HIBISCUS PETROLEUM BERHAD

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

Unaudited Quarterly Financial Report
31 March 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 31.03.2018 RM'000	QUARTER ENDED 31.03.2017 RM'000	PERIOD ENDED 31.03.2018 RM'000	PERIOD ENDED 31.03.2017 RM'000
Revenue		75,420	69,242	209,717	186,808
Cost of sales		(30,350)	(22,562)	(87,027)	(64,367)
GROSS PROFIT		45,070	46,680	122,690	122,441
Other income	26	3,456	6,976	4,409	28,858
Administrative expenses		(47,462)	(14,895)	(60,611)	(43,484)
Other expenses		(28,319)	(15,675)	(61,637)	(54,312)
Finance costs		(3,467)	(5,990)	(12,192)	(18,847)
Share of results of an associate		(142)	(305)	(694)	(352)
Negative goodwill from business combination		112,433	-	112,433	-
PROFIT BEFORE TAXATION	27	81,569	16,791	104,398	34,304
Taxation	28	1,566	(10,306)	563	63,139
PROFIT AFTER TAXATION		83,135	6,485	104,961	97,443
PROFIT AFTER TAXATION ATTRIBUTABLE TO:					
- Owners of the Company		83,135	6,485	104,961	97,443
EARNINGS PER SHARE (SEN)					
Basic	25	5.26	0.45	6.87	6.92
Diluted	25	5.23	0.45	6.85	6.92

Note:

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")	99,646	38,456	156,883	107,463

(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 31.03.2018 RM'000	QUARTER ENDED 31.03.2017 RM'000	YEAR ENDED 31.03.2018 RM'000	YEAR ENDED 31.03.2017 RM'000
PROFIT AFTER TAXATION	83,135	6,485	104,961	97,443
Other comprehensive (expenses)/ income:				
Items that may be subsequently reclassified to profit or loss:				
- Foreign currency translation *	(35,770)	769	(70,095)	43,793
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER/PERIOD	47,365	7,254	34,866	141,236
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the Company	47,365	7,254	34,866	141,236

** 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 31.03.2018 RM'000	AUDITED AS AT 30.06.2017 RM'000
ASSETS			
NON-CURRENT ASSETS			
Investment in an associate		4,600	4,090
Intangible assets		1,050,843	1,029,293
Equipment		183,458	202,615
Deferred tax assets		46,253	-
		1,285,154	1,235,998
CURRENT ASSETS			
Trade receivables		12,779	7,434
Other receivables, deposits and prepayments		125,887	17,465
Inventories		92,283	3,997
Amount owing by a joint venture		588	191
Amount by an associate		10	-
Cash and bank balances		116,303	54,501
		347,850	83,588
TOTAL ASSETS		1,633,004	1,319,586
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	764,592	675,314
Other reserves		22,760	92,855
Retained earnings/(Accumulated losses)		78,588	(25,807)
		865,940	742,362
NON-CURRENT LIABILITIES			
Deferred consideration		15,975	-
Contingent consideration		1,703	1,757
Other payables		106,499	-
Deferred tax liabilities		283,290	325,562
Provision for decommissioning costs		211,629	124,835
		619,096	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 31.03.2018 RM'000	AUDITED AS AT 30.06.2017 RM'000
CURRENT LIABILITIES			
Trade payables		5,375	242
Other payables and accruals		117,788	54,765
Deferred consideration		17,573	31,428
Amount owing to a joint venture		571	337
Amount owing to an associate		-	25
Provision for taxation		6,442	38,054
Redeemable Convertible Preference Shares		219	219
		147,968	125,070
TOTAL LIABILITIES		767,064	577,224
TOTAL EQUITY AND LIABILITIES		1,633,004	1,319,586
NET ASSETS PER SHARE (RM)		0.55	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)/ RETAINED EARNINGS RM'000**	**TOTAL RM'000**
9 months to 31.03.2018						
As at 01.07.2017	675,314	- **	389	92,466	(25,807)	742,362
Issuance of shares	89,278	-	-	-	-	89,278
Warrants issuance transaction costs	-	-	-	-	(566)	(566)
Profit after taxation	-	-	-	-	104,961	104,961
Other comprehensive expenses, net of tax: - Foreign currency translation	-	-	-	(70,095)	-	(70,095)
Total comprehensive (expenses)/income for the period	-	-	-	(70,095)	104,961	34,866
As at 31.03.2018	764,592	-	389	22,371	78,588	865,940
9 months to 31.03.2017						
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	-	-	-	-	97,443	97,443
Other comprehensive income, net of tax: - Foreign currency translation	-	-	-	43,793	-	43,793
Total comprehensive income for the period	-	-	-	43,793	97,443	141,236
As at 31.03.2017	14,438	660,876	389	111,856	(34,461)	753,098

