HIBISCUS PETROLEUM BERHAD

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

Unaudited Quarterly Financial Report
31 December 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 31.12.2017 RM'000	QUARTER ENDED 31.12.2016 RM'000	PERIOD ENDED 31.12.2017 RM'000	PERIOD ENDED 31.12.2016 RM'000
Revenue		76,061	62,821	134,297	117,566
Cost of sales		(37,681)	(17,581)	(56,677)	(41,805)
GROSS PROFIT		38,380	45,240	77,620	75,761
Other income	26	268	18,780	953	21,882
Administrative expenses		(5,442)	(18,580)	(13,149)	(28,589)
Other expenses		(16,527)	(29,048)	(33,318)	(38,637)
Finance costs		(3,382)	(6,290)	(8,725)	(12,857)
Share of results of an associate		(190)	(70)	(552)	(47)
PROFIT BEFORE TAXATION	27	13,107	10,032	22,829	17,513
Taxation	28	(2,065)	643	(1,003)	73,445
PROFIT AFTER TAXATION		11,042	10,675	21,826	90,958
PROFIT AFTER TAXATION ATTRIBUTABLE TO:					
- Owners of the Company		11,042	10,675	21,826	90,958
EARNINGS PER SHARE (SEN)					
Basic	25	0.72	0.76	1.45	6.54
Diluted	25	0.72	0.76	1.45	6.54

Note:

Earnings Before Interest, Taxes, Depreciation And Amortization ("EBITDA")	28,376	37,776	57,237	69,007

(Please refer to Part A, Note 11 and Part B, Notes 15 and 16 of this Quarterly Report for further details.)

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 31.12.2017 RM'000	**QUARTER ENDED 31.12.2016 RM'000**	**YEAR ENDED 31.12.2017 RM'000**	**YEAR ENDED 31.12.2016 RM'000**
PROFIT AFTER TAXATION	11,042	10,675	21,826	90,958
Other comprehensive (expenses)/ income:				
Items that may be subsequently reclassified to profit or loss:				
- Foreign currency translation *	(26,752)	25,479	(34,325)	43,024
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE QUARTER/PERIOD	(15,710)	36,154	(12,499)	133,982
TOTAL COMPREHENSIVE (EXPENSES)/INCOME ATTRIBUTABLE TO:				
- Owners of the Company	(15,710)	36,154	(12,499)	133,982

** 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 31.12.2017 RM'000	AUDITED AS AT 30.06.2017 RM'000
ASSETS			
NON-CURRENT ASSETS			
Investment in an associate		6,388	4,090
Intangible assets		963,776	1,029,293
Equipment		201,892	202,615
		1,172,056	1,235,998
CURRENT ASSETS			
Trade receivables		80,024	7,434
Other receivables, deposits and prepayments		24,687	17,465
Inventories		1,059	3,997
Amount owing by a joint venture		1,808	191
Cash and bank balances		10,031	54,501
		117,609	83,588
TOTAL ASSETS		1,289,665	1,319,586
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	724,681	675,314
Other reserves		58,530	92,855
Accumulated losses		(3,981)	(25,807)
		779,230	742,362
NON-CURRENT LIABILITIES			
Contingent consideration		1,747	1,757
Deferred tax liabilities		304,507	325,562
Provision for decommissioning costs		128,846	124,835
		435,100	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 31.12.2017 RM'000	AUDITED AS AT 30.06.2017 RM'000
CURRENT LIABILITIES			
Trade payables		4,361	242
Other payables and accruals		65,170	54,765
Deferred consideration		-	31,428
Amount owing to a joint venture		600	337
Amount owing to an associate		5	25
Provision for taxation		4,980	38,054
Redeemable Convertible Preference Shares		219	219
		75,335	125,070
TOTAL LIABILITIES		510,435	577,224
TOTAL EQUITY AND LIABILITIES		1,289,665	1,319,586
NET ASSETS PER SHARE (RM)		0.50	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**
6 months to 31.12.2017						
As at 01.07.2017	675,314	- **	389	92,466	(25,807)	742,362
Issuance of shares	49,367	-	-	-	-	49,367
Profit after taxation	-	-	-	-	21,826	21,826
Other comprehensive expenses, net of tax: - Foreign currency translation	-	-	-	(34,325)	-	(34,325)
Total comprehensive (expenses)/income for the period	-	-	-	(34,325)	21,826	(12,499)
As at 31.12.2017	724,681	-	389	58,141	(3,981)	779,230
6 months to 31.12.2016						
As at 01.07.2016	13,126	634,585	389	68,063	(131,904)	584,259
Issuance of shares	1,312	26,291	-	-	-	27,603
Profit after taxation	-	-	-	-	90,958	90,958
Other comprehensive income, net of tax: - Foreign currency translation	-	-	-	43,024	-	43,024
Total comprehensive income for the period	-	-	-	43,024	90,958	133,982
As at 31.12.2016	14,438	660,876	389	111,087	(40,946)	745,844

** *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.*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	PERIOD ENDED 31.12.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	22,829
Adjustments for:	
Depreciation and amortisation of equipment and intangible assets	25,683
Interest income	(24)
Unrealised loss on foreign exchange	7,635
Finance costs	8,725
Reversal of impairment of investment in an associate	(3,108)
Reversal of impairment of receivables	(598)
Share of results of an associate	552
Operating profit before working capital changes:	61,694
Trade receivables	(75,348)
Other receivables, deposits and prepayments	(7,660)
Trade payables	4,278
Other payables and accruals	11,359
Inventories	2,810
Amount owing by a joint venture	(1,353)
Amount owing to a joint venture	730
Amount owing to an associate	(19)
Cash used in operating activities	(3,509)
Tax paid	(36,793)
Net cash used in operating activities	(40,302)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(20,564)
Interest received	24
Acquisition of intangible assets	(464)
Net cash outflow arising from business combination	(31,445)
Net cash used in investing activities	(52,449)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net proceeds from issuance of ordinary shares	49,594
Net cash generated from financing activities	49,594
Net decrease in cash and cash equivalents	(43,157)
Effects of foreign exchange rate changes	(1,313)
Cash and cash equivalents at beginning of the financial period	54,501
Cash and cash equivalents at end of the financial period	10,031

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 period ended 31 December 2017 ("**Current Period**"):

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

On 27 December 2017, the Company received a letter from Bursa Securities approving an extension of time of 3 months from 7 January 2018 to 6 April 2018 for the Company to complete the implementation of the Private Placement.

