HIBISCUS PETROLEUM BERHAD

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

Unaudited Quarterly Financial Report
30 September 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30.09.2017 RM'000	QUARTER ENDED 30.09.2016 RM'000	PERIOD ENDED 30.09.2017 RM'000	PERIOD ENDED 30.09.2016 RM'000
Revenue		58,236	54,745	58,236	54,745
Cost of sales		(18,996)	(24,224)	(18,996)	(24,224)
GROSS PROFIT		39,240	30,521	39,240	30,521
Other income	26	685	11,114	685	11,114
Administrative expenses		(7,707)	(10,033)	(7,707)	(10,033)
Other expenses		(16,791)	(17,577)	(16,791)	(17,577)
Finance costs		(5,343)	(6,567)	(5,343)	(6,567)
Share of results of an associate		(362)	23	(362)	23
PROFIT BEFORE TAXATION	27	9,722	7,481	9,722	7,481
Taxation	28	1,062	72,802	1,062	72,802
PROFIT AFTER TAXATION		10,784	80,283	10,784	80,283
PROFIT AFTER TAXATION ATTRIBUTABLE TO:					
- Owners of the Company		10,784	80,283	10,784	80,283
EARNINGS PER SHARE (SEN)					
Basic	25	0.73	5.91	0.73	5.91
Diluted	25	0.73	5.91	0.73	5.91

The Unaudited Condensed Consolidated Statements of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2017 RM'000	QUARTER ENDED 30.09.2016 RM'000	YEAR ENDED 30.09.2017 RM'000	YEAR ENDED 30.09.2016 RM'000
PROFIT AFTER TAXATION	10,784	80,283	10,784	80,283
Other comprehensive (expenses)/ income:				
Items that may be subsequently reclassified to profit or loss:				
- Foreign currency translation *	(7,573)	17,545	(7,573)	17,545
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER/PERIOD	3,211	97,828	3,211	97,828
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the Company	3,211	97,828	3,211	97,828

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

The Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 30.09.2017 RM'000	AUDITED AS AT 30.06.2017 RM'000
ASSETS			
NON-CURRENT ASSETS			
Investment in an associate		5,636	4,090
Intangible assets		1,009,293	1,029,293
Equipment		200,205	202,615
		1,215,134	1,235,998
CURRENT ASSETS			
Trade receivables		8,513	7,434
Other receivables, deposits and prepayments		18,678	17,465
Inventories		12,200	3,997
Amount owing by a joint venture		265	191
Cash and bank balances		31,988	54,501
		71,644	83,588
TOTAL ASSETS		1,286,778	1,319,586
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	698,806	675,314
Other reserves		85,282	92,855
Accumulated losses		(15,023)	(25,807)
		769,065	742,362
NON-CURRENT LIABILITIES			
Contingent consideration		1,771	1,757
Deferred tax liabilities		315,655	325,562
Provision for decommissioning costs		129,640	124,835
		447,066	452,154

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017 and the accompanying explanatory notes attached to the financial statements.

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

	Note	UNAUDITED AS AT 30.09.2017 RM'000	AUDITED AS AT 30.06.2017 RM'000
CURRENT LIABILITIES			
Trade payables		484	242
Other payables and accruals		62,460	54,765
Deferred consideration		-	31,428
Amount owing to a joint venture		331	337
Amount owing to an associate		24	25
Provision for taxation		7,129	38,054
Redeemable Convertible Preference Shares		219	219
		70,647	125,070
TOTAL LIABILITIES		517,713	577,224
TOTAL EQUITY AND LIABILITIES		1,286,778	1,319,586
NET ASSETS PER SHARE (RM)		0.51	0.51

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017 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**	**OTHER RESERVES RM'000**	**FOREIGN EXCHANGE RESERVE RM'000**	**ACCUMULATED LOSSES RM'000**	**TOTAL RM'000**
3 months to 30.09.2017						
As at 01.07.2017	675,314	- **	389	92,466	(25,807)	742,362
Issuance of shares	23,492	-	-	-	-	23,492
Profit after taxation	-	-	-	-	10,784	10,784
Other comprehensive expenses, net of tax: - Foreign currency translation	-	-	-	(7,573)	-	(7,573)
Total comprehensive (expenses)/income for the period	-	-	-	(7,573)	10,784	3,211
As at 30.09.2017	698,806	-	389	84,893	(15,023)	769,065
3 months to 30.09.2016						
As at 01.07.2016	13,126	634,585	389	68,063	(131,904)	584,259
Issuance of shares	899	15,383	-	-	-	16,282
Profit after taxation	-	-	-	-	80,283	80,283
Other comprehensive income, net of tax: - Foreign currency translation	-	-	-	17,545	-	17,545
Total comprehensive income for the period	-	-	-	17,545	80,283	97,828
As at 30.09.2016	14,025	649,968	389	85,608	(51,621)	698,369

