HIBISCUS PETROLEUM BERHAD

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

Unaudited Quarterly Financial Report
31 March 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	QUARTER ENDED 31.03.2016 RM'000	QUARTER ENDED 31.03.2015 RM'000	PERIOD ENDED 31.03.2016 RM'000	PERIOD ENDED 31.03.2015 RM'000
Revenue		31,777	1,717	32,977	6,267
Cost of sales		(23,798)	-	(23,798)	-
GROSS PROFIT		7,979	1,717	9,179	6,267
Other income		(13,039)	10,997	11,044	21,768
Administrative expenses		(39,086)	(10,524)	(150,928)	(28,346)
Other expenses		(5,805)	(10,422)	(12,840)	(20,887)
Finance costs		(1,827)	-	(2,033)	-
Negative goodwill from business combination		135,343	-	135,343	-
Share of results of an associate		(3,830)	(93)	(4,035)	(1,122)
Share of results of joint ventures		104	(2,692)	(65,289)	(9,297)
PROFIT/(LOSS) BEFORE TAXATION	25	79,839	(11,017)	(79,559)	(31,617)
Taxation	26	666	(24)	647	641
PROFIT/(LOSS) AFTER TAXATION		80,505	(11,041)	(78,912)	(30,976)
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:					
Owners of the Company		80,505	(11,041)	(78,912)	(30,976)
EARNINGS/(LOSS) PER SHARE (SEN)					
Basic	24	7.32	(1.23)	(7.71)	(3.57)
Diluted	24	7.32	(1.23)	(7.71)	(3.57)

The Unaudited Condensed Consolidated Statements of Profit or Loss should be read in conjunction with the audited financial statements for the financial period ended 30 June 2015 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.03.2016 RM'000	QUARTER ENDED 31.03.2015 RM'000	PERIOD ENDED 31.03.2016 RM'000	PERIOD ENDED 31.03.2015 RM'000
PROFIT/(LOSS) AFTER TAXATION	80,505	(11,041)	(78,912)	(30,976)
Other comprehensive (expenses)/income: Items that may be subsequently reclassified to profit and loss: - Foreign currency translation*	(25,584)	14,030	19,444	27,422
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE QUARTER/PERIOD	54,921	2,989	(59,468)	(3,554)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:				
Owners of the Company	54,921	2,989	(59,468)	(3,554)

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

The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the financial period ended 30 June 2015 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 31.03.2016 RM'000	AUDITED AS AT 30.06.2015 RM'000
ASSETS			
NON-CURRENT ASSETS			
Investment in an associate		2,510	5,022
Investments in joint ventures		216,810	259,310
Intangible assets		486,150	144,774
Equipment		184,753	55,451
		890,223	464,557
CURRENT ASSETS			
Trade receivables		511	-
Other receivables, deposits and prepayments		42,762	67,477
Inventories		5,434	-
Amounts owing by joint ventures		1,692	12,102
Amount owing by a joint operation		2,566	-
Amount owing by an associate		737	970
Cash and bank balances		26,067	5,930
		79,769	86,479
TOTAL ASSETS		969,992	551,036
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	11,328	9,278
Other reserves		665,356	574,403
Accumulated losses		(150,856)	(71,944)
		525,828	511,737
NON-CURRENT LIABILITIES			
Deferred consideration		25,660	-
Contingent consideration		37,190	-
Deferred tax liabilities		124,930	-
Provision for decommissioning costs		80,223	-
		268,003	-

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial period ended 30 June 2015 and the accompanying explanatory notes attached to the financial statements

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	UNAUDITED AS AT 31.03.2016 RM'000	AUDITED AS AT 30.06.2015 RM'000
CURRENT LIABILITIES			
Trade payables		226	-
Other payables and accruals		114,542	26,970
Deferred consideration		53,825	-
Amount owing to an associate		7,143	11,849
Amount owing to a joint venture		182	240
Provision for taxation		24	21
Redeemable Convertible Preference Shares ("**RCPS**")		219	219
		176,161	39,299
TOTAL LIABILITIES		444,164	39,299
TOTAL EQUITY AND LIABILITIES		969,992	551,036
NET ASSETS PER SHARE (RM)		0.46	0.55

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial period ended 30 June 2015 and the accompanying explanatory notes attached to the financial statements

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<---------------------- NON-DISTRIBUTABLE				--------------------->		
	SHARE CAPITAL RM'000	**SHARE PREMIUM RM'000**	**WARRANT RESERVE RM'000**	**OTHER RESERVE RM'000**	**FOREIGN EXCHANGE RESERVE RM'000**	**ACCUMULATED LOSSES RM'000**	**TOTAL RM'000**
9 months to 31.3.2016							
As at 01.07.2015	9,278	535,731	-	241	38,431	(71,944)	511,737
Issuance of shares	2,050	68,971	-	-	-	-	71,021
Share-based payment	-	-	-	112	-	-	112
Change in composition of a a joint venture	-	-	-	2,426	-	-	2,426
Loss after taxation	-	-	-	-	-	(78,912)	(78,912)
Other comprehensive income, net of tax: - Foreign currency translation	-	-	-	-	19,444	-	19,444
Total comprehensive income/(expenses) for the period	-	-	-	-	19,444	(78,912)	(59,468)
As at 31.03.2016	11,328	604,702	-	2,779	57,875	(150,856)	525,828
9 months to 31.3.2015							
As at 01.07.2014	5,892	328,141	64,654	110	5,322	(7,117)	397,002
Conversion of warrants	3,024	178,996	(64,654)	-	-	-	117,366
Share-based payment	-	-	-	98	-	-	98
Issuance of shares	292	24,328	-	-	-	-	24,620
Unexercised warrant reserve	-	-	-	-	-	423	423
Loss after taxation	-	-	-	-	-	(30,976)	(30,976)
Other comprehensive income, net of tax: - Foreign currency translation	-	-	-	-	27,422	-	27,422
Total comprehensive income/(expenses) for the period	-	-	-	-	27,422	(30,976)	(3,554)
As at 31.03.2015	9,208	531,465	-	208	32,744	(37,670)	535,955

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial period ended 30 June 2015 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	PERIOD ENDED 31.03.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before taxation	(79,559)
Adjustments for:	
Depreciation of equipment	12,840
Interest income	(113)
Unrealised gain on foreign exchange	(4,139)
Finance costs	2,033
Reversal of impairment of investment in an associate	(1,009)
Impairment of intangible assets	81,683
Negative goodwill arising from business combination	(135,343)
Share of results of an associate	4,035
Share of results of joint ventures	65,289
Operating loss before working capital changes	(54,283)
Trade receivables	1,409
Other receivables, deposits and prepayments	26,981
Trade payables	(1,809)
Other payables and accruals	83,209
Inventories	16,889
Amount owing by a joint operation	(2,640)
Amounts owing by joint ventures	10,727
Amount owing to a joint venture	(59)
Amount owing by an associate	270
Amount owing to an associate	(5,165)
Cash generated from operating activities	75,529
Tax paid	(1)
Net cash generated from operating activities	75,528
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(23)
Interest received	113
Net cash outflow arising from business combination	(21,380)
Acquisition of intangible assets	(105,531)
Net cash used in investing activities	(126,821)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of ordinary shares	71,630
Cash advances	3,000
Net cash generated from financing activities	74,630
Net increase in cash and cash equivalents	23,337
Effects of foreign exchange rate changes	(3,200)
Cash and cash equivalents at beginning of the financial period	5,930
Cash and cash equivalents at end of the financial period	26,067

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial period ended 30 June 2015 and the accompanying explanatory notes attached to the financial statements.

PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD 134

1 BASIS OF PREPARATION

The unaudited Quarterly Report has been prepared in accordance with the reporting requirements as set out in the Malaysian Financial Reporting Standard ("**MFRS**") 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("**MASB**") and Paragraph 9.22 of the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), and should be read in conjunction with the Group's audited financial statements for the financial period ended 30 June 2015 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

The explanatory notes attached to the unaudited condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial period ended 30 June 2015.