During the Current Period, the Company issued 100,079,000 Placement Shares, raising a total of approximately RM50.3 million.

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

It was undertaken in two tranches; 62,000,000 were allotted and issued on 14 August 2017 at RM0.385 per Placement Share ("**First Tranche Placement Shares**") and 38,079,000 were allotted and issued on 26 October 2017 at RM0.695 per Placement Share ("**Second Tranche Placement Shares**").

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

(ii) Proposed issue of up to 317,645,738 free warrants in the Company ("**Warrants**").

The Company announced on 8 December 2017 that it proposes to undertake a proposed issue of the Warrants on the basis of 1 new Warrant for every 5 existing ordinary shares in the Company held on an entitlement date to be determined later ("**Proposed Free Warrants Issue**").

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

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

Please refer to Part B, Note 17 (iii) 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 Period.

6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER

There were no other material events subsequent to the end of the Current Period 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 Period.

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 account, or net assets value of the Group.

9 DIVIDENDS PAID/PAYABLE

There were no dividends declared or paid during the Current Period.

10 BORROWINGS, DEBT AND EQUITY SECURITIES

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

	PERIOD ENDED 31.12.2017	
ORDINARY SHARES	**Number of shares**	**Share capital RM'000**
As at 01.07.2017	1,443,844,291	675,314
Placement Shares	100,079,000	49,367
As at 31.12.2017	1,543,923,291	724,681

Placement Shares

During the Current Period, the Company issued 100,079,000 Placement Shares, raising a total of approximately RM50.3 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 Period.

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 Period are 4.195 and 4.066 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 Period are 3.272 and 3.042 respectively.

*** *The Directors have fully impaired the Group's respective investments in (i) Lime Petroleum Plc ("**Lime**") 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 31.12.2017					
Non-current assets	25,891	890,114	256,051	-	1,172,056
Included in the segment assets is: Investment in an associate	-	-	6,388	-	6,388
Additions to non-current assets	-	20,564	464	-	21,028
Period ended 31.12.2017					
Project management, technical and other service fees	2,581	-	-	-	2,581
Sales of crude oil and gas	-	131,692	-	-	131,692
Interest income	19	-	5	-	24
Revenue	2,600	131,692	5	-	134,297
Depreciation and amortisation	(6,887)	(18,792)	(4)	-	(25,683)
(Loss)/profit from operations	(16,277)	48,612	(3,935)	-	28,400
Reversal of impairment of investment in an associate	-	-	3,108	-	3,108
Reversal of impairment of receivables	598	-	-	-	598
Share of results	-	-	(552)	-	(552)
Finance costs	(966)	(7,196)	36,234	(36,797)	(8,725)
Interest income	(36,797)	-	-	36,797	-
Taxation	10	(1,013)	-	-	(1,003)
(Loss)/profit after taxation	(53,432)	40,403	34,855	-	21,826
(Loss Before Interest, Taxes Depreciation And Amortization ("**LBITDA**"))/EBITDA	(45,589)	67,404	35,422	-	57,237

Note:
After adjusting inter-segment elimination (under column "Elimination"):

	Investment holding and group activities RM'000	Anasuria RM'000	3D Oil, VIC/L31 & VIC/P57 RM'000	Elimination RM'000	Group RM'000
(Loss)/profit after taxation	(16,635)	40,403	(1,942)	-	21,826
LBITDA/EBITDA	(8,792)	67,404	(1,375)	-	57,237

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 31.12.2016					
Non-current assets	39,824	1,007,703	259,151	-	1,306,678
Included in the segment assets is:					
Investment in an associate	-	-	4,006	-	4,006
Additions to non-current assets	9	-	98	-	107
Period ended 31.12.2016					
Project management, technical and other services fees	2,074	-	-	-	2,074
Sales of crude oil and gas	-	115,482	-	-	115,482
Interest income	10	-	-	-	10
Revenue	2,084	115,482	-	-	117,566
Depreciation and amortisation	(3,690)	(31,621)	(3,326)	-	(38,637)
Profit/(loss) from operations	8,383	37,246	(12,860)	-	32,769
Reversal of impairment of investment in an associate	-	-	1,524	-	1,524
Impairment of receivables	(216)	(3,660)	-	-	(3,876)
Share of results	-	-	(47)	-	(47)
Finance costs	(30)	(10,752)	(5,357)	3,282	(12,857)
Interest income	3,282	-	-	(3,282)	-
Taxation	(14)	76,565	(3,106)	-	73,445
Profit/(loss) after taxation	11,405	99,399	(19,846)	-	90,958
EBITDA/(LBITDA)	15,139	65,207	(11,339)	-	69,007

Note:
After adjusting inter-segment elimination (under column "Elimination"):

Profit/(loss) after taxation	8,123	99,399	(16,564)	-	90,958
EBITDA/(LBITDA)	11,857	65,207	(8,057)	-	69,007

12 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions within the Group are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.12.2017 RM'000	QUARTER ENDED 31.12.2016 RM'000	PERIOD ENDED 31.12.2017 RM'000	PERIOD ENDED 31.12.2016 RM'000
Project management, technical and other services fees earned from joint ventures				
- HIREX	-	-	42	4
Joint Operating Agreement indirect overheads recovery from an associate				
- 3D Oil	-	-	3	-
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	-	14	1	20
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	(29)	(15)	(121)	(29)
Consultancy services provided by a related party	-	-	-	(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 account, or net assets value of the Group as at 31 December 2017:

	RM'000
Approved and contracted for:	
Group's material commitments	357
Share of a joint operation's material commitments ^^	45,260
	45,617
Approved but not contracted for:	
Share of a joint operation's material commitments	13,524
	13,524

^^ *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 ("**AOCL**") with Petrofac Facilities Management Limited, the contract operator appointed to manage the day-to-day operations and maintenance of the Anasuria Cluster amounting to RM45.3 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

CUMULATIVE PERIOD												
	Investment holding and group activities		Changes	Anasuria		Changes	3D Oil, VIC/L31 & VIC/P57		Changes	Group		Changes
	Current Year Period	Preceding Year Corresponding Period	(Amount %)	Current Year Period	Preceding Year Corresponding Period	(Amount %)	Current Year Period	Preceding Year Corresponding Period	(Amount %)	Current Year Period	Preceding Year Corresponding Period	(Amount %)
	31.12.2017 RM'000	31.12.2016 RM'000		31.12.2017 RM'000	31.12.2016 RM'000		31.12.2017 RM'000	31.12.2016 RM'000		31.12.2017 RM'000	31.12.2016 RM'000	
Revenue	2,600	2,084	25	131,692	115,482	14	5	0	100	134,297	117,566	14
(LBITDA)/EBITDA	**(8,792)**	**11,857**	**-**	**67,404**	**65,207**	**3**	**(1,375)**	**(8,057)**	**83**	**57,237**	**69,007**	**(17)**
(Loss)/profit before taxation (("LBT")/"PBT")	(16,645)	8,137	-	41,416	22,834	81	(1,942)	(13,458)	86	22,829	17,513	30
Taxation	10	(14)	-	(1,013)	76,565	-	0	(3,106)	-	(1,003)	73,445	-
(Loss)/profit after taxation (("LAT")/"PAT")	(16,635)	8,123	-	40,403	99,399	(59)	(1,942)	(16,564)	88	21,826	90,958	(76)

15.1 Material factors affecting financial year-to-date results

Statements of Profit or Loss
(Note: Commentary is based on the segments classified in Part A, Note 11 of this Quarterly Report.)

(i) Investment holding and group activities

Segment LAT in the Current Period amounted to RM16.6 million as compared to a PAT of RM8.1 million in the corresponding six-month period in the previous financial year, i.e. from 1 July 2016 to 31 December 2016 ("**Corresponding Period**").

During the Corresponding Period, the USD had appreciated against the Ringgit significantly and closed at 4.489 as at 31 December 2016. The foreign exchange gain recognised by the Group upon the realisation and period-end retranslation of its USD-denominated receivables contributed directly to the segment recording the PAT of RM8.1 million mentioned above.

(ii) Anasuria

The Anasuria segment recorded an EBITDA of RM67.4 million in the Current Period as compared to an EBITDA of RM65.2 million in the Corresponding Period. This is largely driven by higher average realised oil price recorded for total crude oil sold in the Current Period of approximately USD57.55 per barrel ("**bbl**") (i.e. the average of oil price realised per bbl of oil lifted over two offtakes undertaken during the period), as compared to approximately USD43.37 in the Corresponding Period (i.e. also the average of oil price realised per bbl of oil lifted over for the two offtakes undertaken in the period).

15 PERFORMANCE REVIEW (CONT'D)

15.1 Material factors affecting financial year-to-date results (Cont'd)

This was however partially off-set by:

- Lower average uptime – Average uptime was 63% in the Current Period as compared to 90% in the Corresponding Period. This was mainly due to a planned shutdown of the Anasuria FPSO ("**Offshore Turnaround**") for 31 days, from mid-September 2017 onwards; and,

- Lower average daily oil production rate – A lower average daily oil production rate was recorded in the Current Period as a result of a temporary malfunction of the Cook-P1 subsea production choke and an extended failure of a gas compression facility on-board the Anasuria FPSO that affected production in the Guillemot field, both of which have since been resolved.

PBT recorded in the Current Period of RM41.4 million is 81% or RM18.6 million higher than the PBT in the Corresponding Period of RM22.8 million. The following items are key contributors to the variance:

- Lower amortisation of intangible assets and depreciation of oil and gas assets, by RM12.8 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 and lower total volume of oil produced during the Current Period; and,

- Lower unwinding of discount for deferred consideration, by RM3.7 million – The unwinding of discount applied to the deferred consideration of USD22.5 million (for net present valuing purposes) in connection with 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).

In respect of taxation, in the Corresponding Period, 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 non-cash in nature.

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

During the Current Period, the segment recorded a LAT of RM1.9 million, a decrease of RM14.7 million as compared to a LAT of RM16.6 million in the Corresponding Period.

The functional currency of the segment is AUD. The appreciation of the USD against the AUD in the Corresponding Period had adversely impacted the segment, as most of its payables were USD-denominated. As a result, the LAT in the Corresponding Period was largely caused by foreign exchange losses arising from the settlement and period-end retranslation of such USD-denominated payables. Note that a large portion of such USD-denominated payables are inter-company, and as a result, there is no significant adverse impact to the Group.

15 PERFORMANCE REVIEW (CONT'D)

15.1 Material factors affecting financial year-to-date results (Cont'd)

Also in the Corresponding Period, the segment fulfilled its obligations to the Australian tax authorities for an amount owing for incentives relating to research and development activities, which amounted to RM3.1 million. This is a non-recurring transaction.

Statements of Financial Position

Non-current Assets

The Group's non-current assets amounted to RM1,172 million as at 31 December 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 increased from RM83.6 million as at 30 June 2017 to RM117.6 million as at 31 December 2017.

