
Direct interests:				
Dato' Dr Zaha Rina binti Zahari	4,000,000	365,000	–	4,365,000
Indirect interests:				
Dr Kenneth Gerard Pereira*	168,572,600	200,000	–	168,772,600
Dato' Roushan A/L Arumugam**	53,415,000	–	–	53,415,000

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

** *Deemed interested via his 100.00% equity interest in Littleton Holdings Pte Ltd. As at 30 June 2017, he was deemed interested in 53,465,000 ordinary shares. Following the non-applicability of the deeming interest provision during the financial year, his indirect interests by virtue of his 100.00% equity interest in Littleton Holdings Pte Ltd was 53,415,000 ordinary shares.*

	Number of Redeemable Convertible Preference Shares ("RCPS")			
	At 01.07.2017	**Bought**	**Redeemed**	**At 30.06.2018**
Indirect interests:				
Dr Kenneth Gerard Pereira*	2,193,880	–	–	2,193,880

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

DIRECTORS' REPORT (CONTINUED)

	Number of Warrants C			
	At date of allotment	Bought	Sold	At 30.06.2018
Direct interests:				
Dato' Dr Zaha Rina binti Zahari	800,000	–	(800,000)	–
Indirect interests:				
Dr Kenneth Gerard Pereira*	33,714,520	–	(5,100,000)	28,614,520
Dato' Roushan A/L Arumugam**	10,683,000	–	–	10,683,000

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

** *Deemed interested via his 100.00% equity interest in Littleton Holdings Pte Ltd.*

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 37 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 37 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 RM5,125,728 and RM31,926 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 RM180,000 in the financial year.

SUBSIDIARIES

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

AUDITORS' REMUNERATION

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

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401–LCA & AF 1146), have expressed their willingness to continue in office.

PricewaterhouseCoopers PLT (LLP0014401–LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 5 October 2018. 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 120 to 220 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 2018 and financial performance of the Group and Company for the financial year ended 30 June 2018 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 5 October 2018.

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 120 to 220 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 5 October 2018.

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 2018, 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 2018 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 120 to 220.

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.

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

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.

Group

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>Acquisition of 50% participating interests in the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract ("2011 North Sabah EOR PSC")

Refer to Note 15 – Business Combination

On 31 March 2018, the Company, via its indirect wholly-owned subsidiary, SEA Hibiscus Sdn Bhd completed the acquisition of 50% participating interests in the 2011 North Sabah EOR PSC ("the Acquisition") which is a joint operation.

The activity of the 2011 North Sabah EOR PSC constituted a business and was accounted for as a business combination based on MFRS 3 "Business Combination" ("MFRS 3").

Management determined that the fair value of the share of net identifiable assets acquired for the Acquisition is RM291.7 million based on the Purchase Price Allocation exercise.

We focused on the fair value of the share of net assets acquired from the Acquisition as it was a significant area of judgment. The valuation methodology, as well as the inputs and assumptions in the model, will affect the fair value of the share of net identifiable assets acquired. The negative goodwill of RM206.3 million arising from the Acquisition is also highly dependent on the fair value of the share of net identifiable assets acquired at the acquisition date.</td><td>We performed the following audit procedures:

• Obtained the 2011 North Sabah EOR PSC purchase agreement from management and discussed the key terms and conditions with management;
• Reviewed management's assessment that the activity of the 2011 North Sabah EOR PSC constituted a business as defined in MFRS 3;
• Reviewed the fair value of intangible assets acquired as follows:
    • Checked the production profile period of the oil fields used in the valuation model to the licence period of the 2011 North Sabah EOR PSC;
    • Checked the forecasted oil prices incorporated into the valuation model to available market data and externally available benchmark sources;
    • Agreed the production volumes incorporated into the valuation model to the reserves estimates prepared by an external party and assessed the reasonableness of its reserves;
    • Assessed the competency and objectivity of the external party who produced the reserves estimates by considering their professional qualifications, experience and terms of engagement;</td></tr>
</table>

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
	- Agreed operating and future capital expenditure included in the valuation model to supporting documents and approved budgets; - Assessed the reasonableness of the relevant exchange rates used in the valuation model by checking to available market information; - Checked the reasonableness of the discount rate used with the assistance of our valuation experts; • Checked the fair value of the crude oil inventories to the market oil price as at the date of acquisition; • Checked the decommissioning cost estimates used by management to the cost estimates provided by external parties or to available external source; • Checked the accruals against the related supporting documents; • Checked the valuation methodology of the share of net identifiable assets with the assistance of our valuation experts; and • Recomputed the negative goodwill arising from the Acquisition. Our procedures did not reveal any material exceptions in management's accounting for the Acquisition and the valuation of the share of net identifiable assets from the Acquisition.
Recoverability of the carrying amount of intangible assets and equipment *Refer to Note 4(k)(ii) – Significant accounting policies: Impairment of non-financial assets, Note 4(v)(i) – Significant accounting policies: Critical estimates and judgement for the estimation of oil and gas reserves, Note 4(v)(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 17 – Intangible assets and Note 18 – Equipment* As at 30 June 2018, the Group's intangible assets and equipment consist of rights and concessions and conventional studies included within intangible assets and oil and gas assets, and FPSO (collectively "Upstream Assets") included within equipment for the Anasuria Cluster, the VIC/P57 exploration permit ("VIC/P57") and the VIC/L31 production licence ("VIC/L31").	We performed the following audit procedures for each of the CGUs: i) Anasuria Cluster and VIC/L31 Agreed the cash flows to management forecasts approved by the Directors and considered any adjustments relevant to FVLCTS;

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)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>The Anasuria Cluster, VIC/P57 and VIC/L31 represented three different cash generating units ("CGU"). These CGUs are based on geographical location.

Management had performed the following:
i) Impairment assessment for Upstream Assets relating to the Anasuria Cluster using fair value less costs to sell ("FVLCTS") and VIC/L31 using the value in use ("VIU") model; and
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.

We focused on this area due to the significant assumptions and judgements used in the Group's assessment of impairment indicators and the recoverable amounts based on VIU or FVLCTS, as applicable. The most critical assumption used in forecasting future cash flows is management's view on the long-term oil price outlook. Other significant assumptions include future expected production volumes and discount rates.</td><td>• Compared the life-of-field assumptions with the production profile within the licence period for the CGU;
• Discussed with management on the assessment of likelihood for the termination of the VIC/L31 licence being remote and read the opinion provided by an external independent party on likelihood of termination;
• Compared the forecast oil prices incorporated into the cash flows to available market data and externally available benchmarks;
• Agreed the production volumes incorporated into the cash flows to the reserves estimates prepared by an external independent party;
• Assessed the competency and objectivity of the external independent parties who produced the reserves estimates and assessed the likelihood for the termination of the VIC/L31 licence by considering their professional qualifications, experience, independence and components of remuneration;
• Assessed the reasonableness of proven and probable undeveloped reserves in determining production volumes. Where reserves are to be developed within five years, we checked that the Group was still working towards development by corroborating with future development plans, including capital expenditure plans and funding requirement as appropriate;
• Agreed operating and future capital expenditure included in the 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
• Performed sensitivity analysis by changing the key assumptions used in the base case cash flows on oil prices and production volumes.</td></tr>
</table>

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
	ii) VIC/P57 • Checked that the renewal application for the exploration permit and plans to continue exploration activities had been approved by the regulator; • Checked that the estimates made by management using the Risk Net Assets Value ("RNAV") model indicates that the value is higher than the carrying amount; • Agreed prospective oil resources incorporated in the RNAV model to estimates made by the geological and geophysical team; • Assessed the competency, capabilities and objectivity of the geological and geophysical team who concurred on the prospective oil resources estimates by considering their professional qualifications, independence, experience and terms of engagement; • Checked the estimated exploration well cost to a current 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. Based on the procedures performed above, we did not find any material exceptions to the impairment assessment made by the Directors.
Estimation of provision for decommissioning costs *Refer to Note 4(n)(i) – Significant accounting policies: Provisions for decommissioning costs and Note 32 – 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.	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;

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
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.	• Checked the cost estimates used by management to the cost estimates provided by the external experts or to available external sources; • 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.

Company

Key audit matters	How our audit addressed the key audit matters
Recoverability of the carrying amount of cost of investments in subsidiaries and amounts due from subsidiaries *Refer to Note 4(k)(ii) – Significant accounting policies: Impairment of non-financial assets, Note 12 – Investments in subsidiaries* As at 30 June 2018, the net carrying value of the investments in subsidiaries and amounts due from subsidiaries is RM415.8 million. The Company made an impairment of RM10.2 million on the investments during the financial year. We focused on this area due to the significant judgements and assumptions made by management in determining the recoverable amount of the investments in subsidiaries and amounts due from subsidiaries. The recoverable amount of the investments in subsidiaries and amounts due from subsidiaries 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 distributions as dividends.	In addition to the procedures performed on the cash flows from the underlying Upstream Assets of the subsidiaries as described in the key audit matter above, we performed the following audit procedures: • Agreed the cash flows used to determine the recoverable amount of the investments and amounts due from subsidiaries to cash flows used to determine the recoverable amount of Upstream Assets which we have assessed above; • 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 to supporting management plans; 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 impairment assessment made by the Directors.

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 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 2018 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 auditors' 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.

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)

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.

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 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 PLT
LLP0014401–LCA & AF 1146
Chartered Accountants

LEE TUCK HENG
02092/09/2020J
Chartered Accountant

Kuala Lumpur
5 October 2018

STATEMENTS OF PROFIT OR LOSS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Revenue	5	**394,344,208**	261,272,574	**5,524,035**	6,473,060
Cost of sales	6	**(173,239,159)**	(93,088,838)	**–**	–
Gross profit		**221,105,049**	168,183,736	**5,524,035**	6,473,060
Other income	7	**3,896,133**	37,883,384	**1,212,902**	28,712,895
Administrative expenses		**(83,332,108)**	(49,059,416)	**(33,400,289)**	(30,789,469)
Reversal of impairment of investment in an associate		**2,097,505**	1,946,481	**–**	–
Impairment of equipment		**(6,606,547)**	–	**–**	–
Impairment of investment in a subsidiary		**–**	–	**(10,180,342)**	–
Other administrative expenses		**(78,823,066)**	(51,005,897)	**(23,219,947)**	(30,789,469)
Other expenses		**(81,775,169)**	(72,453,617)	**(2,126,775)**	(6,796,162)
Finance costs	8	**(21,031,078)**	(22,035,681)	**(20,524)**	(1,138,747)
Share of results of an associate		**(649,700)**	(511,750)	**–**	–
Negative goodwill from business combination	15	**206,254,161**	–	**–**	–
Profit/(loss) before taxation	9	**244,467,288**	62,006,656	**(28,810,651)**	(3,538,423)
Taxation	10	**(40,755,177)**	44,090,149	**–**	–
Profit/(loss) after taxation		**203,712,111**	106,096,805	**(28,810,651)**	(3,538,423)
Profit/(loss) after taxation attributable to:					
– Owners of the Company		**203,712,111**	106,096,805	**(28,810,651)**	(3,538,423)
Earnings per share (sen)					
Basic	11	**13.19**	7.51		
Diluted	11	**12.48**	7.51		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit/(loss) after taxation	**203,712,111**	106,096,805	**(28,810,651)**	(3,538,423)
Other comprehensive (expenses)/income:				
Items that may be subsequently reclassified to profit or loss:				
– Foreign currency translation	**(39,386,328)**	24,402,745	**–**	–
Total comprehensive income/(expenses) for the financial year, net of tax	**164,325,783**	130,499,550	**(28,810,651)**	(3,538,423)
Total comprehensive income/(expenses) attributable to:				
– Owners of the Company	**164,325,783**	130,499,550	**(28,810,651)**	(3,538,423)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
ASSETS					
NON-CURRENT ASSETS					
Investments in subsidiaries	12	**–**	–	**415,832,184**	393,535,062
Investment in an associate	13	**4,905,558**	4,089,965	**–**	–
Investments in joint ventures	14	**–**	–	**–**	–
Intangible assets	17	**1,337,252,276**	1,029,292,528	**–**	–
Equipment	18	**229,311,031**	202,615,781	**248,639**	335,050
		1,571,468,865	1,235,998,274	**416,080,823**	393,870,112
CURRENT ASSETS					
Inventories	21	**57,913,789**	3,997,060	**–**	–
Trade receivables	19	**109,027,856**	7,433,958	**–**	–
Other receivables, deposits and prepayments	20	**98,983,972**	17,464,885	**832,310**	1,268,418
Amounts owing by subsidiaries	22	**–**	–	**37,217,234**	16,547,457
Amount owing by a joint venture	23	**608,600**	190,713	**–**	–
Amount owing by an associate	24	**5,252**	–	**–**	–
Amount owing by a related party	25	**–**	–	**311,796**	56,972
Cash and bank balances	26	**135,956,604**	54,500,852	**11,278,994**	1,967,926
		402,496,073	83,587,468	**49,640,334**	19,840,773
TOTAL ASSETS		**1,973,964,938**	1,319,585,742	**465,721,157**	413,710,885

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	27	**764,965,289**	675,314,577	**764,965,289**	675,314,577
Other reserves	28	**53,468,324**	92,854,652	**–**	–
Retained earnings/(Accumulated losses)		**177,355,993**	(25,807,502)	**(337,221,899)**	(307,862,632)
		995,789,606	742,361,727	**427,743,390**	367,451,945
NON-CURRENT LIABILITIES					
Deferred consideration	29	**16,946,342**	–	**–**	–
Contingent consideration	30	**1,821,905**	1,756,496	**–**	–
Finance lease liabilities	35	**6,628,305**	–	**–**	–
Other payables	34	**112,621,495**	–	**–**	–
Deferred tax liabilities	31	**345,172,292**	325,562,376	**–**	–
Provision for decommissioning costs	32	**259,236,703**	124,835,047	**–**	–
		742,427,042	452,153,919	**–**	–