The significant accounting policies and methods adopted for the unaudited condensed financial statements are consistent with those adopted for the audited financial statements for the financial period ended 30 June 2015 except for the adoption of the new accounting policies below:

<u>Revenue</u>

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.

Under/over-lift
Under or over-lifted positions of hydrocarbons are valued at the reporting date spot price or prevailing contract price prevailing at the reporting date.

<u>Provision for decommissioning costs</u>

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 proved 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.

Any change in the expected future cost, interest rate and inflation rate is reflected as an adjustment to the provision and the corresponding oil and gas properties.

1 BASIS OF PREPARATION (CONT'D)

Depreciation, depletion and amortization

Expenditure on the construction, installation and completion of infrastructure facilities and the drilling of development well is capitalised within oil and gas properties.

Amortisation of producing oil and gas properties is computed based on the unit of production method using proved developed reserves for capitalised acquisition costs.

Changes in the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in the accounting estimate. Cost associated with production and general corporate activities are expensed in the period incurred.

Depreciation of floating production storage and offloading vessel is based on the straight-line method over its estimated useful life taking into account its residual value.

Inventories

Inventories of petroleum products 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.

Critical accounting estimates and judgements

Impairment on investments in joint ventures – Lime Petroleum Plc ("**Lime Plc**") and its concession companies ("**Lime Group**")

In view of the current uncertainty but without prejudice to the Group's legal position and rights (all of which are fully reserved), and with reference to Part A, Items 4 (vi), 4 (vii) and 4 (viii) of this Quarterly Report, the Company intends to perform an impairment assessment on its investment in Lime Group as soon as it is practicable. The Company only takes into account developments that it is in a position to confirm. The carrying value of the Company's investment in Lime Group as at 31 March 2016 is RM212.5 million.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the unaudited condensed financial statements are consistent with those followed in the preparation of the Group's audited financial statements for the financial period ended 30 June 2015.

2.1 Standards issued but not yet effective

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

Description		**Effective for financial periods beginning on or after**
Amendment to MFRS 11	*Joint Arrangements*	1 January 2016

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Standards issued but not yet effective (cont'd)

Description		**Effective for financial periods beginning on or after**
Amendments to MFRS 116 and MFRS 138	*Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to MFRS 127	*Separate Financial Statements*	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	*Investment Entities – Applying the Consolidation Exception*	1 January 2016
Annual Improvements to MFRSs 2012 - 2014 Cycle	(Amendments to MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, MFRS 7 *Financial Instruments: Disclosures*, MFRS 134 *Interim Financial Reporting*)	1 January 2016
Amendments to MFRS 101	*Presentation of Financial Statements*	1 January 2016
Amendments to MFRS 107	*Statement of Cash Flow – Disclosure Initiative*	1 January 2017
Amendments to MFRS 112	*Income Taxes*	1 January 2017
MFRS 9	*Financial Instruments*	1 January 2018
MFRS 15	*Revenue from Contracts with Customers*	1 January 2018
MFRS 16	*Leases*	1 January 2019

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

3 SEASONAL OR CYCLICAL FACTORS

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

4 SIGNIFICANT/UNUSUAL ITEMS

Save as disclosed below, there were no other significant or unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial period ended 31 March 2016:

(i) Proposed call option between HiRex Petroleum Sdn. Bhd. ("**HIREX**") and Carnarvon Hibiscus Pty Ltd ("**CHPL**") to grant CHPL a call option to acquire 100% of the entire issued and paid-up share capital of HiRex (Australia) Pty Ltd ("**HIREX Australia**"), for a call option price of USD1.00

HIREX had on 14 August 2015 entered into a call option agreement with CHPL whereby HIREX had granted CHPL a call option to acquire 100% of the entire issued and paid-up share capital of HIREX Australia, for a call option price of USD1.00 ("**Proposed Call Option**"). CHPL had on the same day exercised the Proposed Call Option. Therefore, the Group has 78.35% effective interest in the VIC/P57 Exploration Permit ("**VIC/P57**") as at 4 September 2015, upon completion of the transaction contemplated in the Proposed Call Option.

On 7 October 2015, HIREX Australia's name was changed to Gippsland Hibiscus Pty Ltd.

Please refer to our announcements dated 14 August 2015 and 4 September 2015.

(ii) The proposed placement of up to 89,164,225 new ordinary shares of RM0.01 each in Hibiscus Petroleum Berhad ("**Hibiscus Petroleum**" or the "**Company**") ("**Hibiscus Petroleum Shares**"), pursuant to the approval obtained from the shareholders of the Company at its Annual General Meeting for the Board to allot and issue new Hibiscus Petroleum Shares not exceeding 10% of the Company's issued share capital for the time being, pursuant to Section 132D of the Companies Act, 1965 ("**Placement Shares**")

Subsequent to the financial period ended 30 June 2015, the Company issued 53,027,700 Placement Shares, raising a total of RM38,314,775.

The Placement Shares exercise was completed on 6 August 2015 with a total of 89,164,200 new ordinary shares issued.

Please refer to our announcements dated 1 July 2015, 13 July 2015, 14 July 2015, 29 July 2015, 4 August 2015, 5 August 2015 and 6 August 2015.

(iii) On 11 September 2015, the Company announced that it proposes to undertake the placement of up to 326,935,484 new ordinary shares in the Company ("**New Placement Shares**"), representing up to 25% of the enlarged issued and paid-up ordinary share capital of the Company ("**Proposed Placement**")

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

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

(iv) Proposed acquisition of the entire equity interest in Talisman Resources (JPDA 06-105) Pty Limited ("**Talisman Resources JPDA**")

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

A sum of USD13 million had been remitted into a joint escrow account in accordance with the terms of the SSA.

The Company subsequently terminated the agreement on 1 June 2015, as conditions precedent were not fully satisfied by the cut-off date of 31 May 2015, as stipulated within the SSA. Talisman Oil & Gas had disputed the termination of the SSA by the Company. All matters relating to the dispute have been resolved.

(v) On 11 November 2015, the Company announced that its wholly-owned subsidiary, CHPL advised that wireline evaluation and sampling of formation fluids over the 6 zones of interest identified on preliminary Sea Lion-1 data had been completed. This work confirmed that no zones of commercial hydrocarbons were encountered in the Sea Lion-1 well. The well was plugged and abandoned and operations at the drilling location were completed. Despite this, the Group plans to continuously explore other potential prospects within the permit.

Please refer to our announcements dated 11 November 2015 and 16 November 2015 and to Part C, Item 2 of this Quarterly Report for further details.

In the quarter ended 31 December 2015, the Group recognised an impairment of RM84.5 million following its assessment of its carrying value of the permit.

(vi) Lime Group

Please refer to the corresponding sections of the preceding Quarterly Report for the quarter ended 31 December 2015, which remains applicable. Further developments (including those subsequent to 31 March 2016) are elaborated below.

- <u>Lime Plc</u>

  As announced on 14 April 2016, an application for the winding up of Lime Plc has been filed by Rex Middle East Ltd ("**Rex**") and Schroder & Co Banque S.A. ("**Schroder**") and/or Lime Plc (acting under the direction of Laurence Keenan, Karl Helge Tore Lidgren and Simon Comina) in the Isle of Man courts. Gulf Hibiscus Limited ("**Gulf Hibiscus**"), a wholly-owned subsidiary of the Company, is opposing the application, and the next hearing of the application is currently scheduled for 30 June 2016.

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

- Lime Petroleum Norway AS ("**Lime Norway**")

  In relation to the Application for Leave, as described in the preceding Quarterly Report, the court hearing has been held on 21 April 2016 and the court's decision on the Application for Leave is currently pending.