** *Companies Act 2016 (the "**Act**"), came into effect from 31 January 2017 and abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the Company's share premium account of RM660,876,134 shall become part of the Company's share capital pursuant to Section 618(2) of the Act. Under the transitional provision in Section 618(3) of the Act, a company may within twenty-four months upon the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in that section.*

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	QUARTER ENDED 30.09.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	9,722
Adjustments for:	
Depreciation and amortisation of equipment and intangible assets	13,796
Interest income	(10)
Unrealised loss on foreign exchange	2,995
Finance costs	5,343
Reversal of impairment of investment in an associate	(1,885)
Impairment of amount owing by a joint venture	906
Share of results of an associate	362
Operating profit before working capital changes:	31,229
Trade receivables	(1,117)
Other receivables, deposits and prepayments	(1,355)
Trade payables	192
Other payables and accruals	6,517
Inventories	(8,339)
Amount owing by a joint venture	(780)
Amount owing to a joint venture	(3)
Cash generated from operating activities	26,344
Tax paid	(34,115)
Net cash used in operating activities	(7,771)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(5,781)
Interest received	10
Acquisition of intangible assets	(373)
Net cash outflow arising from business combination	(31,931)
Net cash used in investing activities	(38,075)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net proceeds from issuance of ordinary shares	23,539
Net cash generated from financing activities	23,539
Net decrease in cash and cash equivalents	(22,307)
Effects of foreign exchange rate changes	(206)
Cash and cash equivalents at beginning of the financial quarter	54,501
Cash and cash equivalents at end of the financial quarter	31,988

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017 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 year ended 30 June 2017 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 year ended 30 June 2017.

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 year ended 30 June 2017.

2.1 Adoption of Amendments to Standards and IC Interpretations

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

Amendments to MFRS 107	*Statement of Cash Flow – 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 above amendments did not have any impact on the current financial quarter or any prior financial period and is not likely to affect future financial periods.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Standards issued but not yet effective

Description		**Effective for financial periods beginning on or after**
Issues Committee Interpretation 22	*Foreign Currency Transactions and Advance Consideration*	1 January 2018
MFRS 9	*Financial Instruments*	1 January 2018
MFRS 15	*Revenue from Contracts with Customers*	1 January 2018
Issues Committee Interpretation 23	*Uncertainty over Income Tax Treatments*	1 January 2019
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 quarter ended 30 September 2017 ("**Current Quarter**"):

(i) Share placement of up to 144,384,429 new ordinary shares in the Company ("**Placement Shares**"), representing up to 10% of the existing issued ordinary share capital of the Company ("**Private Placement**").

The Company announced on 31 May 2017 that it proposed to undertake the Private Placement.

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.

During the Current Quarter, the Company issued 62,000,000 Placement Shares ("**First Tranche Placement Shares**"), raising a total of approximately RM23.9 million.

Please refer to Part B, Notes 17 (i) and 18 of this Quarterly Report for further details.

(ii) Proposed acquisition of a 50% participating interests under the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract.

Please refer to Part B, Note 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 Current Quarter.

6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER

There were no other material events subsequent to the end of the Current Quarter up to the date of this report.

7 CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the Current Quarter.

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 Current Quarter.

10 BORROWINGS, DEBT AND EQUITY SECURITIES

The movements in the issued and paid-up ordinary share capital of the Company during the Current Quarter were as follows:

	PERIOD ENDED 30.09.2017	
ORDINARY SHARES	**Number of shares**	**Share capital RM'000**
As at 01.07.2017	1,443,844,291	675,314
Placement Shares	62,000,000	23,492
As at 30.09.2017	1,505,844,291	698,806

Placement Shares

During the Current Quarter, the Company issued 62,000,000 Placement Shares at RM0.385 per First Tranche Placement Share, raising a total of approximately RM23.9 million.

Please refer to Part A, Note 4 (i) of this Quarterly Report for further details.

Save as disclosed above, there were no other issuances, cancellations, repurchases, resale and repayments of borrowings, debt and equity securities during the Current Quarter.

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)	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 ("**UK**") Central North Sea. The functional currency of the segment is United States Dollar ("**USD**"). The average and closing rates adopted for conversion to RM in the Current Quarter are 4.260 and 4.225 respectively.
(iii)	3D Oil, VIC/L31 & VIC/P57	Group's operations in the VIC/L31 Production License ("**VIC/L31**") for the West Seahorse field and other exploration prospects in Australia within VIC/P57 Exploration Permit ("**VIC/P57**"), and investment in 3D Oil Limited ("**3D Oil**"). The functional currency of the segment is Australian Dollar ("**AUD**"). The average and closing rates adopted for conversion to RM in the Current Quarter are 3.370 and 3.310 respectively.