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018 (CONTINUED)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
CURRENT LIABILITIES					
Trade payables	33	**3,125,802**	241,673	**–**	–
Other payables and accruals	34	**156,142,669**	54,764,917	**3,855,097**	21,504,580
Deferred consideration	29	**18,717,010**	31,428,472	**–**	–
Amounts owing to subsidiaries	22	**–**	–	**33,591,486**	24,203,898
Amount owing to a joint venture	23	**595,327**	336,716	**–**	–
Amount owing to an associate	24	**–**	24,551	**–**	–
Amount owing to a related party	25	**–**	–	**311,796**	331,074
Finance lease liabilities	35	**1,421,185**	–	**–**	–
Provision for taxation		**55,526,909**	38,054,379	**–**	–
Redeemable Convertible Preference Shares	36	**219,388**	219,388	**219,388**	219,388
		235,748,290	125,070,096	**37,977,767**	46,258,940
TOTAL LIABILITIES		**978,175,332**	577,224,015	**37,977,767**	46,258,940
TOTAL EQUITY AND LIABILITIES		**1,973,964,938**	1,319,585,742	**465,721,157**	413,710,885

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Non-distributable 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, net of directly attributable expenses	27, 28	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	27, 28	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 became 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.*

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

	Note	Share capital RM	Other reserves RM	Foreign exchange reserve RM	(Accumulated losses)/ Retained earnings RM	Total RM
		Non-distributable				
Group						
At 01.07.2017		**675,314,577**	**388,807**	**92,465,845**	**(25,807,502)**	**742,361,727**
Issuance of shares, net of directly attributable expenses	27, 28	**89,650,712**	**–**	**–**	**–**	**89,650,712**
Warrants issuance transaction costs		**–**	**–**	**–**	**(548,616)**	**(548,616)**
Profit after taxation		**–**	**–**	**–**	**203,712,111**	**203,712,111**
Other comprehensive expenses, net of tax:						
– Foreign currency translation		**–**	**–**	**(39,386,328)**	**–**	**(39,386,328)**
Total comprehensive (expenses)/ income for the financial year		**–**	**–**	**(39,386,328)**	**203,712,111**	**164,325,783**
At 30.06.2018		**764,965,289**	**388,807**	**53,079,517**	**177,355,993**	**995,789,606**

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

	Note	Non-distributable Share capital	Non-distributable Share premium*	Accumulated losses	Total
		RM	RM	RM	RM
Company					
At 01.07.2016		13,126,390	634,584,774	(304,324,209)	343,386,955
Issuance of shares, net of directly attributable expenses	27, 28	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	27, 28	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 became 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.*

	Note	Non-distributable share capital	Accumulated losses	Total
		RM	RM	RM
Company				
At 01.07.2017		**675,314,577**	**(307,862,632)**	**367,451,945**
Issuance of shares, net of directly attributable expenses	27, 28	**89,650,712**	**–**	**89,650,712**
Warrants issuance transaction costs		**–**	**(548,616)**	**(548,616)**
Loss after taxation/Total comprehensive expenses for the financial year		**–**	**(28,810,651)**	**(28,810,651)**
At 30.06.2018		**764,965,289**	**(337,221,899)**	**427,743,390**

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before taxation		**244,467,288**	62,006,656	**(28,810,651)**	(3,538,423)
Adjustments for:					
Depreciation and amortisation of equipment and intangible assets		**68,633,008**	72,453,617	**86,411**	463,044
Interest income		**(636,239)**	(16,322)	**(84,540)**	(16,320)
Unrealised loss/(gain) on foreign exchange		**13,142,166**	(17,532,416)	**2,040,365**	6,333,117
Finance costs		**21,031,078**	22,035,681	**20,524**	1,138,747
Impairment of equipment		**6,606,547**	–	**–**	–
Impairment of investment in a subsidiary		**–**	–	**10,180,342**	–
Reversal of impairment of investment in an associate		**(2,097,505)**	(1,946,481)	**–**	–
Impairment of other receivables and amounts owing by subsidiaries, joint ventures, an associate and a related party		**1,338,017**	8,730,464	**2,505,451**	8,628,082
Provision for stock obsolescence		**268,524**	–	**–**	–
Share of results of an associate		**649,700**	511,750	**–**	–
Negative goodwill from business combination	15	**(206,254,161)**	–	**–**	–
Operating profit/(loss) before working capital changes		**147,148,423**	146,242,949	**(14,062,098)**	13,008,247
Trade receivables		**(100,571,686)**	(5,061,668)	**–**	–
Other receivables, deposits and prepayments		**(24,994,633)**	7,695,174	**66,288**	5,833,133
Trade payables		**2,974,927**	177,460	**–**	–
Other payables and accruals		**83,754,872**	(48,909,614)	**20,794**	(18,728,857)
Inventories		**42,553,641**	1,946,387	**–**	–
Amounts owing by subsidiaries		**–**	–	**(4,975,031)**	(4,064,361)
Amounts owing by joint ventures		**(2,412,610)**	(477,611)	**–**	–
Amount owing to a joint venture		**659,334**	–	**–**	–
Amount owing by a related party		**–**	–	**(1,251,560)**	(56,972)
Amount owing to a related party		**–**	–	**(19,278)**	(416,556)
Amount owing by an associate		**(5,252)**	797,438	**–**	–
Amount owing to an associate		**(23,688)**	(5,905,916)	**–**	–
CASH GENERATED FROM/(USED IN) OPERATIONS		**149,083,328**	96,504,599	**(20,220,885)**	(4,425,366)
Income tax paid		**(46,978,058)**	(11,335,134)	**–**	–
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**102,105,270**	85,169,465	**(20,220,885)**	(4,425,366)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of equipment		**(57,182,884)**	(707,370)	**–**	(86,869)
Interest received		**636,239**	16,322	**84,540**	16,320
Acquisition of intangible assets		**(574,743)**	(868,544)	**–**	–
Deposit for an investment		**–**	(10,435,750)	**–**	(10,435,750)
Net cash outflow arising from business combination	29	**(30,486,662)**	(71,407,828)	**–**	–
Advances to subsidiaries		**–**	–	**(53,340,449)**	(68,752,852)
NET CASH USED IN INVESTING ACTIVITIES		**(87,608,050)**	(83,403,170)	**(53,255,909)**	(79,259,151)
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from issuance of ordinary shares		**89,650,712**	27,791,719	**89,650,712**	27,791,719
Repayment of cash advances from Directors		**–**	(2,650,000)	**–**	(2,650,000)
Advances from subsidiaries		**–**	–	**10,472,283**	23,383,793
Advances from a third party		**–**	16,893,050	**–**	16,893,050
Repayment of advances from a third party		**(17,332,545)**	–	**(17,332,545)**	–
NET CASH GENERATED FROM FINANCING ACTIVITIES		**72,318,167**	42,034,769	**82,790,450**	65,418,562
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**86,815,387**	43,801,064	**9,313,656**	(18,265,955)
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES		**(5,359,635)**	(18,046,072)	**(2,588)**	67,716
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**54,500,852**	28,745,860	**1,967,926**	20,166,165
CASH AT END OF THE FINANCIAL YEAR		**135,956,604**	54,500,852	**11,278,994**	1,967,926
Less: Cash restricted in use		**(13,878,690)**	–	**–**	–
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	26	**122,077,914**	54,500,852	**11,278,994**	1,967,926

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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 5 October 2018.

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 Companies Act 2016 ("Act").

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.

3 BASIS OF PREPARATION (CONTINUED)

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

The Group and Company have applied the following amendments for the first time for the financial year beginning on 1 July 2017:

- Amendments to MFRS 107 'Statement of Cash Flows - Disclosure Initiative'
- Amendments to MFRS 112 'Income taxes - Recognition of Deferred Tax Assets for Unrealised Losses'
- Annual Improvements to MFRSs 2014–2016 Cycle: MFRS 12 'Disclosure of Interests in Other Entities'

The adoption of the amendments to MFRS 107 required disclosures of changes in liabilities arising from financing activities. Other than that, the adoption of the above amendments did not have any impact on the current financial year or any prior financial period.

(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 2018. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following:

- 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 on 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

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 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

  - For financial liabilities classified as fair value through profit or loss ("FVTPL"), the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss; and,

  - When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.

  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.

  The Group has reviewed its financial assets and liabilities arising from the adoption of the new standard on 1 July 2018. The Group does not expect the new guidance to affect the classification and measurement of its financial assets. However, gains or losses realised on the sale of financial assets at fair value through OCI will no longer be transferred to profit or loss on sale, but instead reclassified below the line from the fair value through OCI reserve to retained earnings.

  There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from MFRS 139 and have not been changed.

  The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any such hedging instruments.

  Changes in the fair value of foreign exchange forward contracts attributable to forward points, and in the time value of the option contracts, will in future be deferred in a new costs of hedging reserve within equity. The deferred amounts will be recognised against the related hedged transaction when it occurs.

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)

The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under MFRS 15 'Revenue from Contracts with Customers', lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group and the Company do not expect a material increase in the impairment of trade receivables and amounts owing by subsidiaries, joint ventures and an associate.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group and of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group will apply the new rules retrospectively from 1 July 2018, with the practical expedients permitted under the standard. The comparatives will not be restated.

- 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 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.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:

  - Identify contracts with customers;
  - Identify the separate performance obligations;
  - Determine the transaction price of the contract;
  - Allocate the transaction price to each of the separate performance obligations; and,
  - Recognise the revenue as each performance obligation is satisfied.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

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)

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements;
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal;
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa;
- There are new specific rules on licences, warranties, non-refundable upfront fees, and consignment arrangements, to name a few; and,
- Increased disclosures.

The Group has assessed the effects of applying the new standard on the Group's financial statements and do not expect any material impact arising from the adoption of this standard.

- 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 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in profit or loss.

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.

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)

- 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.

- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures' (effective from 1 January 2019) clarify that an entity should apply MFRS 9 (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

  In addition, such long-term interests are subject to loss allocation and impairment requirements in MFRS 128.

  The amendments shall be applied retrospectively.

- Annual Improvements to MFRSs 2015–2017 Cycle: Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

- Annual Improvements to MFRSs 2015–2017 Cycle: Amendments to MFRS 11 'Joint Arrangements' (effective from 1 January 2019) clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

- Annual Improvements to MFRSs 2015–2017 Cycle: Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are a distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

The Group and the Company are assessing the impact of the above standards and amendments to the existing standards to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

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 2018.

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.

<u>Changes in ownership interests in subsidiaries without change of control</u>

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.

<u>Disposal of subsidiaries</u>

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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

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(i)(i) to the financial statements.

(b) Oil and gas expenditure - exploration and evaluation ("E&E") assets

E&E assets comprise of rights and concession and conventional studies. Following the acquisition of a concession right to explore a licensed 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 conventional studies, 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 that 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Oil and gas expenditure - exploration and evaluation ("E&E") assets (continued)

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 39 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.

(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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Currency translation (continued)

(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.

(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 FVTPL, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

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.

(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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments (continued)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Production Sharing Contract

Effective 31 March 2018, the Company's indirect wholly-owned subsidiary, SEA Hibiscus Sdn Bhd ("SEA Hibiscus") became a contractor to Petroliam Nasional Berhad ("PETRONAS"), being the operator under a joint venture with PETRONAS Carigali Sdn Bhd in the 2011 North Sabah Enhanced Oil Recovery ("EOR") Production Sharing Contract ("PSC") ("2011 North Sabah EOR PSC").

Under the terms of the 2011 North Sabah EOR PSC, all assets procured by the contractor for petroleum operations in each contract area become the property of PETRONAS, with the contractor retaining the rights of use of those assets for the duration of the PSC.

The Group classifies the 2011 North Sabah EOR PSC as a joint operation and recognises its share of assets, liabilities, revenues and expenses in accordance with the contractually conferred rights and obligations stated in the PSC and the Joint Operating Agreement ("JOA").

Under a PSC, contractors fund the work outlined in an approved work programme and budget and are entitled to recover costs from production, subject to the cost recovery limits of the PSC. The cost recovery mechanism of the PSC enables contractors to recover costs incurred via entitlement to production volume. Costs unrecovered in a particular quarter can be carried forward for recovery against production in subsequent quarters. The contractors' share of production also includes an element of profits.

(i) 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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Intangible assets (continued)

(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.

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 other intangible assets is computed based on the unit of production method using proven and probable reserves.

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.

(j) Equipment

Equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost 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%
Britannia Rig ("Rig")	20%
Floating production storage and offloading vessel ("FPSO")	5%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) 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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment (continued)

(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 ("FVLCTS") 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.

(l) Inventories

Inventories of diesel, spares and chemicals 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.

(m) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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.

(o) 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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Current and deferred taxation (continued)

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.

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.

(p) Leases

Leases of equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term liabilities. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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.

(r) 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.

(iv) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive payment is established.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Under/overlift

The initial measurement of the overlift liability and underlift asset is at market price of oil at the date of lifting. Subsequent measurements depend 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 profit or loss.

(t) 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.

(u) 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.

(v) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Critical estimates and judgement (continued)

(i) Estimation of oil and gas reserves (continued)

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.

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.