  As announced on 4 April 2016, Gulf Hibiscus has also filed a claim at the Oslo Conciliation board against certain directors and the general manager of Lime Norway, namely:

  - Hans Ove Leonard Lidgren ("**Hans**");
  - Svein Helge Kjellesvik ("**Svein**"); and
  - Ivar Aarseth ("**Ivar**"),

  to claim for compensation for financial losses suffered by Gulf Hibiscus resulting from the failure on the part of those officers/directors to fulfil their general duty, particularly with regard to their conduct in relation to the actions taken to effect a substantial dilution of Lime Plc's shareholding interest in Lime Norway under the restructuring undertaken by Lime Norway.

- Masirah

  The Company is not in a position to confirm any material non-operational developments subsequent to the preceding Quarterly Report.

- Dahan Petroleum Limited ("**Dahan**"), Baqal Petroleum Limited ("**Baqal**") and Lime Petroleum Limited ("**Lime BVI**") (collectively "**Other Lime Subsidiaries**")

  As announced on 31 March 2016, various actions have been taken by Rex, Schroder and/or parties related to them in relation to Dahan, Baqal and Lime BVI (including the proposed liquidation of Dahan and Baqal) which the Company regards as invalid, defective and/or improper.

  Gulf Hibiscus has not received further relevant information relating to the Other Lime Subsidiaries from Rex, Schroder and/or Lime Plc and the status of those entities are presently uncertain.

All rights of the Group are fully reserved.

(vii) Action against Rex International Holding Limited ("**Rex International**") and its wholly-owned subsidiary, Rex International Investments Pte Ltd ("**RII**")

Subsequent to 31 March 2016 and as announced on 21 April 2016, Gulf Hibiscus has filed a statement of claim at the High Court of the Republic of Singapore against Rex International and RII in connection with the conduct of Rex International and RII in relation to Lime Plc and other companies in which Lime Plc has an interest.

All rights of the Group are fully reserved.

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

(viii) As at the date of this Quarterly Report, the following actions have been initiated by the Company and are ongoing:

Date Initiated	Jurisdiction	Type of Action	Claimant/ Applicant	Defendants	Status
23 December 2015	Isle of Man (High Court of Justice)	Leave Application for a Derivative Action (breach of trust and/or fiduciary duties).	Gulf Hibiscus (for purposes of bringing a claim on behalf of Lime Plc)	Derivative Action Against: 1. Karl Helge Tore Lidgren; 2. Simon Comina; and 3. Laurence Keenan.	Hearing of leave application held on 21 April 2016. Court decision currently pending.
1 April 2016	Norway (Oslo Conciliation Board)	Claim for compensation against the general manager and certain directors of Lime Norway for financial losses suffered.	Gulf Hibiscus	Claims Against: 1. Hans; 2. Svein; and 3. Ivar.	Ongoing, awaiting further directions from the Oslo Conciliation Board.
21 April 2016	Singapore (High Court of the Republic of Singapore)	Claims based on: 1. Conspiracy; 2. Wrongful interference; 3. Unjust Enrichment; and 4. Inducement of breach of contract.	Gulf Hibiscus	Claims Against: 1. Rex International; and 2. RII.	Ongoing, pending the next court filing by the defendants.

The commencement of the above actions is consistent with the Company's efforts towards ensuring that the interests of the Group and its investee companies (including Lime Plc) are properly safeguarded. It would be noted that the various actions:

(i) are independent from each other;

(ii) have been initiated against different defendants/parties;

(iii) are filed in different jurisdictions; and

(iv) are based on (or seeks) different remedies available to the relevant claiming party.

The Company will continue to review and take other appropriate action (including the filing of other actions/claims against the responsible parties), based on developments relating to the above actions as well as other relevant factors.

The Company and its subsidiaries fully reserve all their rights and will continue to act accordingly to safeguard their interests.

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

(ix) Debt facility

The Group had entered into a binding arrangement dated 30 October 2015 for a debt facility amounting to USD20 million for a tenure of between 18 and 36 months. In the process of finalizing documentation for the debt facility, the lending party varied terms previously agreed. On 29 April 2016, the lending party sent the Company an official written confirmation that despite both parties having expended their best efforts to proceed with the debt facility, the conditions precedents for the facility were not met. Hence, the said binding arrangement is at an end, and neither party is bound by any future obligations under it. Nevertheless, Hibiscus Petroleum reserves all other rights accruing to it pursuant to the binding arrangement.

Prior to receiving such confirmation from the lending party, the Company had been pursuing alternative financing arrangements and shall continue its efforts to secure the same.

(x) On 9 November 2015, the Company announced that it had executed a binding equity transaction term sheet in relation to the proposed acquisition of 100% equity interest in Hydra Energy Holdings Pty Ltd ("**Hydra Energy**") to be satisfied through the issuance of new ordinary shares of RM0.01 each in Hibiscus Petroleum ("**Proposed Transaction**")

On 3 May 2016, an announcement by the Company stated that the term sheet is deemed terminated in view of non-fulfilment of the conditions precedents (which included the parties agreeing and entering into the sale and purchase agreement ("**SPA**"), and the approval of the shareholders of Hydra Energy to proceed with the Proposed Transaction) before 30 April 2016.

The announcement was made pursuant to the Company receiving an official reply from Hydra Energy on 29 April 2016 confirming that:

(i) Hydra Energy has noted that despite Hibiscus Petroleum and Hydra Energy having expended their best efforts to proceed with the Proposed Transaction, the conditions precedents in the term sheet were not met. Amongst the measures taken were initiating due diligence and independent probabilistic resource assessment of Hydra Energy's assets subsequent to the execution of the term sheet;

(ii) the term sheet is at an end and neither party is bound by any future obligations under the term sheet; and

(iii) the breaking fee of USD3.5 million is not payable by Hibiscus Petroleum as the approval of Hydra Energy's shareholders was not obtained.

Following the termination of the term sheet, the Company is completely discharged and has no liability or obligation to assume pursuant to the terms and conditions of the term sheet. Nevertheless, Hibiscus Petroleum reserves all other rights accruing to it pursuant to the term sheet.

The Company does not foresee any material financial impact to the Company as a result of the termination of the term sheet in terms of the effect on earnings per share and net assets per share.

Please refer to our announcements dated 9 November 2015, 11 November 2015, 13 November 2015 and 3 May 2016.

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

(xi) Acquisition of 50% interest in the Anasuria Cluster

On 6 August 2015, the Company announced that its indirect wholly-owned subsidiary, Anasuria Hibiscus, had entered into two conditional SPAs to acquire 50% interest in the Anasuria Cluster for a total cash consideration of USD52.5 million ("**Proposed Acquisition**").

The Company paid a deposit of USD4.0 million (RM15.5 million) upon the execution of the two conditional SPAs.

The Anasuria Cluster comprises a geographically focused package of operated producing fields and associated infrastructure as follows:

- 100% interest in the Guillemot A field and the related field facilities ("**Guillemot A Field**");
- 100% interest in the Teal field and the related field facilities ("**Teal Field**");
- 100% interest in the Teal South field and the related field facilities ("**Teal South Field**");
- 38.65% interest in the Cook field and the related field facilities ("**Cook Field**"); and
- 100% ownership in the common infrastructure known as the Anasuria Floating Production Storage and Offloading unit and the related equipment ("**Anasuria FPSO**").

The Guillemot A Field, Teal Field, Teal South Field, Cook Field and Anasuria FPSO are collectively referred to as the "Anasuria Cluster".

Shareholders of Hibiscus Petroleum had, at the EGM of the Company held on 4 February 2016, unanimously approved the Proposed Acquisition.