** *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

	PERIOD ENDED 31.03.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	104,398
Adjustments for:	
Depreciation and amortisation of equipment and intangible assets	40,293
Interest income	(46)
Unrealised loss on foreign exchange	21,345
Finance costs	12,192
Impairment of Britannia Rig	6,735
Reversal of impairment of investment in an associate	(1,850)
Impairment of receivables	1,344
Share of results of an associate	694
Negative goodwill arising from business combination	(112,433)
Operating profit before working capital changes:	72,672
Trade receivables	(5,929)
Other receivables, deposits and prepayments	(19,051)
Trade payables	5,464
Other payables and accruals	34,353
Inventories	2,012
Amount owing by a joint venture	(2,372)
Amount owing to a joint venture	(113)
Amount owing to an associate	(34)
Cash generated from operating activities	87,002
Tax paid	(39,211)
Net cash generated from operating activities	47,791
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(23,763)
Interest received	46
Acquisition of intangible assets	(544)
Net cash outflow arising from business combination	(30,702)
Net cash used in investing activities	(54,963)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net proceeds from issuance of ordinary shares	89,540
Net cash generated from financing activities	89,540
Net increase in cash and cash equivalents	82,368
Effects of foreign exchange rate changes	(20,566)
Cash and cash equivalents at beginning of the financial period	54,501
	116,303
Less: Cash restricted in use ***	(7,208)
Cash and cash equivalents at end of the financial period	109,095

*** *Anasuria Hibiscus UK Limited ("**Anasuria Hibiscus UK**") is required to provide security for its proportionate obligations for the estimated cost of decommissioning the facilities of the Anasuria Cluster by periodically placing monies in a trust commencing 18 months from the completion date of the sale and purchase agreement for the acquisition of the Anasuria Cluster, until such time that the security has been fully provided for. One such payment was contributed during the Current Period.*

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

This 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.

The significant accounting policies and methods adopted for the unaudited condensed financial statements are consistent with those adopted for the audited financial statements for the financial year ended 30 June 2017 except for the adoption of the new accounting policy detailed below:

Production Sharing Contract ("PSC")

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

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

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

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

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.

2.2 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
MFRS 16	*Leases*	1 January 2019
Issues Committee Interpretation 23	*Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 9	*Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 119	*Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to MFRS 128	*Long-term Interests in Associates and Joint Ventures*	1 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycle	*MFRS 3 Business Combinations, MFRS 11 Joint Arrangements, MFRS 112 Income Taxes, MFRS 123 Borrowing Costs*	1 January 2019

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

3 SEASONAL OR CYCLICAL FACTORS

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

4 SIGNIFICANT/UNUSUAL ITEMS

Save as disclosed below, there were no other significant or unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial period ended 31 March 2018 ("**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 had issued 144,384,400 Placement Shares, raising a total of approximately RM91.1 million.