*** *The Directors have fully impaired the Group's respective investments in (i) Lime Petroleum Plc and its concession companies ("**Lime Group**") and (ii) HiRex Petroleum Sdn. Bhd. ("**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.*

11 OPERATING SEGMENTS (CONT'D)

	Investment holding and group activities RM'000	Anasuria RM'000	3D Oil, VIC/L31 & VIC/P57 RM'000	Elimination RM'000	Group RM'000
As at 30.09.2017					
Non-current assets	30,469	918,776	265,889	-	1,215,134
Included in the segment assets is:					
Investment in an associate	-	-	5,636	-	5,636
Additions to non-current assets	-	5,781	373	-	6,154
Period ended 30.09.2017					
Project management, technical and other service fees	1,178	-	-	-	1,178
Sales of crude oil and gas	-	57,048	-	-	57,048
Interest income	7	-	3	-	10
Revenue	1,185	57,048	3	-	58,236
Depreciation and amortisation	(3,547)	(10,247)	(2)	-	(13,796)
(Loss)/profit from operations	(9,014)	23,003	459	-	14,448
Reversal of impairment of investment in an associate	-	-	1,885	-	1,885
Impairment of amount owing by a joint venture	(906)	-	-	-	(906)
Share of results	-	-	(362)	-	(362)
Finance costs	(758)	(3,964)	(2,474)	1,853	(5,343)
Interest income	1,853	-	-	(1,853)	-
Taxation	(6)	1,068	-	-	1,062
(Loss)/profit after taxation	(8,831)	20,107	(492)	-	10,784

11 OPERATING SEGMENTS (CONT'D)

	Investment holding and group activities RM'000	Anasuria RM'000	3D Oil, VIC/L31 & VIC/P57 RM'000	Elimination RM'000	Group RM'000
As at 30.09.2016					
Non-current assets	425	946,078	294,114	-	1,240,617
Included in the segment assets is:					
Investment in an associate	-	-	3,131	-	3,131
Additions to non-current assets	3	-	-	-	3
Period ended 30.09.2016					
Project management, technical and other services fees	1,004	-	-	-	1,004
Interest income	46	-	1	-	47
Sales of crude oil and gas	-	53,694	-	-	53,694
Revenue	1,050	53,694	1	-	54,745
Depreciation and amortisation	(289)	(13,648)	(3,246)	-	(17,183)
(Loss)/profit from operations	(1,725)	13,469	1,687	-	13,431
Reversal of impairment of investment in an associate	-	-	754	-	754
Impairment of amount owing by a joint venture	(160)	-	-	-	(160)
Share of results	-	-	23	-	23
Finance costs	(23)	(5,124)	(3,008)	1,588	(6,567)
Interest income	1,588	-	-	(1,588)	-
Taxation	(9)	75,844	(3,033)	-	72,802
(Loss)/profit after taxation	(329)	84,189	(3,577)	-	80,283

12 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions within the Group are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2017 RM'000	QUARTER ENDED 30.09.2016 RM'000	PERIOD ENDED 30.09.2017 RM'000	PERIOD ENDED 30.09.2016 RM'000
Project management, technical and other services fees earned from joint ventures				
- HIREX	42	4	42	4
Joint Operating Agreement indirect overheads recovery from an associate				
- 3D Oil	3	-	3	-
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	1	6	1	6
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	(94)	(14)	(94)	(14)
Consultancy services provided by a related party	-	(57)	-	(57)

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 30 September 2017:

	RM'000
Approved and contracted for:	
Group's material commitments	405
Share of a joint operation's material commitments ^^	57,904
	58,309
Approved but not contracted for:	
Share of a joint operation's material commitments	15,049
	15,049

^^ *Includes the Group's 50% share of commitments in the Facilities Management Agreement for the Anasuria Floating Production Storage and Offloading unit and related equipment ("**Anasuria FPSO**") and Anasuria Cluster entered into by Anasuria Operating Company Limited with Petrofac Facilities Management Limited, the contract operator appointed to manage the day-to-day operations and maintenance of the Anasuria Cluster amounting to RM46.7 million.*

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

	Individual Quarter		Changes (Amount %)	Cumulative Period		Changes (Amount %)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year To-date	Preceding Year Corresponding Period	
	30.09.2017 RM'000	30.09.2016 RM'000		30.09.2017 RM'000	30.09.2016 RM'000	
Revenue	58,236	54,745	6	58,236	54,745	6
Gross profit	39,240	30,521	29	39,240	30,521	29
Profit before taxation ("**PBT**")	9,722	7,481	30	9,722	7,481	30
Profit after taxation ("**PAT**")	10,784	80,283	(87)	10,784	80,283	(87)
Earnings Before Interest, Taxes, Depreciation and Amortization ("**EBITDA**")	28,861	31,231	(8)	28,861	31,231	(8)

<u>Statements of Profit or Loss</u>

The Group recorded a PBT of RM9.7 million in the Current Quarter, an increase of RM2.2 million as compared to a PBT of RM7.5 million in the corresponding three-month period in the previous year, i.e. from 1 July 2016 to 30 September 2016 ("**Corresponding Quarter**"). Current Quarter's EBITDA stood at RM28.9 million compared to Corresponding Quarter's EBITDA of RM31.2 million.