On 15 February 2016, the Company announced that the Secretary of State for Energy and Climate Change of the United Kingdom Government ("**Secretary of State**") had, vide its notices dated 9 February 2016 (in respect of the Guillemot A Field, the Teal Field and the Teal South Field) and 11 February 2016 (in respect of the Cook Field) (which were both received on 12 February 2016) granted its consents and approvals in relation to the Proposed Acquisition for the following:

(i) the assignment of the relevant interests of Shell U.K. Limited ("**Shell UK**"), Shell EP Offshore Ventures Limited ("**Shell EP**") and Esso Exploration and Production UK Limited ("**Esso UK**") under the relevant licences of the Anasuria Cluster to Anasuria Hibiscus and Ping Petroleum UK Limited ("**Ping Petroleum UK**");

(ii) the creation and execution of (and the transactions contained in) the relevant assignment documents including the assignment of the entitlement to the benefit of rights granted by the licenses and transfer of operatorships;

(iii) the appointment of Anasuria Operating Company Limited ("**AOCL**") as the operator of the Guillemot A Field, the Teal Field and the Teal South Field; and

(iv) the appointment of Ithaca Energy (UK) Limited as the operator of the Cook Field.

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

The Secretary of State's consents and approvals were subject to the following conditions:

(i) the deeds of assignment being executed in a form approved by the Secretary of State;

(ii) the Proposed Acquisition being completed during the period of validity of the consents and approvals of the Secretary of State which is until 9 May 2016 (in respect of the Guillemot A Field, the Teal Field and the Teal South Field) and 11 May 2016 (in respect of the Cook Field); and

(iii) the Department of Energy and Climate Change to be notified of the completion of the Proposed Acquisition within 2 weeks of completion.

The Company subsequently announced on 10 March 2016 the following conditions precedent to the Proposed Acquisition had been fulfilled:

(i) receipt of all necessary written consents, approvals or waivers, including the waiver or non-exercise by relevant third parties of any pre-emption rights by the relevant third parties in relation to the transfer by Shell UK, Shell EP and Esso UK to Anasuria Hibiscus and Ping Petroleum UK; and

(ii) all operational readiness indicators under the transfer of operatorship agreement entered into on 6 August 2015 between Shell UK, Anasuria Hibiscus, Ping Petroleum UK and AOCL, for the transfer of operatorship of the Anasuria Cluster (save for the Cook Field) from Shell UK to AOCL had been satisfied (in relation to the Shell SPA).

Following the above, all the conditions precedent to the SPAs had been met and the SPAs have become unconditional.

Consequently, the Proposed Acquisition was completed on 10 March 2016. On the same day, AOCL, a company jointly incorporated by Anasuria Hibiscus and Ping Petroleum UK assumed operatorship of the Anasuria Cluster (with the exception of the Cook Field).

Please refer to our announcements dated 6 August 2015, 19 January 2016, 20 January 2016, 4 February 2016, 15 February 2016, 10 March 2016 and 11 March 2016.

(xii) The proposed settlement of amount owing to Ping Petroleum Limited ("**Ping Petroleum**") via issuance of up to 4.88% of the issued and paid-up share capital of the Company

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

5 MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in the prior financial periods that have a material effect in the financial period ended 31 March 2016.

6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER

Save as disclosed in Note 17 of this Quarterly Report, there were no other material events subsequent to the end of the financial period ended 31 March 2016 up to the date of this report.

7 CHANGES IN THE COMPOSITION OF THE GROUP

(i) On 5 August 2015, the Company acquired Atlantic Hibiscus Sdn Bhd ("**Atlantic Hibiscus**"), a company incorporated in Malaysia under the Companies Act, 1965, with an authorised share capital of 400,000 ordinary shares of RM1.00 each and a paid-up capital of RM2.00. Atlantic Hibiscus is a wholly-owned subsidiary of the Company. The principal activity of Atlantic Hibiscus is investment holding. Concurrently, Atlantic Hibiscus has, on 5 August 2015, become the sole shareholder of Anasuria Hibiscus UK Limited ("**Anasuria Hibiscus**"), a company incorporated under the laws of England and Wales, with an issued and paid-up share capital of 1 ordinary share of £1.00. The principal activity of Anasuria Hibiscus is the exploration and production of oil and gas.

(ii) On 10 March 2016, the Group completed the acquisition of 50% interest in the Anasuria Cluster.

The base consideration of USD52.5 million comprises the following:

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

The initial consideration was payable upon completion of the acquisition. After certain working capital and other interim period adjustments from the economic date of 1 January 2015, the resulting net cash outlay was USD5.2 million (RM21.4 million).

The deferred consideration will be payable as follows:

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

The fair value was provisional at 31 March 2016 and has been reviewed in accordance with the provisions of MFRS 3 *Business Combinations*. The initial fair values of assets and liabilities recognised on acquisition have been updated to reflect the working capital adjustment and decommissioning provisions.

7 CHANGES IN THE COMPOSITION OF THE GROUP (CONT'D)

The provisional fair value of the identifiable assets and liabilities of the Anasuria Cluster as at the date of acquisition was:

	Fair value recognised on acquisition RM'000
Assets	
Intangible assets	330,224
Equipment	145,575
Inventories	22,288
	498,087
Liabilities	
Provision for decommissioning costs	(83,755)
Deferred tax liabilities	(132,090)
Trade and other payables	(39,124)
Accruals	(3,458)
	(258,427)
Total identifiable net assets at fair value	239,660
Negative goodwill from business combination	(135,343)
Purchase consideration	104,317
Purchase consideration:	
Cash paid and payable	21,380
Deferred consideration	82,937
	104,317

Deferred tax liabilities recognised upon completion of a business combination are in relation to temporary differences in the tax base of intangible assets (i.e. rights and concession) acquired and their accounting base. This balance is non-cash and will reverse in line with the depletion of the said intangible assets. The reversal of the deferred tax liabilities will result in a tax credit being recorded in the profit or loss.

As permitted by MFRS 3 *Business Combinations*, allocation of the purchase price will be finalised within one year from acquisition date to determine the fair values of acquired identifiable tangible and intangible assets and liabilities.

Save as disclosed above, there were no changes in the composition of the Group during the financial period ended 31 March 2016.

8 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

9 DIVIDENDS PAID/PAYABLE

There were no dividends declared or paid during the financial period ended 31 March 2016.

10 BORROWINGS, DEBT AND EQUITY SECURITIES

The movements in the issued and paid-up share capital of the Company arising from Placement Shares during the financial period ended 31 March 2016 were as follows:

			PERIOD ENDED 31.03.2016
ORDINARY SHARES	**Par value RM**	**Number of shares**	**Share capital RM'000**
As at 01.07.2015	0.01	927,778,754	9,278
Placement Shares	0.01	53,027,700	530
New Placement Shares	0.01	151,984,000	1,520
As at 31.03.2016	0.01	1,132,790,454	11,328

Placement Shares

During the financial period 31 March 2016, the Company issued 53,027,700 new Hibiscus Petroleum Shares, raising a total of RM38,314,775. This was undertaken in two tranches; 18,200,000 shares were issued on 13 July 2015 at RM0.67 per share and 34,827,700 shares were issued on 4 August 2015 at RM0.75 per share. Please refer to Part A, Item 4 (ii) of this Quarterly Report for further details.

New Placement Shares

During the financial period 31 March 2016, the Company issued 151,984,000 new Hibiscus Petroleum Shares, raising a total of RM34,104,710. This was undertaken in four tranches; 90,000,000 shares were issued on 4 December 2015 at RM0.235 per share, 12,398,000 shares were issued on 17 December 2015 at RM0.245 per share, 19,586,000 shares were issued on 19 January 2016 at RM0.200 per share and 30,000,000 shares were issued on 28 March 2016 at RM0.200 per share. Please refer to Part A, Item 4 (iii) and Part B, Item 17 (i) of this Quarterly Report for further details.

Save for the above, there were no other issuances, cancellations, repurchases, resale and repayments of borrowings, debt and equity securities during the financial period ended 31 March 2016.