The Private Placement was undertaken in three tranches; 62,000,000 were allotted and issued on 14 August 2017 at RM0.385 per Placement Share ("**First Tranche Placement Shares**"), 38,079,000 were allotted and issued on 26 October 2017 at RM0.695 per Placement Share ("**Second Tranche Placement Shares**") and 44,305,400 were allotted and issued on 16 January 2018 at RM0.920 per Placement Share ("**Third and Final Tranche Placement Shares**").

The Private Placement has been completed following the listing of and quotation for the Third and Final Tranche Placement Shares of 44,305,400 Shares on the Main Market of Bursa Securities on 18 January 2018.

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 for further details.

(ii) Issuance of up to 317,645,738 free warrants ("**Warrants C**") in the Company ("**Free Warrants Issue**").

The Company announced on 8 December 2017 that it proposes to undertake an issue of up to 317,645,744 Warrants C on the basis of 1 new Warrant C for every 5 existing ordinary shares in the Company held on an entitlement date to be determined later.

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

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

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

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

(ii) Issuance of up to 317,645,738 free warrants ("**Warrants C**") in the Company ("**Free Warrants Issue**"). (cont'd)

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

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

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

Please refer to our announcements dated 8 December 2017, 17 January 2018, 2 February 2018, 12 February 2018, 13 February 2018, 1 March 2018, 2 March 2018, 27 March 2018 and 28 March 2018 for further details.

(iii) Acquisition of 50% participating interests in the 2011 North Sabah EOR PSC.

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

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

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

(ii) existing pipeline infrastructure, the Labuan Crude Oil Terminal ("**LCOT**"), and all other equipment and assets relating to the PSC.

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

The Acquisition was 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 JOA 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.

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

(iii) Acquisition of 50% participating interests under the 2011 North Sabah EOR PSC. (cont'd)

On 29 May 2017, the Company announced that:

(i) PCSB had waived their pre-emption rights under the JOA; 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 it had been informed by the Sellers of their receipt of PCSB's unconditional consent under the JOA to the assignment of the entire Interest to SEA Hibiscus.

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 had also given its consent to Shell for the assignment of the Interest pursuant to the JOA 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 to further develop the petroleum resources at the North Sabah fields ("**Novation Agreement**") upon the completion of the Acquisition.

Pursuant to the above, on 2 April 2018, the Company had announced that the conditions precedent to the CSPA had been fulfilled on 31 March 2018 and the CSPA has become unconditional. Consequently, the Acquisition was completed on 31 March 2018 ("**Completion Date**").

Please refer to our announcements dated 12 October 2016, 26 October 2016, 29 May 2017, 4 December 2017, 26 December 2017 and 2 April 2018 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

(i) On 31 March 2018, the Group completed the acquisition of 50% participating interests under the 2011 North Sabah EOR PSC.

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

- Initial consideration of USD15.0 million (which included a deposit of USD2.5 million); and,
- Deferred consideration of USD10.0 million.

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

The initial consideration was payable upon the completion of the Acquisition.

Interim working capital and other adjustments (or completion adjustments) calculated from the effective date of 1 January 2017 ("**Effective Date**") to 31 March 2018 totalled USD27.9 million (RM107.9 million). This largely comprises the economic benefit derived from the asset for the fifteen-month period.

The deferred consideration will be payable as follows:

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

The fair value was provisional at 31 March 2018 and has been reviewed in accordance with the provisions of MFRS 3 *Business Combinations*. The initial fair values of assets and liabilities recognised on acquisition have been updated to reflect the working capital adjustments and decommissioning provisions. The provisional fair value of the identifiable assets and liabilities of the Group's 50% participating interests under the 2011 North Sabah EOR PSC as at the date of acquisition is:

	Fair value recognised on acquisition RM'000
Assets	
Intangible assets	146,920
Deferred tax assets	46,253
Inventories	90,586
	283,759
Liabilities	
Provision for decommissioning costs	(81,220)
	(81,220)
Total identifiable net assets at fair value	202,539
Negative goodwill from business combination	(112,433)
	90,106
Purchase consideration:	
- Cash paid	9,665
- Cash payable ****	81,873
Other amounts:	
- Unrecovered recoverable costs payable *****	106,499
- Interim working capital and other adjustments receivable	(107,931)
	90,106