4 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Critical estimates and judgement (continued)

(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 2011 North Sabah EOR PSC ("North Sabah"), the Anasuria Cluster, the VIC/P57 exploration permit ("VIC/P57") and the VIC/L31 production licence ("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 may include 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 rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted 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 FVLCTS approach. During the financial year, the Group recognised impairment losses as disclosed in Note 18 to the financial statements.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

5 REVENUE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Crude oil sales	**380,651,907**	246,687,544	**–**	–
Gas sales	**8,613,578**	10,129,890	**–**	–
Project management, technical and other services fees	**4,994,183**	4,438,818	**5,439,495**	6,456,740
Interest income	**84,540**	16,322	**84,540**	16,320
	394,344,208	261,272,574	**5,524,035**	6,473,060

Included in interest income is profit income received from deposits with a licensed Islamic bank amounting to RM84,415 (2017: RM16,242).

6 COST OF SALES

	Group	
	2018 RM	2017 RM
Cost of operations	**28,817,174**	8,967,169
Tariff and transportation expenses	**10,435,750**	7,213,603
Crude oil inventory movement	**133,986,235**	76,908,066
	173,239,159	93,088,838

7 OTHER INCOME

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unrealised gain on foreign exchange	**–**	17,532,416	**–**	–
Realised gain on foreign exchange	**3,331,853**	17,826,543	**1,203,902**	28,712,895
Interest income	**551,699**	–	**–**	–
Sundry income	**12,581**	2,524,425	**9,000**	–
	3,896,133	37,883,384	**1,212,902**	28,712,895

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Unwinding of discount on deferred consideration (Note 29)	**1,598,722**	7,632,189	**–**	–
Unwinding of discount on contingent consideration (Note 30)	**174,145**	166,831	**–**	–
Unwinding of discount on provision for decommissioning costs (Note 32)	**14,677,264**	11,588,814	**–**	–
Unwinding of discount on non-current other payables	**2,711,379**	–	**–**	–
Interest expense	**1,869,568**	2,647,847	**20,524**	1,138,747
	21,031,078	22,035,681	**20,524**	1,138,747

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

9 PROFIT/(LOSS) BEFORE TAXATION

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Profit/(loss) before taxation is arrived at after charging/ (crediting):				
Auditors' remuneration:				
– fees for statutory audit				
– PricewaterhouseCoopers PLT, Malaysia	**578,000**	448,000	**275,720**	261,905
– member firm of PricewaterhouseCoopers International Limited	**233,544**	210,246	**–**	–
– fees for audit related services				
– PricewaterhouseCoopers PLT, Malaysia*	**48,000**	59,770	**15,000**	59,770
– fees for other services				
– member firms of PricewaterhouseCoopers PLT, Malaysia	**310,350**	79,620	**252,350**	53,400
Prospecting costs and consultancy fees	**20,532,383**	10,983,743	**4,174,198**	5,607,945
Depreciation and amortisation of equipment and intangible assets	**68,633,008**	72,453,617	**86,411**	463,044
Impairment of equipment	**6,606,547**	–	**–**	–
Impairment of investment in a subsidiary	**–**	–	**10,180,342**	–
Impairment of other receivables and amounts owing by subsidiaries, joint ventures, an associate and a related party	**1,338,017**	8,730,464	**2,505,451**	8,628,082
Provision for stock obsolescence	**268,524**	–	**–**	–
Rental expenses	**687,119**	873,298	**487,200**	487,200
Unrealised loss on foreign exchange	**13,142,166**	–	**2,040,365**	6,333,117
Negative goodwill from business combination	**(206,254,161)**	–	**–**	–
Staff costs:				
– Directors' fees	**655,113**	404,903	**655,113**	404,903
– salaries and bonus	**16,863,399**	10,185,532	**9,529,658**	8,992,018
– defined contribution plan	**2,476,938**	1,492,095	**1,280,078**	993,266
– other benefits	**1,801,953**	469,562	**273,560**	322,003

Director's remuneration included within staff costs is as disclosed in Note 37 to the financial statements.

The unrealised loss on foreign exchange is not derived from the trading of futures contracts nor futures foreign exchange trading.

* *Included in the fees payable/paid to PricewaterhouseCoopers PLT, Malaysia as disclosed above is an amount recognised in equity during the financial year for the Group of RM15,000 (2017: RM55,000) and for the Company of RM15,000 (2017: RM55,000).*

10 TAXATION

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current tax:				
– Malaysian income tax	**49,177,973**	9,472	**–**	–
– Foreign income tax	**18,006,614**	46,233,091	**–**	–
– (Over)/under accrual in prior year	**(1,274,492)**	3,140,945	**–**	–
	65,910,095	49,383,508	**–**	–
Deferred tax expense (Note 31):				
– Reversal of temporary differences	**(25,154,918)**	(7,804,019)	**–**	–
– Reduction in foreign income tax rate	**–**	(83,506,422)	**–**	–
– Over accrual in prior year	**–**	(2,163,216)	**–**	–
	40,755,177	(44,090,149)	**–**	–

A reconciliation of income tax expense/(credit) applicable to the profit/(loss) before taxation at the statutory tax rate to income tax expense/(credit) at the effective tax rate of the Group and of the Company is as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit/(loss) before taxation	**244,467,288**	62,006,656	**(28,810,651)**	(3,538,423)
Tax at the statutory tax rate of 24% (2017: 24%)	**58,672,149**	14,881,597	**(6,914,556)**	(849,222)
Non-deductible expenses	**17,944,806**	7,869,588	**1,560,602**	3,474,677
Non-taxable income	**(78,973,176)**	(9,353,751)	**(288,937)**	(6,891,095)
Effects of tax rates in different jurisdictions	**44,324,689**	15,380,961	**–**	–
Effect on reduction in foreign income tax rate	**–**	(83,506,422)	**–**	–
Share of post tax results from investments accounted for using the equity method	**155,928**	122,820	**–**	–
Temporary differences not recognised	**6,325,426**	9,537,329	**5,642,891**	4,265,640
Recognition of previously unrecognised temporary differences	**(6,420,153)**	–	**–**	–
(Over)/under accrual in prior year	**(1,274,492)**	977,729	**–**	–
Income tax expense/(credit) for the financial year	**40,755,177**	(44,090,149)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

10 TAXATION (CONTINUED)

Included in income tax expense of the Group and of the Company are tax savings amounting to RM20,290 (2017: RM15,864,119) and RM20,290 (2017: RM3,917) respectively from the utilisation of current and previous financial year tax losses.

The United Kingdom ("UK") 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 previous financial year.

11 EARNINGS PER SHARE

The basic earnings per share for the financial year ended 30 June 2018 is arrived at by dividing the Group's profit attributable to the owners of the Company of RM203,712,111 (2017: RM106,096,805) by the weighted average number of ordinary shares in issue during the financial year of 1,543,997,463 shares (2017: 1,413,201,779 shares).

Diluted earnings per share is determined by dividing the Group's profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue adjusted for the effects of all dilutive potential ordinary shares. The adjusted weighted average number of ordinary shares during the financial year is 1,632,764,203 shares (2017: 1,413,201,779 shares).

		Group	
		2018	**2017**
Profit after taxation attributable to owners of the Company (RM)	(A)	**203,712,111**	106,096,805
Weighted average number of shares for basic earnings per share computation	(B)	**1,543,997,463**	1,413,201,779
Effects of dilution of Warrants C		**88,766,740**	–
Weighted average number of shares for diluted earnings per share computation	(C)	**1,632,764,203**	1,413,201,779
Basic earnings per share (sen)	(A/B)	**13.19**	7.51
Diluted earnings per share (sen)	(A/C)	**12.48**	7.51

As at 30 June 2018, the number of outstanding Warrants C is 317,645,623. Each Warrant C entitles the registered Warrant C holder to subscribe for one new ordinary share in the Company at the exercise price of RM1.00 for each Warrant C in the first year. Thereafter, the exercise price of each Warrant C is subject to a fixed annual step-up of RM0.06 per year on each of the anniversary dates from the date of the first issuance of the Warrants C (subject to any permitted adjustments, if any, in accordance with the terms of the deed poll in relation to Warrants C). The maturity date of the Warrants C of 18 March 2021 is the last day of the exercise period, being one market day prior to the expiry date of the Warrants C of 19 March 2021.

12 INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM	2017 RM
Unquoted shares in Malaysia, at cost	**588,053,819**	588,053,819
Less: Impairment losses	**(231,544,446)**	(231,544,446)
	356,509,373	356,509,373
Amounts owing by subsidiaries	**69,895,166**	37,417,702
Less: Impairment losses	**(10,572,355)**	(392,013)
	415,832,184	393,535,062

The details of the subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Group's effective equity interest (%) 2018	2017
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 Sdn. Bhd. ("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 Sdn. Bhd. ("Atlantic Hibiscus")	Investment holding	Malaysia	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

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 (%) 2018	2017
Pacific Hibiscus Sdn. Bhd. ("Pacific Hibiscus")	Investment holding	Malaysia	**100**	100
Subsidiaries of Oceania Hibiscus				
Carnarvon Hibiscus Pty Ltd ("Carnarvon Hibiscus")[2]	Exploration and development of oil and gas	Australia	**100**	100
Althea Corporation Limited ("Althea Corporation")	Investment holding	Malaysia	**100**	100
Subsidiary of Genesis Hibiscus				
Cayman Hibiscus Inc SPC[3]	Dormant	Cayman Islands	**100**	100
Subsidiary of Atlantic Hibiscus				
Anasuria Hibiscus UK Limited ("Anasuria Hibiscus")[2]	Exploration and production of oil and gas	United Kingdom	**100**	100
Subsidiary of Pacific Hibiscus				
SEA Hibiscus	Exploration and production of oil	Malaysia	**100**	100
Subsidiary of Carnarvon Hibiscus				
Gippsland Hibiscus Pty Ltd ("Gippsland Hibiscus")[2]	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 certain subsidiaries incorporated in Labuan, being Gulf Hibiscus, Hibiscus Oilfield and Timor Hibiscus, to be subject to taxation under Section 7 of the Labuan Business Activity Tax Act, 1990 for the financial year ended 30 June 2018. As such, the financial statements for these subsidiaries were not required to be audited.*

[2] *Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT, Malaysia.*

[3] *The financial statements were not required to be audited based on the regulation of its country of incorporation. The company had not commenced operations during the financial year ended 30 June 2018.*

Due to the financial position of its subsidiaries, the Company has reviewed the recoverability of its underlying interests in them. As a result of the review, the Company recognised an impairment in its investment in Oceania Hibiscus during the financial year. The recoverable amount is determined using the value in use model.

13 INVESTMENT IN AN ASSOCIATE

	Group	
	2018 **RM**	**2017** **RM**
At 01.07.2017/01.07.2016	**4,089,965**	1,940,135
Share of post-acquisition results and reserves	**(1,281,912)**	203,349
Reversal of impairment of investment	**2,097,505**	1,946,481
At 30.06.2018/30.06.2017	**4,905,558**	4,089,965
Fair value of quoted shares (Level 1)	**4,905,558**	4,089,965

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

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 the equity method:

	Group	
	2018 RM	**2017 RM**
Revenue	**87,204**	47,659
Loss after taxation	**(3,636,035)**	(3,924,464)
Other comprehensive income	**–**	–
Total comprehensive income	**(3,636,035)**	(3,924,464)
Non-current assets	**55,120,957**	60,070,818
Current assets	**3,131,839**	8,027,479
Non-current liabilities	**(9,926,448)**	(9,663,210)
Current liabilities	**(2,822,255)**	(3,100,378)
Net assets	**45,504,093**	55,334,709
Group's share of net assets (13.04%)	**5,933,734**	7,215,646
Impairment of investment	**(1,335,255)**	(3,432,760)
Transaction costs capitalised	**307,079**	307,079
Carrying amount	**4,905,558**	4,089,965

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.

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 (%) 2018	2017
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.

3D Oil shares are publicly traded on the Australian Stock Exchange. Due to fluctuations of the market price of the shares, 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, which is derived from the market price of the shares. As at 30 June 2018, the share price was AUD0.053 per share as compared to AUD0.040 per share as at 30 June 2017. As a result, RM2,097,505 of provision for impairment has been reversed during the financial year. The fair value is within Level 1 of the fair value hierarchy. The cost to sell is estimated to be immaterial.

14 INVESTMENTS IN JOINT VENTURES

	Group 2018 RM	2017 RM
Unquoted shares outside Malaysia, at cost:		
At 30.06.2018/30.06.2017	**–**	–

Lime Petroleum Plc ("Lime")

Lime is currently in the process of being wound up and the Directors have fully impaired the Group's investment in Lime and its concession companies ("Lime Group"). Nonetheless and 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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

14 INVESTMENTS IN JOINT VENTURES (CONTINUED)

HiRex Petroleum Sdn. Bhd. ("HIREX")

A winding-up process has been initiated by the Group in relation to HIREX and the Directors have fully impaired the Group's investment in HIREX in the previous financial years. Nonetheless and for the avoidance of doubt, the rights and legal position of the Group are fully reserved in respect of HIREX.

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 (%) 2018	2017
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

On 31 March 2018 ("Completion Date"), the Company, via its indirectly wholly-owned subsidiary, SEA Hibiscus completed the acquisition of 50% participating interests in the 2011 North Sabah EOR PSC. The acquisition of interests in the joint operation is accounted for as a business combination, as the activities of the joint operation constitute a business. The acquisition is subsequently disclosed in Note 16 to the financial statements.

The base consideration of USD25.0 million comprises the following:

- Initial consideration of USD15.0 million; and,
- Deferred consideration of USD10.0 million.