11 OPERATING SEGMENTS

Operating segments are presented in respect of the Group's business segments. The Group has activities in the following principal areas:

(i)	Investment holding and group activities	Investments in companies owning/operating oil and gas concessions, and provision of project management, technical and other services relating to the oil and gas exploration and production industry. The investment holding and group activities are located in Malaysia.
(ii)	Lime	Group's investments and operations in the exploration assets of the Lime Group, located in the Middle East and Norway.
(iii)	3D Oil, VIC/L31 & VIC/P57	Group's operations in the VIC/L31 Production Licence ("**VIC/L31**") for the West Seahorse field and other exploration prospects in Australia within VIC/P57, and investment in 3D Oil Limited ("**3D Oil**").
(iv)	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.
(v)	HIREX	Planned investments in exploration assets within the Asia Pacific region. Activities are located in Malaysia.

11 OPERATING SEGMENTS (CONT'D)

	Investment holding and group activities RM'000	**Lime RM'000**	**3D Oil, VIC/L31 & VIC/P57 RM'000**	**Anasuria RM'000**	**HIREX RM'000**	**Elimination RM'000**	**Group RM'000**
As at 31.03.2016							
Non-current assets	997	212,040	222,370	450,046	4,770	-	890,223
Included in the segments assets are:							
Investment in an associate	-	-	2,510	-	-	-	2,510
Investments in joint ventures	-	212,040	-	-	4,770	-	216,810
Additions to non-current assets	23	-	108,321	475,799	-	-	584,143
Period ended 31.03.2016							
Project management, technical and other service fees	2,627	-	-	-	-	-	2,627
Interest income	14	-	99	-	-	-	113
Sales of crude oil and gas	-	-	-	30,237	-	-	30,237
Revenue	2,641	-	99	30,237	-	-	32,977
Depreciation	(1,015)	-	(9,432)	(2,393)	-	-	(12,840)
Loss from operations	(17,640)	-	(12,451)	(32,780) #	-	-	(62,871)
Reversal of impairment of investment in an associate	-	-	1,009	-	-	-	1,009
Impairment of intangible assets	-	-	(81,683)	-	-	-	(81,683)
Negative goodwill arising from acquisition of a business combination	-	-	-	135,343	-	-	135,343
Share of results	-	(63,748)	(4,035)	-	(1,541)	-	(69,324)
Finance costs	(236)	-	(4,839)	(1,348)	-	4,390	(2,033)
Interest income	4,390	-	-	-	-	(4,390)	-
Taxation	(28)	-	-	675	-	-	647
(Loss)/profit after taxation	(13,514)	(63,748)	(101,999)	101,890	(1,541)	-	(78,912)

\# Included in this balance are non-recurring costs amounting to RM34.5 million, consisting of introducer fee of RM25.3 million and transition costs and professional fees relating to the acquisition of the Anasuria Cluster of RM9.2 million. Had such costs been omitted, it would show a profit from operations of RM1.7 million.

11 OPERATING SEGMENTS (CONT'D)

	Investment holding and group activities RM'000	Lime RM'000	3D Oil, VIC/L31 & VIC/P57 RM'000	HIREX RM'000	Elimination RM'000	Group RM'000
As at 31.03.2015						
Non-current assets	2,329	258,062	197,933	6,076	-	464,400
Include in the segments assets are:						
Investment in an associate	-	-	7,726	-	-	7,726
Investment in joint ventures	-	258,062	-	6,076	-	264,138
Additions to non-current assets	43	26,971	101,312	-	-	128,326
Period ended 31.03.2015						
Project management, technical and other services fees	5,680	-	-	-	-	5,680
Interest income	403	-	184	-	-	587
Revenue	6,083	-	184	-	-	6,267
Depreciation	(1,056)	-	(3,631)	-	-	(4,687)
Loss from operations	(716)	-	(20,482)	-	-	(21,198)
Share of results	-	(5,026)	(1,122)	(4,271)	-	(10,419)
Finance costs	-	-	(3,641)	-	3,641	-
Interest income	3,641	-	-	-	(3,641)	-
Taxation	(33)	-	674	-	-	641
Profit/(loss) after taxation	2,892	(5,026)	(24,571)	(4,271)	-	(30,976)

12 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions within the Group are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.03.2016 RM'000	QUARTER ENDED 31.03.2015 RM'000	PERIOD ENDED 31.03.2016 RM'000	PERIOD ENDED 31.03.2015 RM'000
Project management, technical and other services fees earned from joint ventures				
- Lime	-	1,532	101	5,054
- HIREX	31	74	164	626
Project management, technical and other services fees earned from a joint operation				
- AOCL	928	-	1,644	-
Joint Operating Agreement indirect overheads recovery from an associate				
- 3D Oil	(112)	586	422	774
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	(1,286)	323	468	1,253
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	1,195	(6)	(302)	(260)
Consultancy services provided by a related party	-	-	(72)	-

13 MATERIAL COMMITMENTS

Save as disclosed below, the Group is not aware of any material capital commitments incurred or known to be incurred by the Group which, upon becoming enforceable, may have a material impact on the profit or loss, or net assets value of the Group as at 31 March 2016:

	RM'000
Approved and contracted for:	
Share of a joint operation's material commitments (#)	45,323

(#) The Group's 50% share of commitments in the Facilities Management Agreement entered into by AOCL with Petrofac Facilities Management, the Contract Operator appointed to manage the day-to-day operations and maintenance of the Anasuria Cluster.

PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MMLR OF BURSA SECURITIES

14 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

15 PERFORMANCE REVIEW

15.1 Material factors affecting financial year-to-date results

On 10 March 2016, the Group completed the acquisition of 50% interest in the Anasuria Cluster. From the date of acquisition to 31 March 2016, the Anasuria Cluster has contributed RM30.2 million to revenue and RM6.4 million to gross profit from the sale of oil and gas products. In addition, the Group recognised negative goodwill of RM135.3 million upon completion of the acquisition.

The Group recorded a loss before taxation of RM79.6 million in the current nine-month period ("**current period**") as compared to a loss before taxation of RM31.6 million in the corresponding nine-month period in the previous year ("**corresponding period**").

The Company announced on 11 November 2015 that its wholly-owned subsidiary, CHPL advised that wireline evaluation and sampling of formation fluids over the 6 zones of interest identified on preliminary Sea Lion-1 data was complete and that no zones of commercial hydrocarbons were encountered in the Sea Lion-1 well subsequent to commencement of drilling operations on 26 October 2015. Following that, the Group performed an assessment of the carrying value of the VIC/P57 Exploration Permit and has during the current period recognised an impairment of RM81.7 million.

Without prejudice to the Group's legal position and rights (all of which are fully reserved) and without accepting the purported dilution in any way, the Group accounted for its share of a purported dilution of its investment in the Lime Group amounting to RM56.0 million in the quarter ended 31 December 2015. Also, its share of losses in the Lime Group were higher by RM2.7 million in the current period compared to the corresponding period largely due to increased level of operations and general expenditure. Please refer to Part A, Items 4 (vi) and 4 (viii) of this Quarterly Report for further details.

In addition, the Group incurred the following costs relating to the acquisition of 50% interest in the Anasuria Cluster in the current period:

- Introducer fee – RM25.3 million;
- Transition costs and professional fees – RM9.2 million;
- Depreciation and amortization – RM2.4 million; and
- Accretion of finance costs for deferred consideration and decommissioning costs – RM1.3 million.

Depreciation for the Britannia Rig commenced in December 2014 following its completion of works in ensuring its readiness for its intended use. A depreciation charge amounting to RM9.3 million was recognised during the current period as compared to RM3.6 million in the corresponding period. Any costs subsequent to this completion are maintenance in nature which would not enhance the value of the asset, and thus expenses off. Such costs amounted to RM3.1 million.

15 PERFORMANCE REVIEW (CONT'D)

15.2 Material factors affecting current quarter's results

During the current three-month period ("**current quarter**"), the Group recorded a profit before taxation of RM79.8 million as compared to a loss before taxation of RM11.0 million in the corresponding three-month period ended 31 March 2015 ("**corresponding quarter**").

The Group recognised negative goodwill of RM135.3 million upon completion of the acquisition of 50% interest in the Anasuria Cluster on 10 March 2016.

In addition, during the current quarter, the Anasuria Cluster contributed RM6.4 million to gross profit from the sale of oil and gas products.