Revenue and gross profit from the sale of oil and gas production in the Current Quarter amounted to RM57.0 million and RM38.0 million respectively. In the Corresponding Quarter, such revenue and gross profit amounted to RM53.7 million and RM28.5 million respectively. Higher revenue and gross profit recognised in the Current Quarter were mainly driven by higher average realised oil price recorded for oil sold in the Current Quarter of USD51.54 per barrel ("**bbl**"), as compared to USD45.21 per bbl in the Corresponding Quarter.

15 PERFORMANCE REVIEW (CONT'D)

In addition, the following expenses were lower in the Current Quarter:

(i) Anasuria Cluster-specific:

- Amortisation of intangible assets and depreciation of oil and gas assets, by RM3.4 million – Amortisation and depreciation charges affected by the annual review and revision to both proved reserves and proved developed reserves largely due to changes in the technical maturity of hydrocarbon reserves resulting from new information becoming available from development and production activities;

- Unwinding of discount for deferred consideration, by RM1.3 million – The unwinding of discount applied to the deferred consideration of USD22.5 million (for net present valuing purposes) in connection to the acquisition of a 50% interest in the Anasuria Cluster ceased upon settlement of the respective tranches on 10 March 2017 (USD15.0 million) and on 8 September 2017 (USD7.5 million); and,

(ii) Consultancy/professional fees in relation to project, business development, fund raising activities and legal matters, by RM1.5 million.

The gains mentioned above in respect of the Current Quarter were partially off-set by lower net favourable foreign exchange differences by RM13.0 million.

In respect of taxation, in the Corresponding Quarter, RM78.4 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.

Statements of Financial Position

Non-current Assets

The Group's non-current assets amounted to RM1,215 million as at 30 September 2017 compared to RM1,236 million as at 30 June 2017. The decrease was mainly due to unfavourable foreign exchange impact from the retranslation of the Group's intangible assets caused by depreciation in USD when compared against the RM and amortisation of the said intangible assets.

Current Assets

Current assets decreased from 83.6 million as at 30 June 2017 to RM71.6 million as at 30 September 2017, mainly due to lower cash and bank balances by RM22.5 million.

The base consideration for the acquisition of the Anasuria Cluster was USD52.5 million (USD30.0 million being settled by completion and a remaining USD22.5 million being deferred). As at 30 June 2017, USD15.0 million had been settled, per the agreed schedule. During the Current Quarter, on 8 September 2017, Anasuria Hibiscus UK Limited ("**Anasuria Hibiscus UK**") paid the final tranche of the deferred consideration of USD7.5 million.

In addition, Anasuria Hibiscus UK fulfilled its remaining taxation obligations for the financial year ended 30 June 2017 amounted to USD8.0 million in July 2017.

Both the abovementioned payments were made from internally generated funds.

The decrease in current assets was partly off-set by higher inventory balance of RM8.2 million.

15 PERFORMANCE REVIEW (CONT'D)

Total Liabilities

The Group's total liabilities amounted to RM517.7 million as at 30 September 2017, a decrease of RM59.5 million from RM577.2 million as at 30 June 2017.

The decrease is driven by settlement of taxation obligations and the final tranche of deferred consideration by Anasuria Hibiscus UK during the Current Quarter, amounted to USD8.0 million and USD7.5 million respectively.

Other payables and accruals increased by RM7.7 million from 30 June 2017 to 30 September 2017 mainly due to short-term liabilities incurred in connection with the operations of the Anasuria Cluster.

Total Equity

The increase in total equity during the Current Quarter by RM26.7 million was attributable to net earnings generated from the placement of new ordinary shares (please refer to Part B, Note 17 (i) of this Quarterly Report for further details).

Statement of Cash Flows

Cash flow from operating activities

The Group's net cash outflow for the Current Quarter from operating activities was RM7.7 million. This was mainly due to payment of taxation obligations in the UK, partially offset by net cash generated from the Anasuria Cluster.

Cash flow from investing activities

Net cash used in investing activities amounted to RM38.1 million. Cash outflow equivalent to RM31.9 million (USD7.5 million) was made for the Anasuria Cluster's final tranche of the deferred consideration. In addition, RM5.8 million was paid for capital expenditure incurred for the Anasuria Cluster.

Cash flow from financing activities

Net cash generated by the Group from financing activities was RM23.5 million. It was derived from proceeds from the placement of new ordinary shares (please refer to Part B, Note 17 (i) of this Quarterly Report for further details) during the Current Quarter.