The initial consideration was payable upon completion of the acquisition, and as at 30 June 2018, had been settled per the agreed schedule.

The deferred consideration will be payable as follows:

- USD5.0 million within 12 months from completion; and,
- USD5.0 million within 24 months from completion.

15 BUSINESS COMBINATION (CONTINUED)

The fair value of the identifiable assets and liabilities of the North Sabah asset as at the date of acquisition was:

	Fair value recognised on acquisition RM
Group	
Assets	
– Intangible assets	410,483,167
– Inventories	93,750,333
	504,233,500
Liabilities	
– Provision for decommissioning costs	(120,668,073)
– Deferred tax liabilities	(62,247,716)
– Accruals	(29,573,894)
	(212,489,683)
Total net identifiable assets	291,743,817
Negative goodwill from business combination	(206,254,161)
	85,489,656
Purchase consideration:	
– Paid	9,665,000
– Payable	81,661,942
Other amounts:	
– Unrecovered recoverable costs payable	105,306,562
– Interim working capital and other adjustments receivable	(111,143,848)
	85,489,656

It is not practicable to disclose the results of operations from the North Sabah asset had the combination had taken place from 1 July 2017 as such information was not made available by the sellers, namely Sabah Shell Petroleum Company Limited and Shell Sabah Selatan Sdn Bhd (collectively the "Sellers").

The negative goodwill had been recognised in profit or loss in the financial year ended 30 June 2018. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

15 BUSINESS COMBINATION (CONTINUED)

Unrecovered recoverable costs payable represents recoverable costs incurred by the Sellers as part of their executed work program but not yet recovered as of the Completion Date. The unrecovered recoverable costs are payable subject to oil prices having reached certain thresholds. The Group provided for the amount based on the assumption that the estimated future oil prices will meet the thresholds.

Interim working capital and other adjustments (or completion adjustments) calculated from the effective date of 1 January 2017 to 31 March 2018 totalled USD28.8 million (RM111.1 million). This largely comprises the economic benefit derived from the asset for the fifteen-month period.

Transaction costs and professional fees incurred relating to the North Sabah asset of RM21.3 million was expensed to the administrative expenses in the profit or loss.

16 JOINT OPERATIONS

Under the terms of the joint agreements below, the Group has a direct share in all of the assets employed by the arrangements 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. The Group has therefore classified these arrangements as joint operations. 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.

North Sabah

During the financial year, the Group had completed the acquisition of the North Sabah asset. The North Sabah asset is located approximately 33 kilometres from Kota Kinabalu, Malaysia.

On 31 March 2018, SEA Hibiscus successfully assumed the role of operator for the assets from Sabah Shell Petroleum Company Limited. The responsibilities of SEA Hibiscus as the operator of the PSC and under the JOA are the management of the operations of:

(i) production of petroleum from four 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 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.

The production rights under the PSC is up to 2040.

The details of the acquisition are as disclosed in Note 15 to the financial statements.

16 JOINT OPERATIONS (CONTINUED)

Anasuria Operating Company Limited ("AOCL")

The Group, via its indirectly wholly-owned subsidiary, Anasuria Hibiscus, together with Ping Petroleum Limited has established the joint operating company, AOCL in Aberdeen and this company has been approved as the Licence Operator for the Anasuria Cluster 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 U.K. Ltd. ("Shell UK"). As at 30 June 2018, Anasuria Hibiscus holds 50% interest in AOCL.

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 licence covering the Guillemot A, Teal and Teal South fields.

The UK's Oil and Gas Authority had on 12 March 2018 extended the licence for the Cook field into a life of field licence. A life of field extension is terminable only if there is a continuous minimum 12-month period in which the production has fallen below a minimum production level.

VIC/P57

The Group, via its indirectly wholly-owned subsidiary, 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 2018, Carnarvon Hibiscus and Gippsland Hibiscus had a 55.1% and 20.0% participating interest in this arrangement respectively.

The Group, together with 3D Oil (a joint venture partner to VIC/P57) had successfully obtained the renewal of the exploration licence in VIC/P57 for another five-year term commencing from 7 March 2018. The Group is committed to carry out the minimum work requirements within the renewal term.

The principal place of business of the joint operation is in Australia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

17 INTANGIBLE ASSETS

	Rights and concession RM	Conventional studies RM	Total RM
Group			
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
At 01.07.2017	**881,345,243**	**147,947,285**	**1,029,292,528**
Acquisition through business combination (Note 15)	**410,483,167**	**–**	**410,483,167**
Additions	**–**	**574,743**	**574,743**
Amortisation	**(49,384,590)**	**–**	**(49,384,590)**
Exchange differences	**(39,661,692)**	**(14,051,880)**	**(53,713,572)**
At 30.06.2018	**1,202,782,128**	**134,470,148**	**1,337,252,276**

Included in rights and concession is the carrying amount of producing field licences in Anasuria Cluster amounting to RM687,664,530 (2017: RM770,007,941), producing field licences in North Sabah amounting to RM414,333,116 (2017: RM Nil) and capitalised acquisition and related transaction costs of VIC/P57 and VIC/L31 amounting to RM100,784,482 (2017: RM111,337,302). Capitalised expenditures are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Conventional studies relate to conceptual study costs incurred for exploration costs in VIC/P57 and West Seahorse field development in VIC/L31.

North Sabah

The acquisition of the North Sabah assets was completed during the financial year. Details of the acquisition are as disclosed in Note 15 to the financial statements.

17 INTANGIBLE ASSETS (CONTINUED)

Anasuria Cluster

Due to uncertainties in crude oil prices, the Group has assessed the recoverable amount of the intangible assets, oil and gas assets and FPSO relating to the Anasuria Cluster. The recoverable amount is determined using the FVLCTS model based on discounted cash flows ("DCF") derived from the expected cash in/outflow pattern over the production lives.

The key assumptions used to determine the recoverable amount for the Anasuria Cluster were as follows:

(i) Discount rate of 10% (2017: 10%);

(ii) Future cost inflation factor of 2% (2017: 2%) per annum;

(iii) Oil price forecast based on the oil price forward curve from independent parties; and,

(iv) Oil production profile based on the assessment by independent oil and gas reserve experts.

Based on the assessments performed, the Directors concluded that the recoverable amount calculated based on the valuation model is higher than the carrying amount.

VIC/L31

A production licence, VIC/L31, containing the West Seahorse field, was granted by the Australian authorities to Carnarvon Hibiscus for an indefinite period from 5 December 2013. The Group is in the process of evaluating field development options with a view to recommencing field development activities once an economically viable development solution is identified.

The intangible assets for VIC/L31 were 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 using the value in use based on DCF derived from the expected cash in/outflow pattern during the production licence period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

17 INTANGIBLE ASSETS (CONTINUED)

VIC/L31 (continued)

The key assumptions used to determine the recoverable amount for VIC/L31 were as follows:

(i) Discount rate of 10% (2017: 10%);

(ii) The licence being available for the projected three-year period from 2022 to 2024 (2017: 2022 to 2024) which is the expected economic limit cut off for the field;

(iii) Total project capital expenditures of approximately USD58 million (2017: USD62 million);

(iv) Oil production profile based on the assessment by independent oil and gas reserve experts;

(v) Brent oil price of USD73.95, USD77.01 and USD80.41 per bbl for 2022, 2023 and 2024 respectively (2017: USD73.44, USD76.70 and USD79.56 per bbl for 2022, 2023 and 2024 respectively) and 2% (2017: 2%) premium to Brent oil prices; and,

(vi) First oil being achieved in July 2022 (2017: July 2022).

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 USD5.02 per bbl reduction in oil price will result in the recoverable amount being equal to the carrying amount.

VIC/P57

An impairment indicator review has been performed for VIC/P57. The assessment was based on the following:

(i) The Group had obtained a renewal of the exploration permit on 7 March 2018 for a five-year term expiring in March 2023 which includes plans to continue exploration activities; and,

(ii) An internal estimate of the Risk Net Asset Value ("RNAV") model was performed as it is in exploration stage. The RNAV model performed by a sufficiently competent and experienced in-house geology team indicates that the estimate is higher than the carrying amount.

Based on the assessments performed, the Directors concluded that there is no impairment indicator for VIC/P57.

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 01.07.2016	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/ 01.07.2017	**230,791**	**4,576,304**	**321,290**	**153,985,622**	**30,072,700**	**68,437,790**	**619,247**	**258,243,744**
Additions*	**22,121**	**8,382,021**	**–**	**3,287,883**	**–**	**–**	**53,872,880**	**65,564,905**
Transfer	**–**	**–**	**–**	**18,577,239**	**–**	**–**	**(18,577,239)**	**–**
Exchange differences	**290**	**(3,142)**	**–**	**(9,543,861)**	**(1,836,800)**	**(6,486,699)**	**(331,982)**	**(18,202,194)**
At 30.06.2018	**253,202**	**12,955,183**	**321,290**	**166,306,883**	**28,235,900**	**61,951,091**	**35,582,906**	**305,606,455**

* *Additions of office equipment during the financial year include purchases via finance leases amounting to RM8,382,021 (2017: RM Nil).*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (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 01.07.2016	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/ 01.07.2017	**99,828**	**4,510,160**	**176,790**	**14,756,232**	**1,188,292**	**34,896,661**	**–**	**55,627,963**
Depreciation for the financial year	**23,080**	**625,204**	**32,129**	**7,922,707**	**843,817**	**9,801,481**	**–**	**19,248,418**
Impairment for the financial year	**–**	**–**	**–**	**–**	**–**	**6,606,547**	**–**	**6,606,547**
Exchange differences	**–**	**(2,837)**	**–**	**(967,320)**	**(79,611)**	**(4,137,736)**	**–**	**(5,187,504)**
At 30.06.2018	**122,908**	**5,132,527**	**208,919**	**21,711,619**	**1,952,498**	**47,166,953**	**–**	**76,295,424**
Net book value								
At 30.06.2017	130,963	66,144	144,500	139,229,390	28,884,408	33,541,129	619,247	202,615,781
At 30.06.2018	**130,294**	**7,822,656**	**112,371**	**144,595,264**	**26,283,402**	**14,784,138**	**35,582,906**	**229,311,031**

As at 30 June 2018, the Rig is cold stacked in a shipyard in Turkey. The impairment assessment of the Rig was performed using the FVLCTS approach. The fair value was determined using Level 2 inputs, based on a valuation exercise performed by an independent valuer by referring to market scrap rate.

18 EQUIPMENT (CONTINUED)

	Furniture and fittings RM	Office equipment RM	Office renovation RM	Total RM
Company				
Cost				
At 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**
At 01.07.2017/30.06.2018	**230,791**	**4,540,836**	**321,290**	**5,092,917**
Accumulated depreciation				
At 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 30.06.2017/01.07.2017	**99,828**	**4,481,249**	**176,790**	**4,757,867**
Depreciation for the financial year	**23,080**	**31,202**	**32,129**	**86,411**
At 30.06.2018	**122,908**	**4,512,451**	**208,919**	**4,844,278**
Net book value				
At 30.06.2017	130,963	59,587	144,500	335,050
At 30.06.2018	**107,883**	**28,385**	**112,371**	**248,639**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

19 TRADE RECEIVABLES

	Group	
	2018 RM	2017 RM
Sales of crude oil	**95,838,183**	–
Sales of gas	**2,229,730**	1,116,436
Provision of project management, technical and other services	**10,959,943**	6,317,522
	109,027,856	7,433,958

The amounts are unsecured and are to be settled in cash.

20 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables and deposits	**89,202,759**	20,419,549	**4,659,876**	4,793,511
Prepayments and deferred expenses	**18,688,415**	5,880,467	**468,534**	977,127
	107,891,174	26,300,016	**5,128,410**	5,770,638
Less: Impairment of receivables	**(8,907,202)**	(8,835,131)	**(4,296,100)**	(4,502,220)
	98,983,972	17,464,885	**832,310**	1,268,418

Other receivables and deposits as at the end of the financial year include a security deposit placed with the Sellers post completion of the acquisition of 50% participating interests in the 2011 North Sabah EOR PSC of RM40,337,000, as required by the terms of the sales and purchase agreement for the said acquisition.

In the previous financial year, other receivables and deposits included the deposit paid for the acquisition of 50% participating interests in the 2011 North Sabah EOR PSC amounting to RM10,740,250.

21 INVENTORIES

	Group	
	2018	**2017**
	RM	**RM**
Crude oil	**41,883,762**	3,717,765
Spares	**16,030,027**	279,295
	57,913,789	3,997,060

Inventories recognised as expenses during the financial year amounted to RM133,986,235 (2017: RM76,908,066). These were included in cost of sales as disclosed in Note 6 to the financial statements.

22 AMOUNTS OWING BY/(TO) SUBSIDIARIES

	Company	
	2018	**2017**
	RM	**RM**
Amounts owing by subsidiaries:		
Current		
Trade	**12,511,665**	8,578,334
Less: Impairment of receivables (trade)	**(3,152,339)**	(3,112,617)
Non-trade	**60,988,703**	42,537,422
Less: Impairment of receivables (non-trade)	**(33,130,795)**	(31,455,682)
	37,217,234	16,547,457
Amounts owing to subsidiaries:		
Current		
Trade	**–**	(49,937)
Non-trade	**(33,591,486)**	(24,153,961)
	(33,591,486)	(24,203,898)

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 2018 (CONTINUED)

23 AMOUNT OWING BY/(TO) A JOINT VENTURE

The amount owing by/(to) a joint venture is 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 Group amounted to RM996,736 (2017: RM416,556).