These were however partially off-set by costs incurred in connection to the acquisition, namely (i) introducer fee – RM25.3 million; (ii) transition costs and professional fees – RM9.2 million; (iii) depreciation and amortization – RM2.4 million; and (iv) accretion of finance costs for deferred consideration and decommissioning costs – RM1.3 million.

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

The Group profit before taxation for the current quarter amounted to RM79.8 million as compared to a loss before taxation of RM164.2 million in the preceding three-month period ended 31 December 2015 ("**preceding quarter**").

The Group completed the acquisition of 50% interest in the Anasuria Cluster on 10 March 2016, and recognised negative goodwill of RM135.3 million. Anasuria Cluster also contributed RM30.2 million and RM6.4 million to revenue and gross profit respectively from the sale of oil and gas products during the current quarter. Such gains were partially off-set by costs incurred during the acquisition process, namely (i) introducer fee – RM25.3 million; (ii) transition costs and professional fees – RM9.2 million; (iii) depreciation and amortization – RM2.4 million; and (iv) accretion of finance costs for deferred consideration and decommissioning costs – RM1.3 million.

In the preceding quarter, the Group recognised an impairment of RM84.5 million following its assessment of its carrying value of the VIC/P57 Exploration Permit.

In addition, without prejudice to the Group's legal position and rights (all of which are fully reserved) and without accepting the purported dilution in any way, the Group accounted for its share of a purported dilution of its investment in the Lime Group amounting to RM56.0 million in the preceding quarter. Please refer to Part A, Items 4 (vi) and 4 (viii) of this Quarterly Report for further details.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

(i) New Placement Shares

Bursa Securities gave its approval for the listing of and quotation of the New Placement Shares on 23 September 2015 whilst the approval of the shareholders of Hibiscus Petroleum was obtained for the Proposed Placement at an Extraordinary General Meeting ("**EGM**") held on 13 October 2015.

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

As at the date of this Quarterly Report, the Company has placed out 177,984,000 new Hibiscus Petroleum Shares.

Please refer to our announcements dated 11 September 2015, 14 September 2015, 23 September 2015, 28 September 2015, 13 October 2015, 1 December 2015, 4 December 2015, 7 December 2015, 11 December 2015, 18 December 2015, 21 December 2015, 14 January 2016, 20 January 2016, 21 January 2016, 15 March 2016, 21 March 2016, 28 March 2016, 29 March 2016, 4 May 2016, 10 May 2016 and 11 May 2016.

(ii) Settlement of Amount Owing to Ping Petroleum via Issuance of up to 4.88% of the Issued and Paid-up Share Capital of the Company ("Settlement")

On 14 March 2016, the Company had announced a proposal to undertake a settlement of an amount owing to Ping Petroleum via issuance of up to 53,848,537 new ordinary shares of RM0.01 each in the Company ("**Settlement Shares**"), representing up to 4.88% of the issued and paid-up share capital of the Company, in relation to the introducer fee agreed between the parties payable upon successful completion of Part A, Item 4 (xii) above, as Ping Petroleum had already achieved the preferred bidder status with the vendors prior to Hibiscus Petroleum's entry into the transaction.

In August 2015, Hibiscus Petroleum paid USD0.6 million on behalf of Ping Petroleum to the vendors upon execution of the SPAs. In view of this, USD0.6 million was considered as being paid to Ping Petroleum by Hibiscus Petroleum in August 2015 as part of the introducer fee.

As at the date of completion of the Anasuria transaction, the balance of the introducer fee due and owing by Hibiscus Petroleum to Ping Petroleum was USD5.4 million ("**Balance Sum**").

On 11 March 2016, both parties entered into a variation term sheet and mutually agreed the following payment method for the Balance Sum:

(i) USD2.7 million to be settled by Hibiscus Petroleum in the form of Hibiscus Petroleum Shares calculated based on USD2.7 million divided by a conversion price based on the 5-day volume weighted average price ("**VWAP**") of the Hibiscus Petroleum Shares immediately prior to 14 March 2016; and

(ii) the remaining balance of USD2.7 million of the Balance Sum to accrue interest monthly at 2% per month compounded from 10 March 2016 and both the USD2.7 million and the accrued interest to be settled prior to 31 July 2016.

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

(ii) Settlement of Amount Owing to Ping Petroleum via Issuance of up to 4.88% of the Issued and Paid-up Share Capital of the Company ("Settlement") (Cont'd)

Pursuant thereto, up to 53,848,537 Settlement Shares would be allotted and issued at an issue price of RM0.205 per Settlement Share, being the 5-day VWAP of the Shares immediately prior to 14 March 2016 ("**Issue Price**") (based on the exchange rate for RM4.0885 = USD1 from Bank Negara Malaysia's middle rate as at 5.00 p.m. on 11 March 2016).

Bursa Securities, vide its letter dated 20 April 2016, resolved to approve the listing and quotation of up to 53,848,537 new ordinary shares of RM0.01 each in Hibiscus Petroleum to be issued pursuant to the Settlement at the Issue Price, subject to certain conditions.

The Settlement would be implemented in 2 tranches within 6 months from the date of approval of Bursa Securities.

The 1st tranche Settlement Shares to Ping Petroleum pursuant to the Settlement was completed following the listing of and quotation for 50,257,345 Settlement Shares on the Main Market of Bursa Securities on 25 May 2016.

Please refer to our announcements dated 14 March 2016, 6 April 2016, 21 April 2016, 24 May 2016 and 25 May 2016.

18 PROSPECTS OF THE GROUP

With the completion of the acquisition of the Anasuria Cluster on 10 March 2016, Hibiscus Petroleum now has a profitable, cash generating asset within its portfolio with an estimated remaining economic life of twenty years. This is now also positively set against a backdrop of rising oil prices as the oil marketplace appears to have turned the corner with December 2017 Brent futures trading at USD53/barrel as at the date of this Quarterly Report.

The ownership of the Anasuria Cluster, with oil priced at a premium to Brent, provides the platform for the Company to generate a stable, long-term revenue stream. In addition, a sustained turnaround in the global oil industry would potentially generate higher profits per barrel of oil produced going forward. The Company has also commenced a regimented work program with tight control over operating costs to further enhance efficiency and overall asset returns. Importantly, an improved oil price allows for the reinvestment of oil dollars into increasing the productive capacity of the asset over the medium and long-term.

The valuation of the Anasuria Cluster, based on RPS Energy Consultants Limited's valuation report of September 2015, is USD113 million net to Hibiscus Petroleum versus a total consideration payable of USD52.5 million (please refer to the Circular to Shareholders in relation to the Proposed Acquisition dated 20 January 2016). With a clear focus on shareholders' value, the Company would therefore look at viable options to enhance and unlock the value of the Anasuria Cluster in the near future. The capital markets will continue to be a key platform to execute such initiatives both in the debt and equity space. In this regard, it is encouraging that the aversion to the oil and gas sector seen for the most part of 2015 is now gradually abating.

19 PROFIT FORECAST AND PROFIT GUARANTEE

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

20 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no sale of unquoted investments and/or properties during the financial period ended 31 March 2016.

21 PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities during the financial period ended 31 March 2016.

22 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

23 MATERIAL LITIGATION

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

For completeness, please also refer to Part A, Items 4 (vi), 4 (vii) and 4 (viii) of this Quarterly Report.

24 EARNINGS/(LOSS) PER SHARE

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

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 31.03.2016 RM'000	**QUARTER ENDED 31.03.2015 RM'000**	**PERIOD ENDED 31.03.2016 RM'000**	**PERIOD ENDED 31.03.2015 RM'000**
Profit/(loss) after taxation attributable to owners of the Company (RM'000)	(A)	80,505	(11,041)	(78,912)	(30,976)
Weighted average number of shares in issue ('000)	(B)	1,099,105	901,224	1,022,867	868,284
Basic earnings/(loss) per share (sen)	(A/B)	7.32	(1.23)	(7.71)	(3.57)
Diluted earnings/(loss) per share (sen)		7.32	(1.23)	(7.71)	(3.57)

The diluted earnings/(loss) per share for the Group is the basic earnings/(loss) per share as there are no dilutive shares outstanding at the end of the financial quarter/period.