Proceeds from the crude oil offtake in mid-December 2017 amounting to RM70.2 million had not been received and remained outstanding as at 31 December 2017. This is partly off-set by the following:

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

- 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.

Total Liabilities

The Group's total liabilities amounted to RM510.4 million as at 31 December 2017, a decrease of RM66.8 million from RM577.2 million as at 30 June 2017.

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

Other payables and accruals increased by RM10.4 million from 30 June 2017 to 31 December 2017 mainly due to short-term liabilities incurred in connection with the operations of the Anasuria Cluster.

15 PERFORMANCE REVIEW (CONT'D)

15.1 Material factors affecting financial year-to-date results (Cont'd)

Total Equity

The increase in total equity during the Current Period by RM36.9 million was mainly attributable to a cash inflow originating from the placement of new ordinary shares (please refer to Part B, Note 17 (i) of this Quarterly Report for further details).

<u>Statement of Cash Flows</u>

Cash flow from operating activities

The Group's net cash outflow for the Current Period from operating activities was RM40.3 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 RM52.4 million. Cash outflow equivalent to RM31.4 million (USD7.5 million) was made for the Anasuria Cluster's final tranche of the deferred consideration. In addition, RM20.6 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 RM49.6 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 Period.

15.2 Material factors affecting current quarter's results

(Note: Commentary is based on the segments classified in Part A, Note 11 of this Quarterly Report.)

INDIVIDUAL QUARTER												
	Investment holding and group activities		Changes	Anasuria		Changes	3D Oil, VIC/L31 & VIC/P57		Changes	Group		Changes
	Current Year Quarter	Preceding Year Corresponding Quarter	(Amount %)	Current Year Quarter	Preceding Year Corresponding Quarter	(Amount %)	Current Year Quarter	Preceding Year Corresponding Quarter	(Amount %)	Current Year Quarter	Preceding Year Corresponding Quarter	(Amount %)
	31.12.2017 RM'000	31.12.2016 RM'000		31.12.2017 RM'000	31.12.2016 RM'000		31.12.2017 RM'000	31.12.2016 RM'000		31.12.2017 RM'000	31.12.2016 RM'000	
Revenue	1,415	1,034	37	74,644	61,788	21	2	(1)	-	76,061	62,821	21
(LBITDA)/EBITDA	**(2,419)**	**13,453**	**-**	**34,154**	**38,090**	**(10)**	**(3,359)**	**(13,767)**	**76**	**28,376**	**37,776**	**(25)**
(LBT)/PBT	(5,967)	10,045	-	22,377	14,489	54	(3,303)	(14,502)	77	13,107	10,032	31
Taxation	16	(5)	-	(2,081)	721	-	0	(73)	-	(2,065)	643	-
(LAT)/PAT	(5,951)	10,040	-	20,296	15,210	33	(3,303)	(14,575)	77	11,042	10,675	3

(i) Investment holding and group activities

During the current three-month period ("**Current Quarter**"), the segment incurred LAT of RM6.0 million, as compared to PAT of RM10.0 million in the corresponding three-month period ended 31 December 2016 ("**Corresponding Quarter**").

In the Corresponding Quarter, the Group gained from the impact of a strong USD against the Ringgit and recognised the resulting foreign exchange gain upon the realisation and quarter-end retranslation of its USD-denominated receivables.

15 PERFORMANCE REVIEW (CONT'D)

15.2 Material factors affecting current quarter's results (Cont'd)

(ii) Anasuria

Anasuria Hibiscus UK sold 274,644 bbls of crude oil at an average realised oil price of USD62.93 per bbl in the Current Quarter, compared to 298,909 bbls at the average realised oil price of USD51.54 per bbl achieved in the Corresponding Quarter. Despite higher revenue in the Current Quarter, the segment's EBITDA is lower than that recorded in the Corresponding Quarter by RM3.9 million, from RM38.1 million to RM34.2 million. In the Corresponding Quarter, the average uptime was 98%, the highest uptime performance level recorded since the Group completed the acquisition of the Anasuria Cluster on 10 March 2016. The same metric recorded for the Current Quarter was 57%, having taken into account the impact of the Offshore Turnaround in October 2017 and an unplanned production interruption at the Cook-P1 well. This unplanned production interruption at the Cook-P1 well also resulted in a reduced availability of gas that is used for gas-lift to aid production on the Guillemot field. Later in the Current Quarter, a mechanical problem on the gas compression facility located on the Anasuria FPSO also affected overall uptime. It should be noted that both the issues on the Cook-P1 well and the compressor have been resolved and production rates are back at expected levels.

Despite a marginally lower EBITDA in the Current Quarter, PBT stood at RM22.4 million, an increase of RM7.9 million as compared to a PBT of RM14.5 million in the Corresponding Quarter. The following expenses were lower in the Current Quarter:

- Amortisation of intangible assets and depreciation of oil and gas assets, by RM9.4 million; and,
- Unwinding of discount for deferred consideration, by RM2.3 million.

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

It should be noted that should Anasuria Hibiscus UK execute its planned capital expenditure programs on schedule in the current financial year ending 30 June 2018, tax expenses in the form of deferred tax liabilities may be recognised in the profit or loss account at the appropriate time. In the Current Quarter, Anasuria Hibiscus UK invested in capital expenditure amounting to RM14.7 million. This resulted in a deferred tax expense of RM5.9 million charged to the profit or loss account. Such a charge was not present in the Corresponding Quarter.

15 PERFORMANCE REVIEW (CONT'D)

15.2 Material factors affecting current quarter's results (Cont'd)

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

Segment LAT decreased by RM11.3 million from RM14.6 million in the Corresponding Quarter to RM3.3 million in the Current Quarter.

The USD had appreciated against the segment's functional currency, the AUD, during the Corresponding Quarter. The settlement and quarter-end retranslation of the segment's USD-denominated payables resulted in foreign exchange loss. Such foreign exchange loss represents the main driver of the LBT in the Corresponding Quarter, and did not recur in the Current Quarter. A large portion of such USD-denominated payables are to inter-companies, and as a result, there is no significant adverse impact to the Group.