24 AMOUNT OWING BY/(TO) AN ASSOCIATE

	Group	
	2018 RM	**2017 RM**
Amount owing by an associate:		
Current		
Trade	**5,252**	–
Amount owing to an associate:		
Current		
Trade	**–**	(24,551)

Amount owing by/(to) an associate represents 3D Oil's 24.9% (2017: 24.9%) share in the VIC/P57 joint bank account less 3D Oil's share of VIC/P57 expenses. The amount is unsecured and is to be settled in cash.

25 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 RM996,736 (2017: RM416,556).

26 CASH AND BANK BALANCES

For the purpose of the statements of cash flows, cash and cash equivalents comprised the following:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	**135,956,604**	54,500,852	**11,278,994**	1,967,926
Less: Cash restricted in use	**(13,878,690)**	–	**–**	–
Cash and cash equivalents	**122,077,914**	54,500,852	**11,278,994**	1,967,926

Cash restricted in use represents monies placed in trust for the Group's obligations for the estimated cost of decommissioning the facilities of the Anasuria Cluster.

Reconciliation of liabilities arising from financing activities:

			Non-cash changes				
	At 01.07.2017 RM	Cash flows RM	Additions RM	Interest expense RM	Transfer RM	Foreign exchange movement RM	At 30.06.2018 RM
Advances from a third party	**18,293,147**	**(17,332,545)**	–	**124,764**	–	**(1,085,366)**	**–**
Finance lease liabilities	–	–	**8,382,021**	**184,260**	**(516,791)**	–	**8,049,490**
Total liabilities arising from financing activities	**18,293,147**	**(17,332,545)**	**8,382,021**	**309,024**	**(516,791)**	**(1,085,366)**	**8,049,490**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

27 SHARE CAPITAL

The movements in the issued and paid-up share capital of the Group and of the Company were as follows:

	Number of shares	Share capital RM
Ordinary shares		
At 01.07.2016	1,312,638,991	13,126,390
Issuance of shares		
– 2015 Placement Shares issued during the financial year, net of directly attributable expenses	48,900,000	489,000
– 2016 Placement Shares issued during the financial year, net of directly attributable expenses	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
At 01.07.2017	**1,443,844,291**	**675,314,577**
Issuance of shares		
– Placement Shares issued during the financial year, net of directly attributable expenses	**144,384,400**	**89,650,612**
– Conversion of Warrants C	**100**	**100**
At 30.06.2018	**1,588,228,791**	**764,965,289**

Directly attributable expenses related to the issuance of Placement Shares, 2016 Placement Shares and 2015 Placement Shares are RM1,445,261, RM697,616 and RM491,349 respectively.

During the financial year, the Company increased its issued and paid-up ordinary share capital by way of:

i) issuance of 144,384,400 new ordinary shares, raising a total of RM91,095,873, which was undertaken in three tranches; 62,000,000 shares were issued on 14 August 2017 at RM0.385 per share, 38,079,000 shares were issued on 26 October 2017 at RM0.695 per share and 44,305,400 shares were issued on 16 January 2018 at RM0.920 per share; and,

ii) exercise of 100 Warrants C at the exercise price of RM1.00 each and correspondingly, 100 new ordinary shares were allotted and issued, raising a total of RM100.

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

The Act came into effect on 31 January 2017 and abolished the concept of authorised share capital and par value of share capital. Consequently in previous financial year, the amount standing to the credit of the Company's share premium account of RM660,876,134 became 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.

27 SHARE CAPITAL (CONTINUED)

2015 Placement

On 23 September 2015, Bursa Securities approved the Company's proposed placement of up to 326,935,484 new ordinary shares of RM0.01 each in the Company ("2015 Placement Shares"), representing 25% of the then enlarged issued and paid-up ordinary share capital of the Company ("2015 Placement"). Subsequently, approval for the 2015 Placement was obtained from the shareholders of the Company 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 six months from 23 March 2016 to 22 September 2016 for the Company to complete the implementation of the 2015 Placement.

During the previous financial year ended 30 June 2017, 48,900,000 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.

2016 Placement

On 6 September 2016, Bursa Securities 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 then existing issued and paid-up ordinary share capital of the Company ("2016 Placement").

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

28 OTHER RESERVES

(a) Share premium

The movements in the share premium of the Group and of the Company were as follows:

	Group/Company	
	2018 RM	2017 RM
At 01.07.2017/01.07.2016	–	634,584,774
2015 Previous Placement Shares issued during the financial year	–	26,291,360
Transition to no-par value regime on 31.01.2018	–	(660,876,134)
At 30.06.2018/30.06.2017	–	–

The Act came into effect on 31 January 2017 and abolished the concept of authorised share capital and par value of share capital. Consequently in previous financial year, the amount standing to the credit of the Company's share premium account of RM660,876,134 became 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

28 OTHER RESERVES (CONTINUED)

(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.

29 DEFERRED CONSIDERATION

North Sabah

The base consideration for the acquisition of 50% participating interests in the 2011 North Sabah EOR PSC comprises of the following:

- Initial consideration of USD15.0 million; and,
- Deferred consideration of USD10.0 million.

The initial consideration was paid upon completion of the acquisition.

The deferred consideration is payable as follows:

- USD5.0 million within 12 months from the Completion Date; and,
- USD5.0 million within 24 months from the Completion Date.

Anasuria Cluster

The base consideration for the acquisition of a 50% interest in the Anasuria Cluster comprises of the following:

- Initial consideration of USD30.0 million; and,
- Deferred consideration of USD22.5 million.

29 DEFERRED CONSIDERATION (CONTINUED)

Anasuria Cluster (continued)

The initial consideration was paid upon completion of the acquisition during the financial year ended 30 June 2016.

The deferred consideration was payable as follows:

- USD15.0 million within 12 months from completion; and,
- USD7.5 million within 18 months from completion.

As at 30 June 2018, total deferred consideration of USD22.5 million had been settled, per the agreed schedule.

	Group	
	2018 RM	**2017 RM**
Current		
At 01.07.2017/01.07.2016	**31,428,472**	55,808,587
Addition from business combination (Note 15)	**17,497,756**	–
Unwinding of discount (Note 8)	**1,184,077**	4,647,127
Exchange differences	**(906,633)**	4,116,286
Payment made	**(30,486,662)**	(64,572,000)
Transfer from non-current liabilities	**–**	31,428,472
At 30.06.2018/30.06.2017	**18,717,010**	31,428,472
Non-current		
At 01.07.2017/01.07.2016	**–**	26,548,885
Addition from business combination (Note 15)	**15,839,186**	–
Unwinding of discount (Note 8)	**414,645**	2,985,062
Exchange differences	**692,511**	1,894,525
Transfer to current liabilities	**–**	(31,428,472)
At 30.06.2018/30.06.2017	**16,946,342**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

30 CONTINGENT CONSIDERATION

	Group	
	2018 RM	**2017 RM**
Non-current		
At 01.07.2017/01.07.2016	**1,756,496**	1,483,782
Unwinding of discount (Note 8)	**174,145**	166,831
Exchange differences	**(108,736)**	105,883
At 30.06.2018/30.06.2017	**1,821,905**	1,756,496

As part of the acquisition of a 50% interest in the Anasuria Cluster, a contingent consideration is payable to Shell UK, Shell EP Offshore Ventures Limited ("Shell EP") and Esso Exploration and Production UK Limited ("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.

31 DEFERRED TAX LIABILITIES

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Deferred tax liabilities:				
– to be recovered after more than 12 months	**452,540,535**	400,269,273	**–**	–
– to be recovered within 12 months	**47,306,850**	30,812,029	**–**	12,507
	499,847,385	431,081,302	**–**	12,507
Deferred tax assets:				
– to be recovered after more than 12 months	**(145,185,833)**	(100,200,955)	**–**	–
– to be recovered within 12 months	**(9,489,260)**	(5,317,971)	**–**	(12,507)
	(154,675,093)	(105,518,926)	**–**	(12,507)
Deferred tax liabilities (net)	**345,172,292**	325,562,376	**–**	–

31 DEFERRED TAX LIABILITIES (CONTINUED)

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
At 01.07.2017/01.07.2016	**325,562,376**	390,866,134	**–**	–
Acquisition through business combination (Note 15)	**62,247,716**	–	**–**	–
Recognised in profit or loss (Note 10)	**(25,154,918)**	(93,473,657)	**–**	–
Exchange differences	**(17,482,882)**	28,169,899	**–**	–
At 30.06.2018/30.06.2017	**345,172,292**	325,562,376	**–**	–

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 01.07.2016	84,137,468	398,379,543	–	482,517,011
Recognised in profit or loss	(30,972,555)	(58,008,389)	1,543,386	(87,437,558)
Exchange differences	6,078,648	29,897,012	26,189	36,001,849
At 30.06.2017	59,243,561	370,268,166	1,569,575	431,081,302
Offsetting				(105,518,926)
Deferred tax liabilities (after offsetting) at 30.06.2017				325,562,376

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

31 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 01.07.2016	(5,472,715)	(57,676,017)	(21,661,486)	(6,840,658)	(91,650,876)
Recognised in profit or loss	5,955,828	11,894,899	(23,842,526)	(44,300)	(6,036,099)
Exchange differences	(483,113)	(4,152,901)	(2,473,904)	(722,033)	(7,831,951)
At 30.06.2017	–	(49,934,019)	(47,977,916)	(7,606,991)	(105,518,926)
Offsetting					105,518,926
Deferred tax assets (after offsetting) at 30.06.2017					–

The movements in deferred tax assets and liabilities during the financial year are as follows:

	Equipment RM	Intangible assets RM	Others RM	Total RM
Group				
Deferred tax liabilities				
At 01.07.2017	**59,243,561**	**370,268,166**	**1,569,575**	**431,081,302**
Acquisition through business combination (Note 15)	**–**	**84,764,090**	**23,337,494**	**108,101,584**
Recognised in profit or loss	**26,354,660**	**(22,672,787)**	**(19,060,657)**	**(15,378,784)**
Exchange differences	**(3,837,501)**	**(20,785,147)**	**665,931**	**(23,956,717)**
At 30.06.2018	**81,760,720**	**411,574,322**	**6,512,343**	**499,847,385**
Offsetting				**(154,675,093)**
Deferred tax liabilities (after offsetting) at 30.06.2018				**345,172,292**

31 DEFERRED TAX LIABILITIES (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year are as follows: (continued)

	Decommissioning costs RM	Tax losses RM	Provision and other payables RM	Total RM
Group				
Deferred tax assets				
At 01.07.2017	**(49,934,019)**	**(47,977,916)**	**(7,606,991)**	**(105,518,926)**
Acquisition through business combination (Note 15)	**(45,853,868)**	**–**	**–**	**(45,853,868)**
Recognised in profit or loss	**(6,452,764)**	**(1,677,459)**	**(1,645,911)**	**(9,776,134)**
Exchange differences	**1,100,109**	**4,632,333**	**741,393**	**6,473,835**
At 30.06.2018	**(101,140,542)**	**(45,023,042)**	**(8,511,509)**	**(154,675,093)**
Offsetting				**154,675,093**
Deferred tax assets (after offsetting) at 30.06.2018				**–**

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 01.07.2016	96,904	96,904
Recognised in profit or loss	(84,397)	(84,397)
At 30.06.2017	12,507	12,507
Offsetting		(12,507)
Deferred tax liabilities (after offsetting) at 30.06.2017		–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

31 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 01.07.2016	(96,904)	(96,904)
Recognised in profit or loss	84,397	84,397
At 30.06.2017	(12,507)	(12,507)
Offsetting		12,507
Deferred tax assets (after offsetting) at 30.06.2017		–

The movements in deferred tax assets and liabilities during the financial year are as follows:

	Equipment RM	Total RM
Company		
Deferred tax liabilities		
At 01.07.2017	**12,507**	**12,507**
Recognised in profit or loss	**(12,507)**	**(12,507)**
At 30.06.2018	**–**	**–**

	Tax losses RM	Total RM
Company		
Deferred tax assets		
At 01.07.2017	**(12,507)**	**(12,507)**
Recognised in profit or loss	**12,507**	**12,507**
At 30.06.2018	**–**	**–**

31 DEFERRED TAX LIABILITIES (CONTINUED)

Deferred tax assets have not been recognised in respect of the following deductible temporary differences because it is not probable that future taxable profits will be available against which the Group and Company can utilise the benefits therefrom:

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Tax losses	**150,086,280**	164,306,242	**52,903,232**	43,249,715
Unabsorbed capital allowance	**6,292,537**	4,279,053	**4,313,396**	4,279,053
Provisions and other payables	**53,284,464**	41,472,683	**54,244,575**	40,420,390
	209,663,281	210,057,978	**111,461,203**	87,949,158

32 PROVISION FOR DECOMMISSIONING COSTS

	Group	
	2018 RM	**2017 RM**
Non-current		
At 01.07.2017/01.07.2016	**124,835,047**	115,352,034
Acquisition through business combination (Note 15)	**120,668,073**	–
Unwinding of discount (Note 8)	**14,677,264**	11,588,814
Exchange differences	**(943,681)**	(2,105,801)
At 30.06.2018/30.06.2017	**259,236,703**	124,835,047

The Group makes full provision for the future costs of decommissioning of its oil production facilities and pipelines on a discounted basis.

33 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 2018 (CONTINUED)

34 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-current				
Other payables	**112,621,495**	–	**–**	–
Current				
Other payables	**53,410,988**	43,345,378	**978,485**	18,053,969
Accruals	**102,731,681**	11,419,539	**2,876,612**	3,450,611
	156,142,669	54,764,917	**3,855,097**	21,504,580

Non-current other payables as at 30 June 2018 relate to the North Sabah asset. The balance represents recoverable costs incurred by the Sellers as part of their executed work program but not yet recovered as of the Completion Date, subject to oil prices having reached certain thresholds.