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

	Current Year Quarter	Immediate Preceding Quarter	Changes
	30.09.2017 RM'000	30.06.2017 RM'000	(Amount %)
Revenue	58,236	74,465	(22)
Gross profit	39,240	45,743	(14)
PBT	9,722	27,703	(65)
PAT	10,784	8,654	25
EBITDA	28,861	49,034	(41)

Statements of Profit or Loss

During the Current Quarter, the Group recorded a PBT of RM9.7 million as compared to a PBT of RM27.7 million in the preceding three-month period ended 30 June 2017 ("**Preceding Quarter**"). EBITDA achieved in the Current Quarter was RM20.2 million lower compared to that realized in the Preceding Quarter.

Gross profit generated from the sale of Anasuria Cluster's oil and gas production in the Current Quarter was lower by RM6.6 million. This was mainly caused by a lower volume of total oil sold in Current Quarter of 246,132 bbls against the 284,963 bbls achieved in the Preceding Quarter.

In addition, in the Preceding Quarter, the Group recognised a RM10.3 million gain attributable to a revaluation of the provision for decommissioning costs based on the closing foreign exchange rates as at 30 June 2017. This did not recur in the Current Quarter.

Taxation accrued in the Current Quarter represents a quarter's share of the current best estimate of the full year taxation obligations for Anasuria Hibiscus UK and the Group for the current financial year ending 30 June 2018.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

(i) Private Placement

Subsequent to the Current Quarter, RHB Investment Bank Berhad, on behalf of the Board, had on 17 October 2017 announced that the Board had fixed the issue price of the second tranche of the Private Placement at RM0.695 per Placement Share. On 30 October 2017, the Company completed the listing and quotation of 38,079,000 Placement Shares on Bursa Securities pursuant to the Private Placement ("**Second Tranche Placement Shares**"), raising a total of approximately RM26.4 million.

Please refer to Part B, Note 18 for details of the proposed utilisation of proceeds raised from First Tranche Placement Shares and Second Tranche Placement Shares as at the date of this Quarterly Report.

Please refer to our announcements dated 31 May 2017, 1 June 2017, 6 July 2017, 10 July 2017, 4 August 2017, 14 August 2017, 17 October 2017 and 27 October 2017.

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

(ii) Proposed Acquisition of a 50% Participating Interests under the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract

On 12 October 2016, the Company announced that its indirect wholly-owned subsidiary, SEA Hibiscus Sdn Bhd ("**SEA Hibiscus**"), had entered into a conditional sale and purchase agreement ("**CSPA**") with Sabah Shell Petroleum Company Limited and Shell Sabah Selatan Sdn Bhd (collectively the "**Sellers**") to acquire the Sellers' 50% participating interests in the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract entered into between Petroliam Nasional Berhad ("**PETRONAS**"), the Sellers and PETRONAS Carigali Sdn Bhd ("**PCSB**") ("**PSC**"); and the joint operating agreement between the Sellers and PCSB in relation to the PSC ("**SJOA**") (collectively the "**Interest**") for a total consideration of USD25 million ("**Proposed Acquisition**").

The responsibilities of SEA Hibiscus as the operator of the PSC and under the SJOA are the management of the operations of:

(i) production of petroleum from 4 existing oil fields, namely St Joseph, South Furious, SF30 and Barton; and,

(ii) existing pipeline infrastructure, the Labuan Crude Oil Terminal ("**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 Proposed Acquisition is subject to and conditional upon approvals being obtained from the following:

(i) Sellers' receipt of PCSB's waiver of pre-emption rights and unconditional consent under the SJOA to the assignment of the entire Interest to SEA Hibiscus or upon fulfilment of conditions reasonably acceptable to SEA Hibiscus and/or the Sellers, as the affected party;

(ii) Sellers' receipt of PETRONAS's unconditional approval under the PSC to the assignment of the entire Interest to SEA Hibiscus or upon fulfilment of conditions reasonably acceptable to SEA Hibiscus and/or the Sellers, as the affected party;

(iii) the receipt of all consents of other relevant parties, if any; and,

(iv) the due execution by the parties of the completion documents.

On 29 May 2017, the Company announced that:

(i) PCSB had waived their pre-emption rights under the SJOA; and,

(ii) additionally, PETRONAS had provided its approval to the Sellers for the assignment of the Interest pursuant to the PSC in favour of SEA Hibiscus. The PETRONAS approval is subject to certain conditions which were reviewed by the Sellers in conjunction with SEA Hibiscus. If further clarifications are required from PETRONAS in respect of these conditions, these will be sought in due course and the Company would make further announcements, if appropriate.

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

(ii) Proposed Acquisition of a 50% Participating Interests under the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract (Cont'd)

The Group is currently working on fulfilling all conditions imposed on us by the Sellers and the Malaysian regulators and we continue to work towards making this transaction unconditional in the near future.

The Proposed Acquisition is not subject to the Company's shareholders' approval.

Please refer to our announcements dated 12 October 2016, 26 October 2016 and 29 May 2017.