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

(Note: Commentary is based on the segments classified in Part A, Note 11 of this Quarterly Report.)

INDIVIDUAL QUARTER												
	Investment holding and group activities		Changes	Anasuria		Changes	3D Oil, VIC/L31 & VIC/P57		Changes	Group		Changes
	Current Year Quarter	Immediate Preceding Quarter	(Amount %)	Current Year Quarter	Immediate Preceding Quarter	(Amount %)	Current Year Quarter	Immediate Preceding Quarter	(Amount %)	Current Year Quarter	Immediate Preceding Quarter	(Amount %)
	31.12.2017 RM'000	30.09.2017 RM'000		31.12.2017 RM'000	30.09.2017 RM'000		31.12.2017 RM'000	30.09.2017 RM'000		31.12.2017 RM'000	30.09.2017 RM'000	
Revenue	1,415	1,185	19	74,644	57,048	31	2	3	(46)	76,061	58,236	31
(LBITDA)/EBITDA	**(2,419)**	**(6,373)**	**62**	**34,154**	**33,250**	**3**	**(3,359)**	**1,984**	**-**	**28,376**	**28,861**	**(2)**
(LBT)/PBT	(5,967)	(10,678)	44	22,377	19,039	18	(3,303)	1,361	-	13,107	9,722	35
Taxation	16	(6)	-	(2,081)	1,068	-	0	0	-	(2,065)	1,062	-
(LAT)/PAT	(5,951)	(10,684)	44	20,296	20,107	1	(3,303)	1,361	-	11,042	10,784	2

Statements of Profit or Loss

(i) Investment holding and group activities

The segment recorded a decrease of RM4.7 million in LAT in the Current Quarter as compared to a LAT of RM10.7 million in the preceding three-month period ended 30 September 2017 ("**Preceding Quarter**").

This was mainly attributed to a reversal of withholding tax accruals relating to intercompany securities in the Current Quarter. Such accruals were originally made for prudence purposes and we have now ascertained that they will not materialise.

(ii) Anasuria

EBITDA achieved for the Anasuria Cluster in the Current Quarter is marginally higher compared to that recorded in the Preceding Quarter by RM0.9 million. Higher revenue achieved in the Current Quarter is due to a higher volume of total crude oil sold and a higher average realised oil price achieved. This was achieved even though we had planned and unplanned interruptions in production.

Net tax expense recognised in the Current Quarter are driven by the recognition of deferred tax liability arising from higher investments in capital expenditure.

16 MATERIAL CHANGE IN PROFIT BEFORE TAXATION IN COMPARISON TO THE PRECEDING QUARTER (CONT'D)

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

During the Current Quarter, the segment recorded a LAT of RM3.3 million as compared to a PAT of RM1.4 million in the Preceding Quarter. This was largely caused by a one-off third party engineering services related consultancy charge and adverse foreign exchange impact due to the appreciation of USD against AUD.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

(i) Private Placement

Subsequent to the Current Period, RHB Investment Bank Berhad ("**RHB IB**"), on behalf of the Board, had on 9 January 2018 announced that the Board had fixed the issue price of the third and final tranche of the Private Placement at RM0.920 per Placement Share. On 18 January 2018, the Company completed the listing and quotation of 44,305,400 Placement Shares on Bursa Securities pursuant to the Private Placement ("**Third and Final Tranche Placement Shares**"), raising a total of approximately RM40.8 million. In total, 144,384,400 Placement Shares were issued under the Private Placement.

Please refer to Part B, Note 18 of this Quarterly Report for details of the utilisation of proceeds raised from the Private Placement 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, 27 October 2017, 20 December 2017, 27 December 2017, 9 January 2018, 17 January 2018 and 18 January 2018.

(ii) Proposed Free Warrants Issue

RHB IB, had on behalf of the Board, on 17 January 2018 submitted the listing application in connection to the Proposed Free Warrants Issue to Bursa Securities.

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

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

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

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

Subsequently, a Notice of Extraordinary General Meeting and the Circular in relation to the Proposed Free Warrants Issue was issued on 12 and 13 February 2018 respectively.

Please refer to our announcements dated 8 December 2017, 17 January 2018, 2 February 2018, 12 February 2018 and 13 February 2018.

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

(iii) Proposed Acquisition of 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 ("**PETRONAS Conditions**"). 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.

Subsequently, on 4 December 2017, the Company announced that the Sellers have informed of their receipt of PCSB's unconditional consent under the SJOA to the assignment of the entire Interest to SEA Hibiscus.

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

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

In addition to the above, the Company had on 26 December 2017 announced that the PETRONAS Conditions have been clarified and agreed between the Sellers, PETRONAS and SEA Hibiscus. PCSB has given its consent to Shell for the assignment of the Interest pursuant to the SJOA in favour of SEA Hibiscus. In connection thereto, SEA Hibiscus, PETRONAS, the Sellers and PCSB had on 22 December 2017, entered into a novation agreement for the assignment and transfer of the entire Interest of the Sellers to SEA Hibiscus to continue production as well as the further development of the petroleum resources at the North Sabah fields ("**Novation Agreement**") upon the completion of the Proposed Acquisition.

PCSB holds 50% of the remaining Interest in the PSC and the SJOA. The Company views the execution of the Novation Agreement as a positive development.

Pursuant to the above, barring any unforeseen circumstances, the Board of Directors of the Company expects the Proposed Acquisition to be completed on 31 March 2018.

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

Please refer to our announcements dated 12 October 2016, 26 October 2016, 29 May 2017, 4 December 2017 and 26 December 2017.