In the previous financial year, other payables included an amount of RM17,185,200 for the Group and the Company which bear an interest of 5% per annum and an amount of RM3,930,932 relating to overlifting of crude oil.

Accruals as at the end of the financial year include RM36,335,059 (2017: RM3,302,135) of project costs relating to the operations of Anasuria Cluster.

35 FINANCE LEASE LIABILITIES

	Group	
	2018 RM	2017 RM
Commitments in relation to finance lease are payable as follows:		
Within one year	**2,087,964**	–
Later than one year but not later than five years	**7,835,064**	–
Minimum lease payments	**9,923,028**	–
Future finance charges	**(1,873,538)**	–
Recognised as liabilities	**8,049,490**	–

35 FINANCE LEASE LIABILITIES (CONTINUED)

	Group	
	2018 RM	**2017 RM**
The present value of finance lease liabilities is as follows:		
Within one year	**1,421,185**	–
Later than one year but not later than five years	**6,628,305**	–
Finance lease liabilities	**8,049,490**	–

The Group leases equipment with a carrying amount of RM7,794,271 (2017: RM Nil) under finance leases with terms of five years. As at 30 June 2018, the finance leases have remaining terms of less than five years.

36 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 01.07.2016	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
At 01.07.2017/30.06.2018	**2,193,880**	**219,388**
Share premium		
At 01.07.2016		**197,449**
Transition to no-par value on 31.01.2017		**(197,449)**
At 30.06.2017		**–**
At 01.07.2017/30.06.2018		**–**
Total liability component		**219,388**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

36 RCPS (CONTINUED)

The Act came into effect on 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.

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.

37 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	
	2018 RM	2017 RM
Executive Director:		
– salaries and bonus	**2,647,056**	1,694,112
– defined contribution plan	**504,941**	321,900
– other benefits	**892,702**	710,767
	4,044,699	2,726,779
Non-executive Directors:		
– fees and allowances	**655,113**	404,903
	4,699,812	3,131,682

(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	
	2018	2017
Executive Director:		
RM4,000,001 - RM4,050,000	**1**	–
RM2,700,001 - RM2,750,000	**–**	1
Non-executive Directors:		
RM150,001 - RM200,000	**2**	–
RM100,001 - RM150,000	**2**	2
RM50,001 - RM100,000	**–**	2
Below RM50,000	**1**	1
	6	6

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

38 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 related parties during the financial year:

	Transactions value		Balances outstanding	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Group				
Project management, technical and other services fees receivable from:				
Ping Petroleum UK Limited[1]	**4,951,981**	4,434,966	**10,734,408**	6,316,119
HIREX[2]	**42,202**	3,852	**167,789**	133,742
Lime[2]:				
Gross	**–**	–	**1,683,419**	1,683,419
Less: Impairment of receivables	**–**	–	**(1,683,419)**	(1,683,419)
	–	–	**–**	–
Joint Operating Agreement indirect overheads recovery from:				
3D Oil[3]	**3,572**	–	**5,252**	–
Technical and non-technical charges reimbursed from an associate:				
3D Oil[3]	**6,221**	30,171	**–**	–
Technical and non-technical, and overhead charges reimbursed to an associate:				
3D Oil[3]	**(120,575)**	(166,855)	**–**	24,551

38 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	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Company				
Project management, technical and other services fees receivable from:				
Oceania Hibiscus[4]	**542,200**	492,223	**907,433**	388,316
Hibiscus Technical[4]:				
Gross	**4,276,821**	4,929,505	**12,511,664**	8,578,333
Less: Impairment of receivables	**–**	–	**(3,152,338)**	(3,112,616)
	4,276,821	4,929,505	**9,359,326**	5,465,717
Anasuria Hibiscus[4]	**301,834**	1,034,751	**–**	–
SEA Hibiscus[4]	**314,245**	–	**314,245**	–
Payment on behalf of:				
Pacific Hibiscus[4]:				
Gross	**258,458**	5,291	**263,749**	5,291
Less: Impairment of receivables	**–**	–	**(263,749)**	–
	258,458	5,291	**–**	5,291
Gulf Hibiscus[4]:				
Gross	**1,329,565**	1,121,315	**4,770,034**	3,500,105
Less: Impairment of receivables	**–**	–	**(4,770,034)**	(3,500,105)
	1,329,565	1,121,315	**–**	–
Oceania Hibiscus[4]:				
Gross	**23,420,727**	36,181,411	**38,431,644**	16,700,751
Less: Impairment of receivables	**–**	–	**(10,180,342)**	–
	23,420,727	36,181,411	**28,251,302**	16,700,751

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

38 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	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Company (continued)				
Payment on behalf of: (continued)				
Hibiscus Technical[4]	**11,654,027**	9,152,840	**29,287,187**	19,059,733
Anasuria Hibiscus[4]	**9,624,592**	9,712,272	**–**	–
SEA Hibiscus[4]	**17,373,636**	10,673,247	**27,404,609**	10,977,747
Timor Hibiscus[4]:				
Gross	**8,548**	11,819	**27,771,795**	27,763,127
Less: Impairment of receivables	**–**	–	**(27,771,795)**	(27,763,127)
	8,548	11,819	**–**	–
Advances from subsidiaries:				
Anasuria Hibiscus[4]	**18,841,067**	24,868,145	**33,046,749**	23,554,149

The Group and the Company entered into the abovementioned related party transactions with parties whose relationships are set out below:

[1] *Shareholder of a joint operating company of the Group.*
[2] *Joint ventures of the Group.*
[3] *An associate of the Group.*
[4] *Subsidiaries of the Company.*

38 SIGNIFICANT RELATED PARTIES DISCLOSURES (CONTINUED)

(c) Key management personnel compensation

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Included under Director's remuneration				
– fees	**655,113**	404,903	**655,113**	404,903
– salaries and bonus	**2,647,056**	1,694,112	**2,647,056**	1,694,112
– defined contribution plan	**504,941**	321,900	**504,941**	321,900
– other benefits	**892,702**	710,767	**892,702**	710,767
Included under staff costs				
– salaries and bonus	**7,686,613**	6,798,718	**2,122,110**	6,798,718
– defined contribution plan	**596,103**	712,087	**231,866**	712,087
– other benefits	**563,073**	818,269	**112,891**	818,269

39 OPERATING SEGMENTS

Operating segments are presented in respect of the Group's business segments. The Group has activities in the following principal areas:

(i) North Sabah — Group's investment in 50% participating interests in the 2011 North Sabah EOR PSC, which includes the management of the operations relating to the production of petroleum from four existing oil fields, namely St Joseph, South Furious, SF30 and Barton and existing pipeline infrastructure, the LCOT, and all other equipment and assets relating to the PSC.

The functional currency of this segment is USD. The closing rate adopted for conversion to RM in the Current Year is 4.034. The average rate adopted for conversion is 3.982, being the average from 1 April 2018 (the day immediately after the Completion Date) to 30 June 2018.

(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 2018 are 4.068 and 4.034 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

39 OPERATING SEGMENTS (CONTINUED)

Operating segments are presented in respect of the Group's business segments. The Group has activities in the following principal areas: (continued)

(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 2018 are 3.149 and 2.989 respectively.

(iv) 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.

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.

	North Sabah RM	Anasuria RM	3D Oil, VIC/L31 & VIC/P57 RM	Investment holding and group activities RM	Elimination RM	Group RM
30.06.2018						
Non-current assets	**416,415,299**	**892,066,332**	**240,160,186**	**22,827,048**	**–**	**1,571,468,865**
Included in the segments assets is:						
Investment in an associate	**–**	**–**	**4,905,558**	**–**	**–**	**4,905,558**
Additions to non-current assets	**412,538,405**	**55,127,648**	**574,741**	**8,382,021**	**–**	**476,622,815**
Project management, technical and other services	**–**	**–**	**–**	**4,994,183**	**–**	**4,994,183**
Interest income	**–**	**–**	**–**	**84,540**	**–**	**84,540**
Sales of crude oil and gas	**181,886,401**	**207,379,084**	**–**	**–**	**–**	**389,265,485**
Revenue	**181,886,401**	**207,379,084**	**–**	**5,078,723**	**–**	**394,344,208**

39 OPERATING SEGMENTS (CONTINUED)

	North Sabah RM	Anasuria RM	3D Oil, VIC/L31 & VIC/P57 RM	Investment holding and group activities RM	Elimination RM	Group RM
30.06.2018 (continued)						
Depreciation and amortisation	(13,775,455)	(44,375,659)	(6,252)	(10,475,642)	–	(68,633,008)
Profit/(loss) from operations	46,113,030	63,058,920	(5,956,132)	(38,460,403)	433,850	65,189,265
Reversal of impairment of investment in an associate	–	–	2,097,505	–	–	2,097,505
Impairment of other receivables and amount owing by a joint venture	–	(547,401)	–	(790,616)	–	(1,338,017)
Impairment of equipment	–	–	–	(6,606,547)	–	(6,606,547)
Share of results of an associate	–	–	(649,700)	–	–	(649,700)
Other income/(expense) from inter-company securities	–	–	27,943,127	(27,561,000)	(382,127)	–
Finance costs	(5,361,507)	(13,815,063)	(6,225,792)	(1,313,533)	5,684,817	(21,031,078)
Interest income	31,471	512,679	7,549	5,736,540	(5,736,540)	551,699
Taxation	(25,507,350)	(15,299,458)	42,446	9,185	–	(40,755,177)
Negative goodwill from business combination	206,254,161	–	–	–	–	206,254,161
Profit/(loss) after taxation	221,529,805	33,909,677	17,259,003	(68,986,374)	–	203,712,111

During the financial year, revenue from external customers come from the sale of crude oil and gas of RM389,265,485 (30.06.2017: RM256,817,434). Revenue derived from two (2017: one) major customers amount to RM380,651,907 (2017: RM246,687,544).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

39 OPERATING SEGMENTS (CONTINUED)

	Anasuria RM	3D Oil, VIC/L31 & VIC/P57 RM	Investment holding and group activities RM	Elimination RM	Group RM
30.06.2017					
Non-current assets	938,740,986	263,381,109	33,876,179	–	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	620,501	868,544	86,869	–	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	256,817,434	–	4,455,140	–	261,272,574
Depreciation and amortisation	(58,553,282)	(3,402,655)	(10,497,680)	–	(72,453,617)
Profit/(loss) from operations	106,307,313	(12,205,704)	(2,763,539)	–	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	(4,341,686)	–	(4,388,778)	–	(8,730,464)
Share of results of an associate	–	(511,750)	–	–	(511,750)
Finance costs	(19,387,834)	(9,446,405)	(30,000)	6,828,558	(22,035,681)
Interest income	–	–	6,828,558	(6,828,558)	–
Taxation	47,240,566	(3,173,109)	22,692	–	44,090,149
Profit/(loss) after taxation	129,818,359	(23,390,487)	(331,067)	–	106,096,805

40 COMMITMENTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Approved and contracted for:				
Group's capital commitments	**1,186,079**	572,068	**–**	–
Share of a joint operation's capital commitments	**8,817,124**	10,696,356	**–**	–
	10,003,203	11,268,424	**–**	–
Share of a joint operation's other material commitments	**38,053,488**	46,088,625	**–**	–
	48,056,691	57,357,049	**–**	–
Approved but not contracted for:				
Group's capital commitments	**16,243,861**	–	**–**	–
Share of a joint operation's capital commitments	**114,388,746**	10,676,983	**–**	–
	130,632,607	10,676,983	**–**	–
Share of a joint operation's other material commitments	**1,917,941**	–	**–**	–
	132,550,548	10,676,983	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

41 OPERATING LEASE COMMITMENTS

The future minimum lease payments under the non-cancellable operating leases are as follows:

	Group	
	2018 **RM**	**2017** **RM**
Within one year		
– the Group	**1,782,855**	520,873
– share of a joint venture's operating lease commitments (HIREX)	**2,750**	6,600
	1,785,605	527,473
Later than one year but not later than five years		
– the Group	**2,892,490**	77,371
– share of a joint venture's operating lease commitments (HIREX)	**–**	2,750
	2,892,490	80,121
	4,678,095	607,594

	Company	
	2018 **RM**	**2017** **RM**
Within one year	**808,911**	383,073
Later than one year but not later than five years	**1,269,250**	49,811
	2,078,161	432,884

42 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 the functional currencies which they are measured. Foreign currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency. 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.