18 STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL(S)

The status of the proposed utilisation of proceeds from the Private Placement of approximately RM50.3 million raised as of 28 November 2017, being the date of this Quarterly Report, is as follows:

Purpose	Proposed utilisation of proceeds from the Private Placement RM'000	Actual utilisation as of 28 November 2017 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	18,335	6,500	Within twelve (12) months	35
(ii) Payment of trade and other payables	16,000	7,800		49
(iii) Potential expansion and capital expenditure	15,000	400		3
(iv) Estimated expenses relating to the Private Placement	1,000	988	Within three (3) months	99
Total	50,335	15,688		

19 PROSPECTS OF THE GROUP

Anasuria Cluster

Currently, the financial results of the Group are underpinned by the operational performance of the Anasuria asset. Several key factors are particularly relevant. These are:

- Price of the Brent crude oil benchmark at approximately the time of a scheduled offtake from the Anasuria FPSO. In this regard, Brent futures pricing has been in backwardation (i.e. current prices are higher than future prices signifying demand growth) in recent months and current expectations are that recent gains are going to be sustainable as the prolonged period (2015 to 2017) of minimal investment in exploration and development projects coupled with the abovementioned factors of Organization of Petroleum Exporting Countries ("**OPEC**") compliance to supply cuts and real global growth take their combined toll. The majority of industry commentators and analysts now expect the Brent crude oil benchmark to range between USD58 per bbl to USD68 per bbl over the next several months. Given our historical operating performance metrics, these stronger oil prices trends should be a positive development for the Group.

  The table below illustrates the oil price for the Brent crude oil benchmark for the period June 2017 to November 2017.

- Any differential (either positive or negative) that we may receive on the price of the Brent crude oil benchmark on our specific cargo depending on market conditions at the relevant time.

- Gas prices for the respective fields as follows:
  - Cook field – at the landing point of the Fulmar Gas Line at the St Fergus Terminal for a price that is calculated as 40% of the Heren National Balancing Point index ("**Heren Index**") and in accordance with the terms set out in the Cook gas sale and purchase agreement; and,
  - Guillemot A, Teal and Teal South fields – at the point where the gas leaves the fields and enters the SEGAL System for a price of 85% of Heren Index and in accordance with the terms set out in the Anasuria gas sale and purchase agreement.

- Exchange rates, more specifically that of the RM and the:
  - USD, as our revenues are secured in USD and the valuation of the Anasuria asset is held in USD; and,
  - Great Britain Pound ("**GBP**"), as the majority of our operating costs for the Anasuria asset, currently our sole revenue generating asset, are incurred in GBP.

19 PROSPECTS OF THE GROUP (CONT'D)

- Performance of the Anasuria asset, more specifically:
  - Production performance of the wells; and,
  - Facilities availability.

- Management of operational expenses for the Anasuria asset.

As joint operator of the Anasuria Cluster, the Group continuously focuses on optimising asset performance but it is equally important to note (from the information provided above) that the performance is impacted daily by external macroeconomic factors over which we exert minimal control. For the Current Quarter, the following were achieved or utilized in the preparation of this Quarterly Report:

	Units	**Achieved for the quarter ended 30 September 2017**
Average daily oil production rate	bbl/day	2,576
Average daily gas export rate @	bbl of oil equivalent ("**boe**")/day	156
Average oil equivalent production rate	boe/day	2,731
Total oil sold	Bbl	246,132
Total gas exported (sold)	Million standard cubic feet ("**mmscf**")	87
Average realised oil price	USD/bbl	51.54
Average gas price	USD/million British thermal units ("**mmbtu**")	1.58 ∞/3.86 #
Average operating costs ("**OPEX**") per boe	USD/boe	23.61
Average uptime/availability of Anasuria facilities	%	70 ****

@ *Conversion rate of 6,000 standard cubic feet ("**scf**")/boe.*
∞ *For Cook field.*
For Guillemot A, Teal and Teal South fields.
**** *Includes impact of 16 days planned shutdown.*

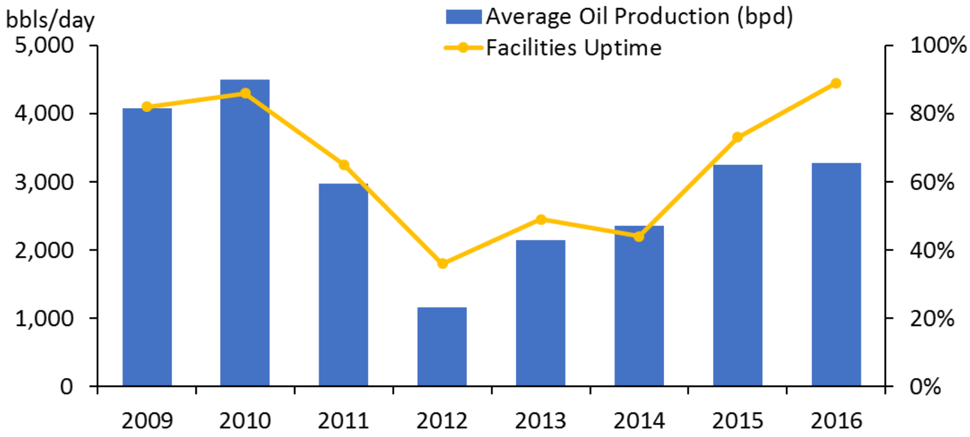
As of 30 June 2017, the Company's indirect wholly-owned subsidiary, Anasuria Hibiscus UK has been involved in the joint operations of the Anasuria asset for circa eighteen months. Over the eighteen-month period, we focused on understanding the asset, the environment we work in, and, most significantly, we applied ourselves relentlessly towards improving operational performance. The results of our efforts are reflected in the performance indicators shown below:

	Units	**March to June 2016**	**July to September 2016**	**October to December 2016**	**January to March 2017**	**April to June 2017**	**July to September 2017**
Average daily oil production rate	bbl/day	2,971	3,032	3,934	2,617	3,204	2,576
Average daily gas export rate @	boe/day	236	374	474	257	317	156
Average daily oil equivalent production rate	boe/day	3,206	3,406	4,408	2,873	3,522	2,731
Average realised oil price	USD/bbl	40.14	45.21	41.70	52.95	50.46	51.54
Average gas price	USD/ mmbtu	1.19 ∞/ 3.08 #	1.33 ∞/ 3.30 #	1.73 ∞/ 4.16 #	2.11 ∞/ 4.94 #	1.60 ∞/ 3.88 #	1.58 ∞/ 3.86 #
Average OPEX per boe	USD/boe	23.13	18.39	12.97	15.12	13.98	23.61
Average uptime/availability of Anasuria facilities	%	88	82	98	76	84	70

@ *Conversion rate of 6,000 scf/boe.*
∞ *For Cook field.*
For Guillemot A, Teal and Teal South fields.

19 PROSPECTS OF THE GROUP (CONT'D)

Facilities uptime and average daily oil production recorded in the Current Quarter was lower compared to the Preceding Quarter. OPEX per boe also increased. This was mainly due to a planned shutdown of the Anasuria FPSO ("**Offshore Turnaround**") for 31 days, from mid-September 2017 onwards. This Offshore Turnaround project has been directed at improving the facilities uptime metric. As can be seen in the table below, historically there has been a clear positive correlation between facilities uptime and average oil production rates in the Anasuria Cluster:



Finally, when we executed the transaction documents relating to the acquisition of the Anasuria assets, a certain quantum of the purchase consideration amounting to USD22.5 million was deferred and scheduled for settlement as follows:

Deferred Payment tranche	Quantum (USD million)	Payment Due Date	Status	Notes
1	7.5	10 March 2016	Paid	Was rescheduled to 10 March 2017 by the vendors in February 2016
2	7.5	10 March 2017	Paid	
3	7.5	10 September 2017	Paid	

The Company can confirm that all Payments 1, 2 and 3 have been settled in full (on schedule).

19 PROSPECTS OF THE GROUP (CONT'D)

North Sabah

The disclosures by the Group that its wholly-owned subsidiary, SEA Hibiscus had on 12 October 2016 executed conditional transaction documents to acquire a 50% participating interests in the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract also bodes well for the future.

This asset has the potential to:

- Increase the oil production output of the Group by a factor of up to three times;
- Provide the Group with a second revenue stream, independent of the Anasuria Cluster; and,
- Allow the Group strengthens its technical and operational capabilities.

It is important to note that this transaction is conditional upon approvals by joint venture partners, the Malaysian regulator and a successful transfer of operating responsibilities. Since the signing of the CSPA, we have made considerable steps towards the transfer of operatorship and we hope to be able to complete the transaction in the near future.

Australia

The fact that the Group has only limited access to capital means that investment related activities are prioritized, with those projects that deliver larger economic benefits being implemented ahead of those which promise lower levels of return.

Given the expected capital requirements for low risk identified projects within the Anasuria Cluster, and potentially, further capital requirements for execution of projects in North Sabah (subject to Malaysian regulatory approvals), management may defer seeking a Final Investment Decision ("**FID**") for its development offshore Australia for a minimum of three years in favour of more attractive investment options within our portfolio of opportunities.

Corporate and Business Update

The Group had on 9 November 2017 issued a detailed Corporate and Business Update ("**CBU**"). This document is available on our website (www.hibiscuspetroleum.com). There has been no material update to information provided in the CBU and thus the majority of the content is not revisited in this Quarterly Report.

In summary as mentioned in the CBU, in respect of the Anasuria Cluster, the:

- Group is fast gaining valuable experience in the UK Continental Shelf. Significant projects have been delivered safely and efficiently;
- delivery of these projects has ensured that the natural production decline generally seen on all mature oil and gas fields, has been arrested at the Anasuria Cluster for the near future;
- recently concluded Offshore Turnaround of the Anasuria FPSO will assist us improve facility uptime. The Group hopes to improve on (after adjusting for the impact of the planned shutdown) the 85% average facility uptime metric achieved in the financial year ended 30 June 2017 and this in turn will improve daily oil production rates; and,
- aggregate of current production and production from new projects targeted to be executed in 2018 and 2019 is estimated to deliver up to 5,000 bbls per day of oil net to Anasuria Hibiscus UK by financial year ending 30 June 2019 (from 3,204 bbls per day achieved in the Preceding Quarter).