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

The status of the utilisation of proceeds from the Private Placement of approximately RM91.1 million raised as of 21 February 2018, 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 21 February 2018 RM'000	Intended timeframe for utilisation from the date of completion of the Private Placement	Percentage utilised (%)
(i) Working capital for the business operation expenditures of the Group	36,716	21,114	Within twelve (12) months	58
(ii) Payment of trade and other payables	17,800	13,208		74
(iii) Potential expansion and capital expenditure	29,450	17,000		58
(iv) New business development	5,300	0		0
(v) Estimated expenses relating to the Private Placement	1,830	1,018	Within three (3) months	56
Total	91,096	52,340		

The actual funds raised from the Private Placement of approximately RM91.1 million is more than the illustrative proceeds of approximately RM65.0 million envisaged in our earlier announcement of 31 May 2017. As such, the additional funds raised were allocated to all categories of 'Purpose', save for 'New business development'.

19 PROSPECTS OF THE GROUP

Going forward, the Group is focussing our resources on:

- Completion of the North Sabah transaction – Barring unforeseen circumstances, completion of this transaction is scheduled to take place on 31 March 2018. Post completion, our efforts will be immediately focussed on lowering unit production costs. We will also be undertaking a range of activities to ensure a seamless integration of the North Sabah operations with our existing work processes and performance based operating culture; and,

- Drilling of the GUA-P2 side-track – On 7 February 2018, the Group had announced that our UK joint operating company, AOCL had contracted a sixth-generation semi-submersible drilling rig, the West Phoenix, from North Atlantic Drilling Limited, a subsidiary of Seadrill Limited. The rig has been contracted to drill the Guillemot-A, GUA-P2 side-track into the Forties (primary target) or Fulmar (secondary target) reservoirs. The drilling of this side-track is part of our strategy to enhance production from the Anasuria Cluster to a volume of circa 5000 bbls/day by financial year ending 2020. By using the existing GUA-P2 well as a donor well for the side-track, we hope to be able to realize enhanced production as soon as the drilling programme is completed around the middle of the 2018 calendar year. This project is also forecasted to realise net proved and probable ("**2P**") reserves of 1.01 million bbls ("**MMbbls**").

Anasuria Cluster

Apart from the specific activities mentioned above, it should be noted that the financial results of the Group are currently underpinned mainly 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;

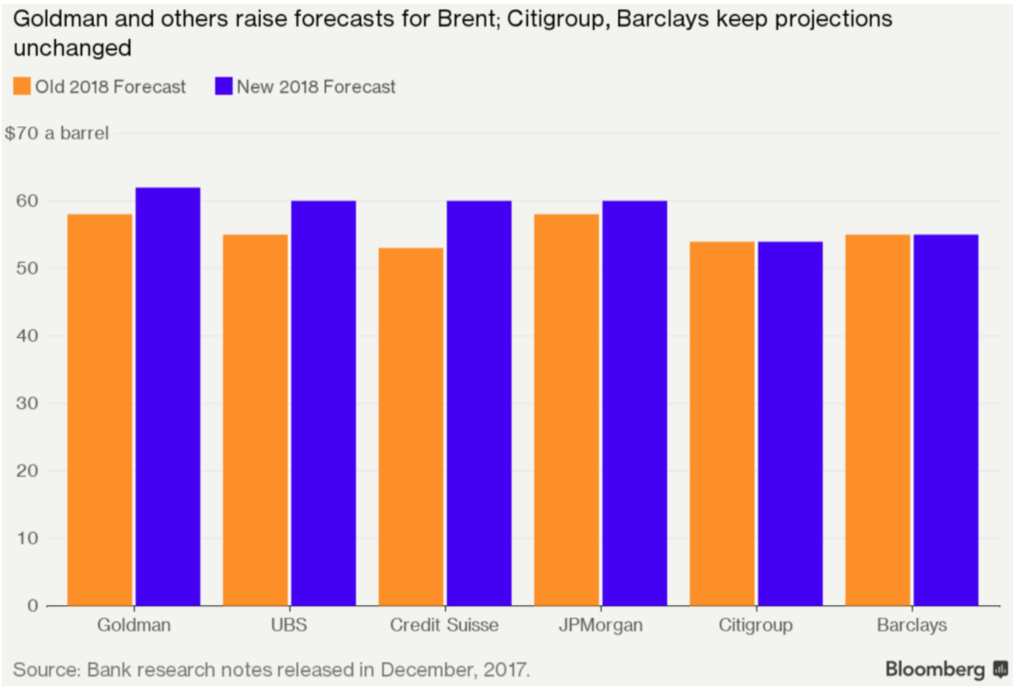
    - Strong compliance of Organization of Petroleum Exporting Countries ("**OPEC**") and their partners to agreed levels of supply cuts; and,

    - Real global economic growth supporting a demand for oil even with US shale production hitting new highs.

19 PROSPECTS OF THE GROUP (CONT'D)

The graph below illustrates the oil price trends for the Brent crude oil benchmark for the period July 2017 to January 2018:

Given the above trends, major industry commentators and analysts have either increased or held their forecasts as can be seen in the chart below:



Given our historical operating performance metrics, these stronger oil price trends should be a positive development for the Group.

19 PROSPECTS OF THE GROUP (CONT'D)

- 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 base currency used for the Anasuria asset is 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.

- 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 31 December 2017**
Average daily oil production rate	bbl/day	2,071
Average daily gas export rate @	bbl of oil equivalent ("**boe**")/day	141
Average oil equivalent production rate	boe/day	2,212
Total oil sold	bbl	274,644
Total gas exported (sold)	Million standard cubic feet ("**mmscf**")	77
Average realised oil price	USD/bbl	62.93
Average gas price	USD/million British thermal units ("**mmbtu**")	2.35 ∞/5.23 #
Average operating costs ("**OPEX**") per boe	USD/boe	34.33
Average uptime	%	57

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

19 PROSPECTS OF THE GROUP (CONT'D)

As of 31 December 2017, the Company's indirect wholly-owned subsidiary, Anasuria Hibiscus UK has been involved in the joint operations of the Anasuria asset for circa twenty-one months. Whilst we have relentlessly applied ourselves towards improving operational performance, average uptime and average daily oil production rate recorded in the Current Quarter were lower when compared to the Preceding Quarter. As a result of a lower average daily oil production rate, OPEX per boe, another key performance indicator, also increased.