25 PROFIT/(LOSS) BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.03.2016 RM'000	QUARTER ENDED 31.03.2015 RM'000	PERIOD ENDED 31.03.2016 RM'000	PERIOD ENDED 31.03.2015 RM'000
Profit/(loss) before taxation is arrived at after charging/ (crediting):				
Depreciation of equipment	5,805	3,321	12,840	4,687
Interest income	(37)	(111)	(113)	(587)
Unrealised loss/(gain) on foreign exchange	13,325	(2,656)	(4,139)	(2,609)
Realised gain on foreign exchange	(398)	(653)	(6,483)	(2,184)
Finance costs	1,827	-	2,033	-
Negative goodwill from business combination	(135,343)	-	(135,343)	-
(Reversal of impairment)/ impairment of investment in an associate	(2,953)	-	(1,009)	3,300
(Reversal of impairment)/ impairment of intangible assets	(2,848)	-	81,683	-

Other than as presented in the Condensed Consolidated Statements of Profit or Loss, and as disclosed above, there were no other income, interest expense, provision for and write off of receivables or inventories, gain/loss on disposal of quoted or unquoted investments or properties, impairment of assets, gain/loss on derivatives, and other exceptional items for the financial period ended 31 March 2016.

26 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.03.2016 RM'000	QUARTER ENDED 31.03.2015 RM'000	PERIOD ENDED 31.03.2016 RM'000	PERIOD ENDED 31.03.2015 RM'000
Income taxation	(9)	(24)	(28)	(68)
Deferred taxation	675	-	675	709
	666	(24)	647	641

27 REALISED AND UNREALISED ACCUMULATED LOSSES

	UNAUDITED AS AT 31.03.2016 RM'000	AUDITED AS AT 30.06.2015 RM'000
Analysis of accumulated losses:		
Realised	(27,873)	(77,722)
Unrealised	(120,791)	6,719
	(148,664)	(71,003)
Less: Consolidation adjustments	(2,192)	(941)
	(150,856)	(71,944)

By Order of the Board of Directors
Hibiscus Petroleum Berhad
31 May 2016

PART C – STATUS OF PRODUCTION, DEVELOPMENT AND EXPLORATION ACTIVITIES

1 ANASURIA CLUSTER

Background

On 10 March 2016, Hibiscus Petroleum Berhad ("**Hibiscus Petroleum**" or the "**Company**"), via its indirectly wholly-owned subsidiary, Anasuria Hibiscus UK Ltd ("**Anasuria Hibiscus**") with Ping Petroleum UK Limited ("**Ping Petroleum UK**"), completed the transaction to each acquire 50% of the entire interests of Shell U.K. Ltd ("**Shell UK**"), Shell EP Offshore Ventures Limited ("**Shell EP**") and Esso Exploration and Production UK Limited ("**Esso E&P**") in the Anasuria Cluster of oil and gas fields effective 1 January 2015 for a consideration of USD52.5 million ("**Completed Acquisition**").

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 ("**Guillemot A Field**");
- 100% interest in the Teal field and the related field facilities ("**Teal Field**");
- 100% interest in the Teal South field and the related field facilities ("**Teal South Field**");
- 38.65% interest in the Cook field and the related field facilities ("**Cook Field**"); and
- 100% ownership in the common infrastructure known as the Anasuria Floating Production Storage and Offloading unit and the related equipment ("**Anasuria FPSO**").

The cluster represents an attractive, geographically focused package of operated interests in producing fields and associated infrastructure. The assets have a proven and producing resource base which provides a platform for further development. A number of incremental development and exploration opportunities exist within the licence areas which are expected to generate significant incremental value in the medium term.

The Company, together with Ping Petroleum Limited ("**Ping Petroleum**") has established the joint operating company, Anasuria Operating Company Limited ("**AOCL**") in Aberdeen and this company has been approved as the License Operator for the assets by the Secretary of State for Energy and Climate Change of the United Kingdom Government.

On 10 March 2016, AOCL successfully assumed the role of operator for the assets from Shell UK. The day-to-day operations and maintenance of the assets are currently being managed by Petrofac Facilities Management ("**Petrofac**") under the supervision of AOCL. Petrofac is a substantial Contract Operator of North Sea assets. The AOCL office is co-located within Petrofac's Aberdeen office to enable an efficient and seamless workplace.

Crude oil produced from the Anasuria fields is stored in the Anasuria FPSO's tanks and the oil is subsequently marketed in large parcels typically comprising one to two months of oil production. The process of offloading crude oil to a shuttle oil tanker, thereby completing its sale, is called an 'offtake'. Anasuria Hibiscus records the revenue based on the offtakes which occur during each quarterly accounting period. Gas produced from the Anasuria fields is sold via gas export pipelines connected to the Anasuria FPSO. Gas is sold on a daily basis and revenue is received from the pipeline operator each month.

1 ANASURIA CLUSTER (CONT'D)

Update on operations in March 2016

Table 1

	Units	March 2016
Oil production rate	barrel ("**bbl**")/day	6,033
Gas export rate	bbl of oil equivalent ("**boe**")/day	462
Oil equivalent production rate *	boe/day	6,495
Average oil price	USD/bbl	38.2
Average gas price	USD/one million British Thermal Units ("**mmbtu**")	1.6/3.5
Capital expenditure ("**CAPEX**")	USD'm	-
Operating expenditure ("**OPEX**") per calender month	USD'm	3.7
OPEX per bbl	USD/boe	18.3

Source: AOCL.
All figures are gross to AOCL.
* Conversion rate of 6,000scf/boe.

The table above provides a summary of key operational statistics for the Anasuria Cluster for the calendar month of March 2016. Production was in line with the annual target although the operations team expects that average daily volumes will be higher in the next quarter from April 2016 to June 2016. Since taking over operations, AOCL has managed operating costs efficiently and reigned in non-essential costs to put the Anasuria Cluster firmly in a cash flow positive position. In March 2016, there was one offtake of oil with gross volumes to AOCL and net volumes to Anasuria Hibiscus as shown below.

Table 2

Oil Offtake Date	Oil Offtake Volume (barrels to AOCL)	Oil Offtake Volume (barrels to Anasuria Hibiscus)
March 2016	370,000	185,000

In our circular to shareholders dated 20 January 2016 ("**Circular**"), the Company included a copy of a report from RPS Energy Consultants Limited ("**RPS**") dated 15 September 2015 which addressed the valuation of the Anasuria Cluster. The core data utilized by RPS was sourced from Shell UK, Shell EP and Petrofac. Information from the RPS report is tabulated in Table 3 and Table 4 and specific details relating to the figures that have been provided can be found in the Circular. Two cases were presented, the Proved Developed Producing ("**PDP**") case with CAPEX focused on maintaining field facilities and a Proven and Probable Reserves ("**2P**") case, which took into account the CAPEX necessary to increase the hydrocarbon reserves which would be producible.

PDP Case

Table 3 below shows forecasted production rates for the Anasuria fields over a five-year period starting in 2016 in the PDP case. The major activities undertaken in this case would include souring projects at the Guillemot A Field and Teal South Field as well as refurbishment and upgrade works on the Anasuria FPSO to extend its production life. In particular, the Anasuria FPSO refurbishment work would include minor replacements on the Anasuria FPSO's risers and mooring system.