19 PROSPECTS OF THE GROUP (CONT'D)

An increase in facility uptime, continued vigilance in managing costs and an increase in oil production rates from projects targeted for execution will collectively act to further reduce unit operating costs, thus making the Group more profitable provided the Brent crude oil benchmark trades at current levels. In respect of the North Sabah (conditional) acquisition, the Group continues to work on the completion of the North Sabah transaction and hopes to deliver this acquisition in the near future.

Overall, it should be noted that the results achieved for this quarter are underpinned by oil prices around the USD51 per bbl level. With the current trend of strengthening oil prices and an improving operational performance we expect an enhanced EBITDA position for the Group for the financial year ending 30 June 2018.

20 PROFIT FORECAST AND PROFIT GUARANTEE

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

21 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no sale of unquoted investments and/or properties during the Current Quarter.

22 PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities during the Current Quarter.

23 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.

24 MATERIAL LITIGATION

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

For completeness, please also refer to Part A, Note 11 of this Quarterly Report.

25 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's profit 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 30.09.2017 RM'000	QUARTER ENDED 30.09.2016 RM'000	PERIOD ENDED 30.09.2017 RM'000	PERIOD ENDED 30.09.2016 RM'000
Profit after taxation attributable to owners of the Company (RM'000)	(A)	10,784	80,283	10,784	80,283
Weighted average number of shares in issue ('000)	(B)	1,474,844	1,359,145	1,474,844	1,359,145
Basic earnings per share (sen)	(A/B)	0.73	5.91	0.73	5.91
Diluted earnings per share (sen)		0.73	5.91	0.73	5.91

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

26 OTHER INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2017 RM'000	QUARTER ENDED 30.09.2016 RM'000	PERIOD ENDED 30.09.2017 RM'000	PERIOD ENDED 30.09.2016 RM'000
Joint Operating Agreement indirect overheads recovery from joint operation	3	-	3	-
Unrealised gain on foreign exchange ^^^	-	11,114	-	11,114
Realised gain on foreign exchange ^^^	682	-	682	-
	685	11,114	685	11,114

^^^ *The unrealised and realised foreign exchange gains are not derived from the trading of futures contracts nor futures foreign exchange trading.*

27 PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2017 RM'000	QUARTER ENDED 30.09.2016 RM'000	PERIOD ENDED 30.09.2017 RM'000	PERIOD ENDED 30.09.2016 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Depreciation and amortisation of equipment and intangible assets	13,796	17,183	13,796	17,183
Interest income	(10)	(47)	(10)	(47)
Finance costs	5,343	6,567	5,343	6,567
Unrealised loss/(gain) on foreign exchange ^^^^	2,995	(11,114)	2,995	(11,114)
Realised (gain)/loss on foreign exchange ^^^^	(682)	394	(682)	394
Share of loss of an associate	362	(23)	362	(23)
Impairment of amount owing by a joint venture	906	160	906	160
Reversal of impairment of investment in an associate	(1,885)	(754)	(1,885)	(754)

^^^^ *The unrealised and realised foreign exchange gains and losses are not derived from the trading of futures contracts nor futures foreign exchange trading.*

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 Current Quarter.

28 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2017 RM'000	QUARTER ENDED 30.09.2016 RM'000	PERIOD ENDED 30.09.2017 RM'000	PERIOD ENDED 30.09.2016 RM'000
Income taxation	(3,495)	(3,042)	(3,495)	(3,042)
Deferred taxation	4,557	75,844	4,557	75,844
	1,062	72,802	1,062	72,802

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.

28 TAXATION (CONTINUED)

The tax regime which applies to exploration for, and production of, oil and gas in the UK, and is thus applicable to Anasuria Hibiscus UK, currently comprises of ring fence corporation tax and a supplementary charge. The current rates of tax for ring fence corporation tax and supplementary charge are set at 30% and 10% respectively. Note that any investments in capital expenditures made are deductible from both taxes mentioned above in the same financial year they are incurred. It is expected that in the financial year ending 30 June 2018, a higher level of capital expenditure will be incurred.

29 REALISED AND UNREALISED ACCUMULATED LOSSES

	UNAUDITED AS AT 30.09.2017 RM'000	AUDITED AS AT 30.06.2017 RM'000
Analysis of accumulated losses:		
Realised	33,447	12,366
Unrealised	(318,650)	(308,029)
	(285,203)	(295,663)
Less: Consolidation adjustments	270,180	269,856
	(15,023)	(25,807)

By Order of the Board of Directors
Hibiscus Petroleum Berhad
28 November 2017