The lower average uptime recorded is primarily due to the planned Offshore Turnaround project that commenced in mid-September 2017 and was completed in mid-October 2017. The impact of the Offshore Turnaround was a sixteen-day period of complete shutdown of the Anasuria FPSO in October 2017 for planned maintenance activities. In addition, we were also affected by two unplanned events that occurred during the Current Quarter:

- A temporary interruption in production of the Cook-P1 well which also affected gas lift operations on the Guillemot A field; and,
- A temporary failure of our gas compression facility on board the Anasuria FPSO which again affected gas lift operations on the Guillemot A field.

As of the date of this Quarterly Report, all technical issues have been resolved and we are pleased to report that wells and facilities are performing at the expected levels.

Whilst the average production rates were impacted by these unplanned events, our technical team is working towards a production recovery plan to ensure targeted cumulative production volumes for the year can be achieved.

An overview of our performance at the Anasuria Cluster since March 2016 is provided 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	October to December 2017
Average daily oil production rate	bbl/day	2,971	3,032	3,934	2,617	3,204	2,576	2,071
Average daily gas export rate @	boe/day	236	374	474	257	317	156	141
Average daily oil equivalent production rate	boe/day	3,206	3,406	4,408	2,873	3,522	2,731	2,212
Average realised oil price	USD/bbl	40.14	45.21	41.70	52.95	50.46	51.54	62.93
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 #	2.35 ∞/ 5.23 #
Average OPEX per boe	USD/boe	23.13	18.39	12.97	15.12	13.98	23.61	34.33
Average uptime	%	88	82	98	76	84	70	57

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

Despite some these challenges, we are pleased that in the Current Quarter we successfully:

- Completed our Offshore Turnaround of the Anasuria FPSO on schedule. The next such activity is planned for late 2019 and we are hopeful that our recent efforts will allow us to achieve a higher level of average uptime going forward; and,
- Completed the GUA-P4 gas lift project. We are seeing an increase in production rates which is being contributed by this well and we are pleased with the results being delivered.

19 PROSPECTS OF THE GROUP (CONT'D)

North Sabah

As mentioned in Part B, Note 17 (iii) of this Quarterly Report, barring any unforeseen circumstances, the Board of Directors of the Company expects the Group's wholly-owned subsidiary, SEA Hibiscus's proposed acquisition of 50% participating interests in the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract to be completed on 31 March 2018.

The Proposed Acquisition bodes well for the future as the 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 to strengthen its technical and operational capabilities.

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.

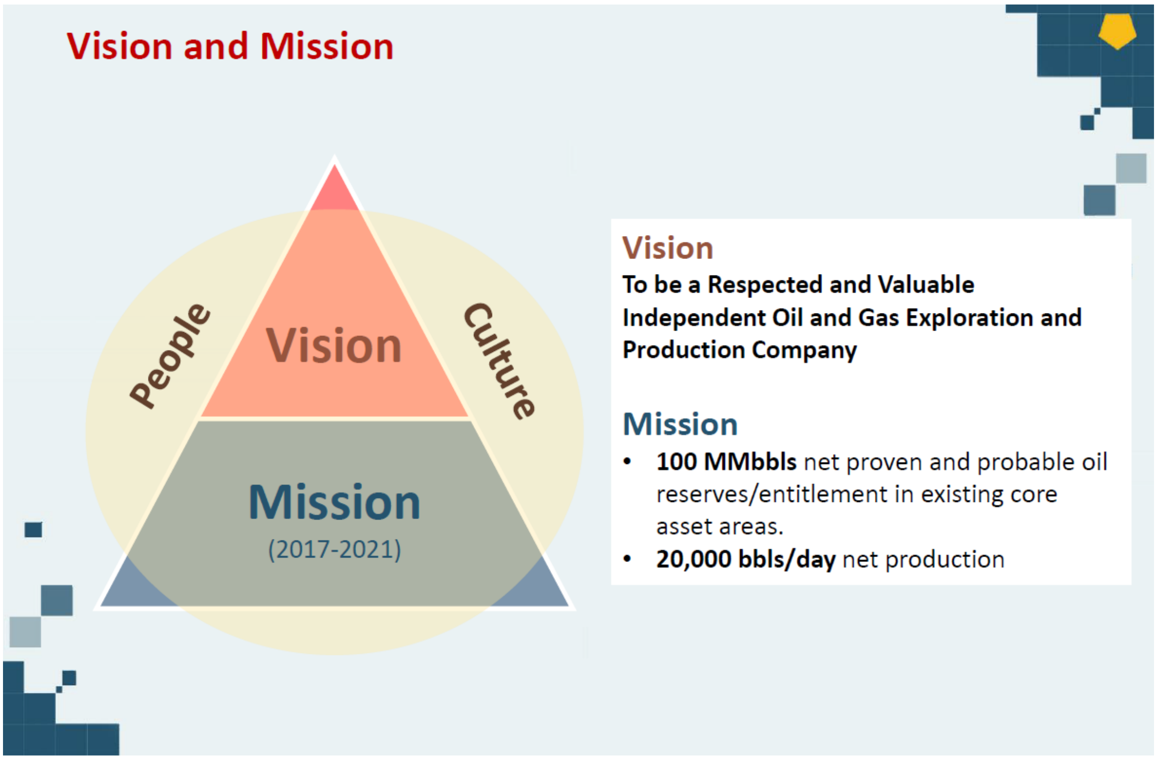
Debt

All our activities and acquisitions to-date have been funded with equity and internally generated funds. Over the course of the next twelve months, we anticipate that we shall put in place a certain quantum of debt facilities to ensure that the projects and opportunities we have in hand, which are expected to enhance production and create value, may be executed smoothly. Subject to being successful in establishing such debt facilities, our intention is to limit borrowings to a conservative level of gearing. In addition, we will attempt to secure a facility that is flexible (revolving credit) in order that we minimize any form of interest or financial expense. It is hoped that through this exercise, our overall weighted average cost of capital will be optimized.