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						
30.06.2018						
Financial assets						
Trade receivables	**95,838,183**	**–**	**–**	**13,189,673**	**–**	**109,027,856**
Amount owing by a joint venture	**167,789**	**311,796**	**129,015**	**–**	**–**	**608,600**
Amount owing by an associate	**–**	**–**	**5,252**	**–**	**–**	**5,252**
Other receivables and deposits	**67,490,963**	**2,915,173**	**–**	**6,580,228**	**–**	**76,986,364**
Cash and bank balances	**52,991,971**	**56,770,159**	**691,705**	**25,502,625**	**144**	**135,956,604**
Intra-group balances	**63,254,602**	**22,790,109**	**52,277,696**	**(261,851)**	**11,449**	**138,072,005**
	279,743,508	**82,787,237**	**53,103,668**	**45,010,675**	**11,593**	**460,656,681**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

42 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						
30.06.2018						
Financial liabilities						
Trade payables	–	–	–	3,125,802	–	3,125,802
RCPS	–	219,388	–	–	–	219,388
Other payables and accruals	144,854,657	55,674,338	925,320	67,244,293	62,145	268,760,753
Amount owing to a joint venture	579,873	15,454	–	–	–	595,327
Finance lease liabilities	–	8,049,490	–	–	–	8,049,490
Deferred consideration	35,663,352	–	–	–	–	35,663,352
Contingent consideration	1,821,905	–	–	–	–	1,821,905
Intra-group balances	160,061,729	45,104,837	90,689,805	15,959,307	878,626	312,694,304
	342,981,516	109,063,507	91,615,125	86,329,402	940,771	630,930,321

42 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						
30.06.2018						
Net financial liabilities	**(63,238,008)**	**(26,276,270)**	**(38,511,457)**	**(41,318,727)**	**(929,178)**	**(170,273,640)**
Less: Net financial (assets)/liabilities denominated in respective entities' functional currencies	**(29,887,309)**	**5,405,458**	**34,566,189**	**60,058,145**	**–**	**70,142,483**
	(93,125,317)	**(20,870,812)**	**(3,945,268)**	**18,739,418**	**(929,178)**	**(100,131,157)**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

42 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 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

42 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

42 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

42 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						
30.06.2018						
Financial assets						
Other receivables and deposits	–	**242,508**	–	**172**	–	**242,680**
Amounts owing by subsidiaries	**12,605,664**	**17,700,064**	**1,030,077**	**5,869,980**	**11,449**	**37,217,234**
Cash and bank balances	**177,166**	**11,095,729**	**3,988**	**1,966**	**145**	**11,278,994**
Amount owing from a related party	–	**311,796**	–	–	–	**311,796**
	12,782,830	**29,350,097**	**1,034,065**	**5,872,118**	**11,594**	**49,050,704**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

42 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						
30.06.2018						
Financial liabilities						
RCPS	–	219,388	–	–	–	219,388
Other payables and accruals	401,453	3,073,834	342,506	37,304	–	3,855,097
Amounts owing to subsidiaries	33,041,480	4	99,991	450,011	–	33,591,486
Amount owing to a related party	296,342	15,454	–	–	–	311,796
	33,739,275	3,308,680	442,497	487,315	–	37,977,767
Net financial (liabilities)/ assets	(20,956,445)	26,041,417	591,568	5,384,803	11,594	11,072,937
Less: Net financial assets denominated in respective entities' functional currencies	–	(26,041,417)	–	–	–	(26,041,417)
	(20,956,445)	–	591,568	5,384,803	11,594	(14,968,480)

42 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 2018 (CONTINUED)

42 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)

42 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	
	2018 Increase/ (Decrease) RM	**2017 Increase/ (Decrease) RM**	**2018 Increase/ (Decrease) RM**	**2017 Increase/ (Decrease) RM**
Effects on profit/(loss) before taxation/equity:				
USD				
– strengthened by 5%	**(4,656,266)**	(3,767,532)	**(1,047,822)**	(1,541,648)
– weakened by 5%	**4,656,266**	3,767,532	**1,047,822**	1,541,648
AUD				
– strengthened by 5%	**(197,263)**	4,742,252	**29,578**	5,212
– weakened by 5%	**197,263**	(4,742,252)	**(29,578)**	(5,212)
GBP				
– strengthened by 5%	**936,971**	85,850	**269,240**	140,755
– weakened by 5%	**(936,971)**	(85,850)	**(269,240)**	(140,755)
RM				
– strengthened by 5%	**(1,043,541)**	(55,959)	**–**	–
– weakened by 5%	**1,043,541**	55,959	**–**	–

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 2018 (CONTINUED)

42 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 receivables. The Group manages its exposure to credit risk by monitoring the timely receipt of receivables on an on-going basis.

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. Management has taken reasonable steps to ensure the amount due from subsidiaries are recoverable.

For other financial assets (including cash and bank balances), the Group and the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

Impairment is estimated by management based on prior experience and the current economic environment.

<u>Credit risk concentration profile</u>

The Group's major concentration of credit risk relates to trade receivables due from 4 (2017: 3) customers which constituted 100% (2017: 100%) of its total trade receivables as at the end of the financial year.

<u>Exposure to credit risk</u>

As the Group and the Company 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.

<u>Ageing analysis</u>

The ageing analysis of the Group's trade balances owing by third parties at the end of the financial year is as follows:

	Gross amount RM	Carrying value RM
Group		
30.06.2018		
Neither past due nor impaired	**98,281,653**	**98,281,653**
Past due 0-30 days but not impaired	**779,527**	**779,527**
Past due 31-120 days but not impaired	**738,329**	**738,329**
Past due more than 120 days but not impaired	**9,228,347**	**9,228,347**
	109,027,856	**109,027,856**

42 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 third parties at the end of the financial year is as follows: (continued)

	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	4,723,208	4,723,208
	7,433,958	7,433,958

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	
	2018 RM	2017 RM
Existing related parties with no default in the past	**98,281,653**	1,623,693
Existing related parties with some default in the past	**–**	–
	98,281,653	1,623,693

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 2018 (CONTINUED)

42 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	More than 2 years RM
Group					
30.06.2018					
Trade payables	**3,125,802**	**3,125,802**	**3,125,802**	**–**	**–**
RCPS	**219,388**	**219,388**	**219,388**	**–**	**–**
Other payables and accruals	**268,760,753**	**299,335,608**	**156,139,258**	**20,168,500**	**123,027,850**
Amount owing to a joint venture	**595,327**	**595,327**	**595,327**	**–**	**–**
Finance lease liabilities	**8,049,490**	**9,923,028**	**2,087,964**	**2,087,964**	**5,747,100**
Deferred consideration	**35,663,352**	**40,337,000**	**20,168,500**	**20,168,500**	**–**
Contingent consideration	**1,821,905**	**2,581,660**	**–**	**–**	**2,581,660**
	318,236,017	**356,117,813**	**182,336,239**	**42,424,964**	**131,356,610**

42 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	More than 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	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

42 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				
30.06.2018				
RCPS	**219,388**	**219,388**	**219,388**	**–**
Other payables and accruals	**3,855,097**	**3,855,097**	**3,855,097**	**–**
Amounts owing to subsidiaries	**33,591,486**	**33,591,486**	**33,591,486**	**–**
Amount owing to a related party	**311,796**	**311,796**	**311,796**	**–**
	37,977,767	**37,977,767**	**37,977,767**	**–**
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	–

(b) Capital risk management

The Group manages its capital, which comprises share capital and retained earnings stated in the statements of financial position, 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.

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.

42 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Classification of financial instruments

	2018 RM	2017 RM
Group		
Financial assets		
Loans and receivables		
Trade receivables	**109,027,856**	7,433,958
Other receivables and deposits	**76,986,364**	11,049,039
Amount owing by an associate	**5,252**	–
Amount owing by a joint venture	**608,600**	190,713
Cash and bank balances	**135,956,604**	54,500,852
	322,584,676	73,174,562
Other financial liabilities		
Trade payables	**3,125,802**	241,673
RCPS	**219,388**	219,388
Other payables and accruals	**156,139,258**	50,809,096
Amount owing to a joint venture	**595,327**	336,716
Amount owing to an associate	**–**	24,551
Finance lease liabilities	**8,049,490**	–
Deferred consideration	**35,663,352**	31,428,472
	203,792,617	83,059,896
Financial liabilities at FVTPL		
Other payables	**112,621,495**	–
Contingent consideration	**1,821,905**	1,756,496
	114,443,400	1,756,496

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

42 FINANCIAL INSTRUMENTS (CONTINUED)

(c) Classification of financial instruments (continued)

	2018 RM	2017 RM
Company		
Financial assets		
Loans and receivables		
Other receivables and deposits	**242,680**	185,910
Amounts owing by subsidiaries	**37,217,234**	16,547,457
Amount owing by a related party	**311,796**	56,972
Cash and bank balances	**11,278,994**	1,967,926
	49,050,704	18,758,265
Other financial liabilities		
RCPS	**219,388**	219,388
Other payables and accruals	**3,855,097**	21,504,580
Amounts owing to subsidiaries	**33,591,486**	24,203,898
Amount owing to a related party	**311,796**	331,074
	37,977,767	46,258,940

42 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			
30.06.2018			
Financial assets			
Amounts owing by subsidiaries	**48,142,650**	**(10,925,416)**	**37,217,234**
Financial liabilities			
Amounts owing to subsidiaries	**44,516,902**	**(10,925,416)**	**33,591,486**
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

(e) Fair values of financial instruments

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2018.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)

42 FINANCIAL INSTRUMENTS (CONTINUED)

(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:				
Contingent consideration				
At 01.07.2016	–	–	1,483,782	1,483,782
Unwinding of discount	–	–	166,831	166,831
Exchange differences	–	–	105,883	105,883
At 30.06.2017/01.07.2017	**–**	**–**	**1,756,496**	**1,756,496**
Unwinding of discount	**–**	**–**	**174,145**	**174,145**
Exchange differences	**–**	**–**	**(108,736)**	**(108,736)**
At 30.06.2018	**–**	**–**	**1,821,905**	**1,821,905**
Other payables				
At 01.07.2017	**–**	**–**	**–**	**–**
Addition from business combination (Note 15)	**–**	**–**	**105,306,562**	**105,306,562**
Unwinding of discount	**–**	**–**	**2,711,379**	**2,711,379**
Exchange differences	**–**	**–**	**4,603,554**	**4,603,554**
At 30.06.2018	**–**	**–**	**112,621,495**	**112,621,495**

ANALYSIS OF ORDINARY SHAREHOLDINGS

AS AT 28 SEPTEMBER 2018

Total number of issued shares : 1,588,228,791 ordinary shares

Voting Rights : One vote for every ordinary share held

DISTRIBUTION OF ORDINARY SHAREHOLDERS

Category	No. of Shareholders	No. of Ordinary Shares	% of Total Shareholdings
Less than 100	51	904	-
100 – 1,000	1,717	1,115,729	0.07
1,001 – 10,000	6,382	35,254,670	2.22
10,001 – 100,000	3,792	131,113,399	8.25
100,001 to less than 5% of issued shares	969	1,141,924,089	71.90
5% and above of issued shares	2	278,820,000	17.56
Total	**12,913**	**1,588,228,791**	**100.00**

Substantial Shareholders as per Register of Substantial Shareholders as at 28 September 2018

		Direct		Indirect	
No.	Name	No. of Ordinary Shares	%	No. of Ordinary Shares	%
1	Hibiscus Upstream Sdn Bhd	168,772,600	10.63	–	–
2	Dr Kenneth Gerard Pereira	–	–	168,772,600[1]	10.63
3	Polo Investments Limited	138,900,000	8.75	–	–
4	Datuk Michael Tang Vee Mun	–	–	138,900,000[2]	8.75
5	Mettiz Capital Limited	–	–	138,900,000[2]	8.75
6	Polo Resources Limited	–	–	138,900,000[2]	8.75

Notes:

[1] Deemed interest by virtue of his interest in Hibiscus Upstream Sdn Bhd pursuant to Section 8 of the Companies Act 2016 (Act).

[2] Deemed interest by virtue of their interest in Polo Investments Limited pursuant to Section 8 of the Act.

ANALYSIS OF ORDINARY SHAREHOLDINGS

AS AT 28 SEPTEMBER 2018

Directors' Shareholdings as per Register of Directors' Shareholdings as at 28 September 2018

		Direct		Indirect	
No.	**Name**	**No. of Ordinary Shares**	**%**	**No. of Ordinary Shares**	**%**
1	Zainul Rahim bin Mohd Zain	–	–	–	–
2	Dr Kenneth Gerard Pereira	–	–	168,772,600[1]	10.63
3	Dato' Roushan Arumugam	–	–	53,415,000[2]	3.36
4	Thomas Michael Taylor	–	–	–	–
5	Dato' Dr Zaha Rina Zahari	4,365,000	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.

LIST OF TOP 30 SHAREHOLDERS AS AT 28 SEPTEMBER 2018

No.	Name	No. 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	8.81
2	CIMSEC Nominees (Asing) Sdn Bhd CIMB for Polo Investments Limited (PB)	138,900,000	8.75
3	UOBM Nominees (Asing) Sdn Bhd United Overseas Bank Nominees (Pte) Ltd for Littleton Holdings Pte Ltd	53,265,000	3.35
4	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund 6B14 for Lazard Emerging Markets Small Cap Equity Trust	47,631,800	3.00
5	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad – Kenanga Growth Fund	31,176,800	1.96
6	CitiGroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Pheim)	23,083,800	1.45
7	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Ai Ling	21,000,000	1.32
8	CitiGroup Nominees (Asing) Sdn Bhd Exempt An for CitiBank New York (Norges Bank 14)	20,471,300	1.29
9	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Aspen Alliance Sdn Bhd	20,000,000	1.26
10	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Hong Leong Penny Stockfund	20,000,000	1.26

LIST OF TOP 30 SHAREHOLDERS AS AT 28 SEPTEMBER 2018 (CONTINUED)

No.	Name	No. of Shares	% of Total Shareholdings
11	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank For Hibiscus Upstream Sdn Bhd (MY1928)	19,200,000	1.21
12	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kwee Sow Fun	18,937,500	1.19
13	Lim Chin Sean	17,123,200	1.08
14	CitiGroup Nominees (Asing) Sdn Bhd CEP for Pheim SICAV-SIF	16,633,200	1.05
15	CitiGroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)	15,204,900	0.96
16	Cartaban Nominees (Tempatan) Sdn Bhd RHB Trustees Berhad for Manulife Investment Shariah Progressfund	14,622,600	0.92
17	Kenanga Nominees (Asing) Sdn Bhd Pledged Securities Account for Mercury Pacific Marine Pte Ltd (021)	14,000,000	0.88
18	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	12,622,000	0.79
19	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Kwee Sow Fun (MY2268)	11,936,200	0.75
20	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Liew Yoon Peck	11,500,000	0.72
21	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Bank Julius Baer & Co. Ltd.(Singapore BCH)	11,340,659	0.71
22	CIMB Islamic Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Berhad – Kenanga Syariah Growth Fund	11,136,700	0.70
23	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFF HWG6939-403)	10,950,900	0.69
24	Kelrix Sdn Bhd	9,889,889	0.62
25	Hibiscus Upstream Sdn Bhd	9,652,600	0.61
26	Sri Inderajaya Holdings Sdn Bhd	9,452,702	0.60
27	Amanahraya Trustees Berhad PMB Syariah Aggressive Fund	9,320,000	0.59
28	CitiGroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Market Small CAP Series	9,004,000	0.57
29	Maybank Nominees (Tempatan) Sdn Bhd National Trust Fund (IFM Maybank)	9,000,000	0.57
30	CIMB Group Nominees (Asing) Sdn Bhd Exempt AN for DBS Bank Ltd (SFS)	8,799,000	0.55

ANALYSIS OF WARRANTS C HOLDINGS

AS AT 28 SEPTEMBER 2018

No. of Warrants C Issued	:	317,645,723
No. of Warrants C Exercised	:	100
No. of Warrants C Unexercised	:	317,645,623
Issue Date	:	20 March 2018
Maturity Date	:	18 March 2021
Rights of Warrants C Holder	:	The Warrants C holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in our Company until and unless such Warrants C holders exercise their Warrants C into new ordinary shares of the Company.