**** *Represents the balance of the initial consideration paid in April 2018 of RM48.3 million (USD12.5 million) and the present value of the USD10.0 million deferred consideration.*

***** *Represents the present value of recoverable costs incurred by the Sellers prior to Effective Date as part of their executed work program but not yet recovered as part of the recovery process provided under the terms of the 2011 North Sabah EOR PSC as of the Completion Date, subject to oil prices having reached certain thresholds at future dates.*

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

Deferred tax assets recognised upon completion of the business combination are mainly in relation to temporary differences in the tax base of provision for decommissioning costs and their accounting base. This balance is non-cash and will reverse when the provision is realised and paid in cash. The reversal of the deferred tax assets will result in a tax expense being recorded in the profit or loss.

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

Save as disclosed above, there were no changes in the composition of the Group during the 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 31.03.2018	
ORDINARY SHARES	**Number of shares**	**Share capital RM'000**
As at 01.07.2017	1,443,844,291	675,314
Placement Shares	144,384,400	89,278
As at 31.03.2018	1,588,228,691	764,592

Placement Shares

During the Current Period, the Company issued 144,384,400 Placement Shares, raising a total of approximately RM91.1 million.

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

Warrants C

There was no exercise of Warrants C during the Current Period and therefore, no shares were listed from the exercise of Warrants C.

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 results are segmented in respect of the Group's business activities. The Group currently has activities in the following principal areas ******:

(i)	North Sabah	Group's investment in a 50% participating interest under the 2011 North Sabah EOR PSC, which includes the management of the operations relating to the production of petroleum from four existing oil fields, namely St Joseph, South Furious, SF30 and Barton and existing pipeline infrastructure, the LCOT, and all other equipment and assets relating to the PSC. The functional currency of this segment is United States Dollars ("**USD**"). The closing rate adopted for conversion to RM in the Current Period is 3.866.
(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 USD. The average and closing rates adopted for conversion to RM in the Current Period are 4.096 and 3.866 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 the 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 3.201 and 2.971 respectively.
(iv)	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.

****** *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. The Group has filed a winding-up petition in relation to HIREX while Lime is in the process of being wound up.*

11 OPERATING SEGMENTS (CONT'D)

	North Sabah RM'000	Anasuria RM'000	3D Oil, VIC/L31 & VIC/P57 RM'000	Investment holding and group activities RM'000	Elimination RM'000	Group RM'000
As at 31.03.2018						
Non-current assets	193,173	838,635	238,400	14,946	-	1,285,154
Included in the segment assets is:						
Investment in an associate	-	-	4,600	-	-	4,600
Additions to non-current assets	-	23,763	544	-	-	24,307
Period ended 31.03.2018						
Project management, technical and other service fees	-	-	-	3,773	-	3,773
Sales of crude oil and gas	-	205,898	-	-	-	205,898
Interest income	-	-	6	40	-	46
Revenue	-	205,898	6	3,813	-	209,717
Depreciation and amortisation	-	(30,253)	(6)	(10,034)	-	(40,293)
(Loss)/profit from operations	(22,822)	72,530	(4,780)	(33,848)	-	11,080
Reversal of impairment of investment in an associate	-	-	1,850	-	-	1,850
Impairment of receivables	-	(551)	-	(793)	-	(1,344)
Impairment of Britannia Rig	-	-	-	(6,735)	-	(6,735)
Share of results	-	-	(694)	-	-	(694)
Finance costs	-	(10,483)	22,981	(1,159)	(23,531)	(12,192)
Interest income	-	-	-	(23,531)	23,531	-
Taxation	-	554	-	9	-	563
Negative goodwill from business combination	112,433	-	-	-	-	112,433
Profit/(loss) after taxation	89,611	62,050	19,357	(66,057)	-	104,961
EBITDA/(Loss Before Interest, Taxes, Depreciation and Amortization ("**LBITDA**"))	89,611	102,232	(3,618)	(31,342)	-	156,883