1 ANASURIA CLUSTER (CONT'D)

Table 3

PDP Case	**Units**	**2016**	**2017**	**2018**	**2019**	**2020**
Oil production rate #	bbl/day	5,400	4,200	5,000	4,700	3,900
Gas export rate #	boe/day	700	500	600	600	500
Oil equivalent production rate # *	boe/day	6,100	4,700	5,600	5,300	4,400
CAPEX per annum	USD'm	39.5	141.3	24.3	6.2	7.6
OPEX per annum	USD'm	85.1	89.9	87.5	87.4	91.6
OPEX per bbl @	USD/boe	38.2	52.4	42.8	45.2	57.0

Source: RPS report dated 15 September 2015, data sourced from Shell UK and Shell EP.
Production in 2018 increases as CAPEX is spent in 2017 to increase facility availability.
All figures are gross to AOCL.
Figures are rounded to the nearest hundred.
* Conversion rate of 6,000scf/boe.
@ Calculated by Hibiscus Petroleum based on the RPS report.

2P Case

A development program consisting of field workovers and infill drilling was also considered by RPS for implementation over the 2017–2018 period consisting of:

- Gas lift and recompletion of producer wells at Guillemot A Field and Teal South Field; and
- Infill drilling of two wells at the Guillemot A Field.

This investment would boost oil and gas production rates from end-2017 as shown in Table 4 below. The additional production from these projects is expected to last well beyond 2020 over the remaining useful economic life of the asset.

Table 4

2P Development Case	**Units**	**2016**	**2017**	**2018**	**2019**	**2020**
Oil production rate #	bbl/day	6,500	6,600	11,000	10,400	8,700
Gas export rate #	boe/day	800	800	1,200	1,100	1,000
Oil equivalent production rate # *	boe/day	7,300	7,400	12,200	11,500	9,700
CAPEX per annum	USD'm	39.5	164.6	249.4	6.2	7.6
OPEX per annum	USD'm	85.4	93.6	99.6	100.6	105.3
OPEX per bbl @	USD/boe*	32.1	34.7	22.4	24.0	29.7

Source: RPS report dated 15 September 2015, data sourced from Shell UK, Shell EP and RPS' internal assessment.
All figures are gross to AOCL.
Figures are rounded to the nearest hundred.
* Conversion rate of 6,000scf/boe.
@ Calculated by Hibiscus Petroleum based on the RPS report.

1 ANASURIA CLUSTER (CONT'D)

OPEX

The components of the OPEX on the Anasuria assets consist primarily of:

- Associated completion and transition costs post the Anasuria Cluster acquisition;
- Operations and maintenance of the Anasuria FPSO (contracted to Petrofac);
- Field related maintenance projects;
- Gas transport tariff charges; and
- AOCL and Petrofac overhead costs.

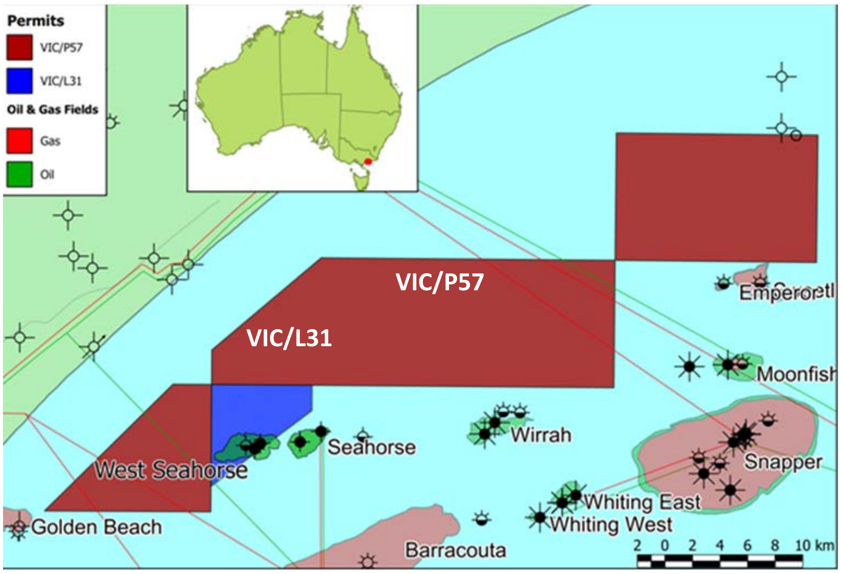
Following the successful completion of the development work/projects in both the PDP and 2P cases, total OPEX is expected to consequently increase as production rates increase. However, OPEX per bbl in the 2P case is expected to decrease significantly in 2018 to approximately USD22.4/boe as shown in Table 4 (as compared to approximately USD38.2/boe in the PDP case in 2016 as shown in Table 3).

Ongoing review

Since taking over the operatorship of the Anasuria Cluster on 10 March 2016, the Company has been able to monitor actual production and field performance statistics and compare these against projections previously provided by RPS. Our most recent analysis indicates that it is likely that field performance can be maintained with OPEX numbers which are significantly reduced. In addition, it is likely that CAPEX related to both the PDP case and 2P case will also be significantly reduced.

As disclosed in the Circular, the total 2P reserves as at 1 January 2015 was estimated to be 40.4 million stock tank bbls ("**MMstb**") of oil and 27.9 billion of standard cubic feet ("**Bscf**") of gas attributable to Anasuria Hibiscus and Ping Petroleum UK as certified by RPS. With the benefit of actual well performance and data post completion, the AOCL team is actively reviewing key estimates and assumptions covering all aspects of the Anasuria Cluster including reserves, production rates, budgeted CAPEX and OPEX as well as the timing of the overall work program for the cluster of assets. Additionally, with the backdrop of rising oil prices, it is anticipated that the underlying value of the Anasuria Cluster could be enhanced in the coming months. Management would seek third party review and verification to attest to the robustness of assumptions and any potential change to asset valuation prior to it being released.

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



Hibiscus Petroleum's wholly-owned subsidiary, Carnarvon Hibiscus Pty Ltd ("**CHPL**"), as operator, is responsible for the day-to-day management of work activities within the VIC/P57 Exploration Permit ("**VIC/P57**") and the VIC/L31 Production Licence ("**VIC/L31**"), affording us a high level of financial and operational control in these concessions.

In the VIC/P57 concession, following exercising an option to acquire the interest in VIC/P57 held by HiRex (Australia) Pty Ltd, Hibiscus Petroleum Group (the "**Group**")'s interest is 78.3%. CHPL had on 17 November 2014 acquired additional interest in VIC/L31, bringing its total interest held in VIC/L31 to 100%.

The VIC/P57 Exploration Permit contains an obligation to drill two exploration wells, the first by end 2015 and the second by early 2018. As previously reported on 11 November 2015, CHPL announced that no zones of commercial hydrocarbons were encountered in the first well and the well was plugged and abandoned. While unsuccessful, the well was performed without any recordable safety or environmental incidents and ahead of schedule.

One additional obligation well in VIC/P57 is required by January 2018 to retain the lease. Discussions with the regulatory authorities will be held in Q2 2016 to request an extension of the license by 1 year to January 2019 in order to provide CHPL additional time to assess the results of the Sea Lion well before making a commitment to drill another exploration well in the license.

From a regulatory perspective, we believe the West Seahorse project is well-positioned. In October 2013, the Department of Sustainability, Environment, Water, Population and Communities of the Australian government approved our Environment Protection and Biodiversity Conservation Act referral as a non-controlled action (no threat to items of national significance). In November 2013, the Australian National Offshore Petroleum Titles Administrator ("**NOPTA**") approved the Field Development Plan for West Seahorse. In December 2013, NOPTA awarded CHPL (on behalf of the VIC/P57 Joint Venture) the VIC/L31 Production Licence over the West Seahorse oilfield.

With volatile oil prices dominating the oil and gas environment, CHPL will continue to seek to identify and aggregate suitable stranded assets (that utilize similar infrastructure as envisaged for the West Seahorse field) which will allow a viable development of the West Seahorse field.

3 LIME PETROLEUM PLC AND ITS CONCESSION COMPANIES

Please refer to Part A, Items 4 (vi), 4 (vii) and 4 (viii) of this Quarterly Report.

By Order of the Board of Directors
Hibiscus Petroleum Berhad
31 May 2016