DISTRIBUTION OF WARRANTS C HOLDERS

Category	No. of Warrants C Holders	No. of Warrants C	% of Total Warrants C Holdings
Less than 100	783	28,549	0.01
100 – 1,000	2,777	1,517,167	0.48
1,001 – 10,000	3,118	12,966,514	4.08
10,001 – 100,000	1,586	55,088,800	17.34
100,001 to less than 5% of issued Warrants C	326	195,490,073	61.54
5% and above of issued Warrants C	2	52,554,520	16.55
Total	**8,592**	**317,645,623**	**100.00**

DIRECTORS' WARRANTS C HOLDINGS

Directors' Warrants C holdings as per Register of Directors' Warrants C holders as at 28 September 2018

		Direct		Indirect	
No.	Name	No. of Warrants C	%	No. of Warrants C	%
1	Zainul Rahim bin Mohd Zain	–	–	–	–
2	Dr Kenneth Gerard Pereira	–	–	28,614,520[1]	9.01
3	Dato' Roushan Arumugam	–	–	10,683,000[2]	3.36
4	Thomas Michael Taylor	–	–	–	–
5	Dato' Dr Zaha Rina Zahari	–	–	–	–

Notes:

[1] Deemed interest by virtue of his interest in Hibiscus Upstream Sdn Bhd pursuant to Section 8 of the Companies Act 2016 (Act).

[2] Deemed interest by virtue of his interest in Littleton Holdings Pte Ltd pursuant to Section 8 of the Act.

LIST OF TOP 30 WARRANTS C HOLDERS AS AT 28 SEPTEMBER 2018

No.	Name	No. of Warrants C	% of Total Warrants C Holdings
1	CIMSEC Nominees (Asing) Sdn Bhd CIMB for Polo Investments Limited (PB)	27,780,000	8.75
2	Hibiscus Upstream Sdn Bhd	24,774,520	7.80
3	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt AN for DBS Bank Ltd (SFS-PB)	10,663,000	3.36
4	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Saw Chai Soon (E-KLC)	9,400,000	2.96
5	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dorai Rajoo A/L Irulandy	6,252,500	1.97
6	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Khong Kheng Ting	5,410,000	1.70
7	Lim Sze Hock	4,600,000	1.45
8	Ang Kian Kok	4,500,000	1.42
9	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Ai Ling	4,400,000	1.39
10	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Hibiscus Upstream Sdn Bhd (MY1928)	3,840,000	1.21
11	Lim Chin Sean	3,424,640	1.08
12	Hanizah binti Mohd Nasir	3,400,000	1.07
13	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Nur Jazman bin Mohamed (CEB)	3,310,000	1.04
14	Nur Jazman bin Mohamed	3,300,000	1.04
15	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sia Kie King (E-LBG)	2,750,700	0.87
16	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Khong Kheng Ting (M78048)	2,475,000	0.78
17	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Bank Julius Baer & Co. Ltd. (Singapore BCH)	2,443,131	0.77
18	Dorai Rajoo A/L Irulandy	2,136,280	0.67
19	Phang Kin Cheong @ Phang Ngok Kee	2,109,400	0.66
20	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	2,064,400	0.65
21	Lee Chung Liang Theresa	2,059,400	0.65

ANALYSIS OF WARRANTS C HOLDINGS

AS AT 28 SEPTEMBER 2018

LIST OF TOP 30 WARRANTS C HOLDERS AS AT 28 SEPTEMBER 2018 (CONTINUED)

No.	Name	No. of Warrants C	% of Total Warrants C Holdings
22	Kelrix Sdn Bhd	1,977,977	0.62
23	Sri Inderajaya Holdings Sdn Bhd	1,890,540	0.59
24	CitiGroup Nominees (Asing) Sdn Bhd JP Morgan SEC LLC for Acadian Global Leveraged Market Neutral Master Fund	1,866,920	0.59
25	Sukdarshen Singh A/L Sarjit Singh	1,860,160	0.58
26	Pooranamary A/P Savarinathan	1,820,920	0.57
27	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Aspen Alliance Sdn Bhd	1,790,000	0.56
28	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Liew Yoon Peck	1,700,000	0.53
29	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Beng San	1,661,000	0.52
30	CIMB Islamic Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Berhad - Kenanga Syariah Growth Fund	1,611,620	0.51

ANALYSIS OF REDEEMABLE CONVERTIBLE PREFERENCE SHARES (RCPS) HOLDINGS

AS AT 28 SEPTEMBER 2018

DISTRIBUTION OF RCPS HOLDERS

Category	No. of RCPS Holders	No. 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	100.00
Total	**1**	**2,193,880**	**100.00**

DIRECTORS' RCPS HOLDINGS

Directors' RCPS holdings as per Register of Directors' RCPS holders as at 28 September 2018

		Direct		Indirect	
No.	Name	No. of RCPS	%	No. of RCPS	%
1	Zainul Rahim bin Mohd Zain	–	–	–	–
2	Dr Kenneth Gerard Pereira	–	–	2,193,880[1]	100.00
3	Dato' Roushan Arumugam	–	–	–	–
4	Thomas Michael Taylor	–	–	–	–
5	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 Companies Act 2016.

LIST OF RCPS HOLDER AS AT 28 SEPTEMBER 2018

No.	Name	No. of RCPS	% of Total RCPS Holdings
1	Hibiscus Upstream Sdn Bhd	2,193,880	100.00

NOTICE OF THE 8TH ANNUAL GENERAL MEETING (AGM)

NOTICE IS HEREBY GIVEN that the 8th AGM of HIBISCUS PETROLEUM BERHAD (Hibiscus Petroleum or Company) will be held at Hilton Petaling Jaya, Kristal Ballroom, Level 1, West Wing, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 4 December 2018 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 2018 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 the period from 5 December 2018 until the date of the next AGM in year 2019, to be paid quarterly in arrears. **[Ordinary Resolution 1]**

3. To approve the payment of Directors' meeting allowances for the period from 5 December 2018 until the date of the next AGM in year 2019 at the following rate (as applicable), to be paid quarterly in arrears: **[Ordinary Resolution 2]**

   - RM4,500 for each meeting of the Board and of the Board Committees that a NED attends as Chair of the meeting; or

   - RM3,500 for each meeting of the Board and of the Board Committees that a NED attends as a member of the Committee.

4. To approve payments for additional attendances and time expended by any NED for the Company's purposes (or on behalf of the Company) at meetings and/or third party events involving external parties, in the NED's capacity as a Director of the Company, for the period from 5 December 2018 until the date of the next AGM in year 2019, at the rate of RM3,500 per meeting or event, to be paid quarterly in arrears. **[Ordinary Resolution 3] (Please refer to Explanatory Note 2)**

5. To re-elect Encik Zainul Rahim bin Mohd Zain who is retiring pursuant to Article 123 of the Articles of Association of the Company. **[Ordinary Resolution 4]**

6. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 30 June 2019 and to authorise the Directors to fix their remuneration. **[Ordinary Resolution 5]**

As Special Business

To consider and, if thought fit, to pass the following resolutions:

7. **AUTHORITY FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

[Ordinary Resolution 6] (Please refer to Explanatory Note 3)

"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 ordinary 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."

8. **PROPOSED ADOPTION OF THE CONSTITUTION OF THE COMPANY**

[Special Resolution] (Please refer to Explanatory Note 4)

"THAT the existing Memorandum of Association and Articles of Association of the Company be and are hereby deleted in its entirety and that the new Constitution of the Company as set out in the Circular to Shareholders dated 31 October 2018 accompanying the Company's Annual Report 2017/2018 for the financial year ended 30 June 2018, be and is hereby adopted as the new Constitution of the Company AND THAT the Board of Directors of the Company be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be deemed fit or necessary or required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

9. To transact any other matters that may be transacted at an AGM 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 2018

NOTICE OF THE 8TH ANNUAL GENERAL MEETING (AGM)

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 26 November 2018 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 Chair 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 4 of the Agenda

   It is anticipated that the Group will seek to utilise and leverage more on the extensive expertise, abilities and wide business network of its NEDs for the Group's benefit, in view of the increased level of activities of the Group due to business growth and enhanced production operations. The proposed additional payments are consistent with such expected increased participation and involvement of the NEDs, as and when required.

   The Company is seeking the shareholders' approval for the payments for additional attendances and time expended by its NEDs for the Company's purposes including attendances at meetings and/or third party events, for and on behalf of the Company.

3. Item 7 of the Agenda

   The Company had, during its 6th AGM held on 6 December 2016, obtained its shareholders' approval for the general mandate for issuance of ordinary shares pursuant to Section 132D of the Companies Act, 1965 (2016 Mandate). Under the 2016 Mandate, a total of 141,384,300 new ordinary shares were issued pursuant to the existing placement exercises undertaken in 2016 and 2017, raising total proceeds of approximately RM62.3 million.

   The Company had, during its 7th AGM held on 5 December 2017, obtained its shareholders' approval for the general mandate for issuance of ordinary shares pursuant to Sections 75 and 76 of the Companies Act, 2016 (2017 Mandate). Under the 2017 Mandate, a total of 44,305,400 new ordinary shares were issued pursuant to the final tranche placement shares of the placement exercise undertaken at that time (which was completed on 18 January 2018), raising total proceeds of approximately RM40.8 million.

   The Ordinary Resolution 6 proposed under item 7 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 total number of issued shares of the Company for purpose of potential expansion and capital expenditure, new business development, payment to trade and other payables and working capital. 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.

4. Item 8 of the Agenda

   The Special Resolution, if passed, will align the Constitution of the Company with the Act, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and/or other applicable laws or regulations or guidelines (details of which are as set out in the Circular to Shareholders dated 31 October 2018 accompanying the Company's Annual Report 2017/2018 for the financial year ended 30 June 2018).

NOTICE OF THE 8TH ANNUAL GENERAL MEETING (AGM)

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 8th 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 8th AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 8th 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.

FORM OF PROXY

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 CHAIR OF THE MEETING as my/our proxy, to vote for me/us on my/our behalf at the 8th Annual General Meeting (AGM) of the Company to be held at Hilton Petaling Jaya, Kristal Ballroom, Level 1, West Wing, No. 2, Jalan Barat, 46200 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 4 December 2018 at 9.30 a.m. or at any adjournment thereof, on the following resolutions referred to in the Notice of the 8th 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 2018 together with the Reports of the Directors and Auditors thereon.			
	Ordinary Business	**Ordinary Resolution**	**For**	**Against**
2.	To approve the payment of Directors' fees of RM90,000 per annum to each Non-Executive Director (NED) for the period from 5 December 2018 until the date of the next AGM in year 2019, to be paid quarterly in arrears.	1		
3.	To approve the payment of Directors' meeting allowances for the period from 5 December 2018 until the date of the next AGM in year 2019 at the following rate (as applicable), to be paid quarterly in arrears: • RM4,500 for each meeting of the Board and of the Board Committees that a NED attends as Chair of the meeting; or • RM3,500 for each meeting of the Board and of the Board Committees that a NED attends as a member of the Committee.	2		
4.	To approve payments for additional attendances and time expended by any NED for the Company's purposes (or on behalf of the Company) at meetings and/or third party events involving external parties, in the NED's capacity as a Director of the Company, for the period from 5 December 2018 until the date of the next AGM in year 2019, at the rate of RM3,500 per meeting or event, to be paid quarterly in arrears.	3		
5.	To re-elect Encik Zainul Rahim bin Mohd Zain who is retiring pursuant to Article 123 of the Articles of Association of the Company.	4		
6.	To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 30 June 2019 and to authorise the Directors to fix their remuneration.	5		
	Special Business	**Ordinary Resolution**	**For**	**Against**
7.	Authority for the Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016.	6		
8.	Proposed adoption of the Constitution of the Company.	**Special Resolution**		

Dated this __________ day of ______________ 2018

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 26 November 2018 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 Chair 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 8th AGM dated 31 October 2018.

AFFIX
POSTAGE
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Share Registrar

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