19 PROSPECTS OF THE GROUP (CONT'D)

Mission (2017 – 2021)

We have disclosed our business objectives for the period 2017 to 2021. These business goals are repeated herewith:



The Group expects that with the completion of the North Sabah transaction, our net production entitlements will be in the range of 40% to 50% of our 2021 mission. Net 2P reserves are also expected be in the same range.

We anticipate the gap to be closed by developing identified opportunities within the assets that are in our portfolio and also through new ventures on a selective basis.

Claims Against Rex Companies and Other Parties

In 2016, the Group fully impaired its investments in the Lime Group and HIREX. However, the rights and legal position of the Group are fully reserved against the Rex Companies and all other parties in connection with those investments. The Group will continue to pursue appropriate legal, regulatory and other avenues to (among others) seek compensation for wrongs committed against the Group. Such avenues may, or may not, be successful due to a number of factors (including those outside the Group's control) and we will provide relevant updates in this regard from time to time (as may be applicable).

19 PROSPECTS OF THE GROUP (CONT'D)

Concluding Comments

Whilst the Group has articulated its mission until 2021, we also recognize that activities to be implemented over the next six months are key towards the successful delivery of this mission. During this period, we hope to:

- Conduct a successful extra-ordinary general meeting in early March 2018 in respect of the Proposed Free Warrants issuance;
- Complete the North Sabah transaction; and,
- Drill the GUA-P2 side-track well.

We hope all these events will act as positive value enhancing triggers for our shareholders. In addition, with production at the Anasuria Cluster currently restored to expected levels and oil prices demonstrating favourable trends, barring unforeseen circumstances, we expect these factors to augur well for the Group's performance this financial year.

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 Period.

22 PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

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 31.12.2017 RM'000	QUARTER ENDED 31.12.2016 RM'000	PERIOD ENDED 31.12.2017 RM'000	PERIOD ENDED 31.12.2016 RM'000
Profit after taxation attributable to owners of the Company (RM'000)	(A)	11,042	10,675	21,826	90,958
Weighted average number of shares in issue ('000)	(B)	1,531,506	1,407,531	1,503,175	1,391,045
Basic earnings per share (sen)	(A/B)	0.72	0.76	1.45	6.54
Diluted earnings per share (sen)		0.72	0.76	1.45	6.54

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 31.12.2017 RM'000	QUARTER ENDED 31.12.2016 RM'000	PERIOD ENDED 31.12.2017 RM'000	PERIOD ENDED 31.12.2016 RM'000
Sundry income	69	740	72	716
Unrealised gain on foreign exchange ^^^	-	-	-	3,520
Realised gain on foreign exchange ^^^	199	18,040	881	17,646
	268	18,780	953	21,882

^^^ *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 31.12.2017 RM'000	QUARTER ENDED 31.12.2016 RM'000	PERIOD ENDED 31.12.2017 RM'000	PERIOD ENDED 31.12.2016 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Depreciation and amortisation of equipment and intangible assets	11,887	21,454	25,683	38,637
Interest income	(14)	37	(24)	(10)
Finance costs	3,382	6,290	8,725	12,857
Unrealised loss/(gain) on foreign exchange ^^^^	4,640	7,594	7,635	(3,520)
Realised gain on foreign exchange ^^^^	(199)	(18,040)	(881)	(17,646)
Share of loss of an associate	190	70	552	47
(Reversal of impairment)/impairment of receivables	(1,504)	3,500	(598)	3,660

^^^^ *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 Period.

28 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.12.2017 RM'000	QUARTER ENDED 31.12.2016 RM'000	PERIOD ENDED 31.12.2017 RM'000	PERIOD ENDED 31.12.2016 RM'000
Income taxation	(1,218)	(7,389)	(4,713)	(10,431)
Deferred taxation	(847)	8,032	3,710	83,876
	(2,065)	643	(1,003)	73,445

Deferred taxation

Deferred tax is recognised for all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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 account.

28 TAXATION (CONT'D)

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. Thus, a deferred tax liability will be recognised in respect of the carrying value of this capital expenditure at the end of each financial year. The setting up of this deferred tax liability will generate a deferred tax debit (i.e. an expense) in the profit or loss account in the financial year in which the expenditure is incurred. This debit will match the tax value of the deduction available for the capital expenditure which is reflected in calculating the income tax charge in the profit or loss such that the net effect is that no overall tax debit nor credit arises from the initial set up of the asset and the tax deduction claimed in the income tax return. As the asset (from the capital expenditure) is depreciated however, the deferred tax liability in the balance sheet will gradually reverse, generating a tax credit (i.e. a gain) in the profit or loss account. The overall effect of this subsequent reversal is to allocate the tax deduction generated by the capital expenditure for the purposes of the profit or loss account over the period during which the asset is depreciated notwithstanding that for cash tax purposes an immediate deduction is available.

29 REALISED AND UNREALISED ACCUMULATED LOSSES

	UNAUDITED AS AT 31.12.2017 RM'000	AUDITED AS AT 30.06.2017 RM'000
Analysis of accumulated losses:		
Realised	37,941	12,366
Unrealised	(312,142)	(308,029)
	(274,201)	(295,663)
Less: Consolidation adjustments	270,220	269,856
	(3,981)	(25,807)

By Order of the Board of Directors
Hibiscus Petroleum Berhad
21 February 2018