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

	North Sabah RM'000	Anasuria RM'000	3D Oil, VIC/L31 & VIC/P57 RM'000	Investment holding and group activities RM'000	Elimination RM'000	Group RM'000
Profit/(loss) after taxation	89,611	62,050	(4,174)	(42,526)	-	104,961
EBITDA/(LBITDA)	89,611	102,232	(3,618)	(31,342)	-	156,883

11 OPERATING SEGMENTS (CONT'D)

	Anasuria RM'000	3D Oil, VIC/L31 & VIC/P57 RM'000	Investment holding and group activities RM'000	Elimination RM'000	Group RM'000
As at 31.03.2017					
Non-current assets	982,222	269,650	38,234	-	1,290,106
Included in the segment assets is:					
Investment in an associate	-	4,192	-	-	4,192
Additions to non-current assets	128	-	74	-	202
Period ended 31.03.2017					
Project management, technical and other services fees	-	-	3,259	-	3,259
Sales of crude oil and gas	183,534	-	-	-	183,534
Interest income	-	-	15	-	15
Revenue	183,534	-	3,274	-	186,808
Depreciation and amortisation	(43,801)	(3,400)	(7,111)	-	(54,312)
Profit/(loss) from operations	67,822	(12,321)	1,129	-	56,630
Reversal of impairment of investment in an associate	-	1,677	-	-	1,677
Impairment of receivables	(4,488)	-	(316)	-	(4,804)
Share of results	-	(352)	-	-	(352)
Finance costs	(16,584)	(7,308)	(30)	5,075	(18,847)
Interest income	-	-	5,075	(5,075)	-
Taxation	66,294	(3,173)	18	-	63,139
Profit/(loss) after taxation	113,044	(21,477)	5,876	-	97,443
EBITDA/(LBITDA)	107,135	(12,671)	12,999	-	107,463

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

Profit/(loss) after taxation	113,044	(16,402)	801	-	97,443
EBITDA/(LBITDA)	107,135	(7,596)	7,924	-	107,463

12 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions within the Group are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.03.2018 RM'000	QUARTER ENDED 31.03.2017 RM'000	PERIOD ENDED 31.03.2018 RM'000	PERIOD ENDED 31.03.2017 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	-	8	1	28
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	-	(40)	(121)	(69)
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 March 2018:

	RM'000
Approved and contracted for:	
Share of a joint operation's material commitments ^	64,268
	64,268
Approved but not contracted for:	
Group's material commitments	17,853
Share of a joint operation's material commitments	90,204
	108,057

^ *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 ("**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 RM38.1 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

OPERATING SEGMENTS	Current Year Period	Current Year Quarter	Immediate Preceding Quarter	Current Year Quarter vs Immediate Preceding Quarter
	31.03.2018	31.03.2018	31.12.2017	
	RM'000	RM'000	RM'000	(Change in %)
North Sabah				
Revenue	-	-	-	-
EBITDA	**89,611**	**89,611**	**-**	**-**
Profit before taxation ("PBT")	89,611	89,611	-	-
Taxation	-	-	-	-
Profit after taxation ("PAT")	89,611	89,611	-	-
Anasuria				
Revenue	205,898	74,206	74,644	(1)
EBITDA	**102,232**	**34,828**	**34,154**	**2**
PBT	61,496	20,080	22,377	(10)
Taxation	554	1,567	(2,081)	-
PAT	62,050	21,647	20,296	7
3D Oil, VIC/L31 & VIC/P57				
Revenue	6	1	2	(16)
LBITDA	**(3,618)**	**(2,243)**	**(3,359)**	**33**
Loss before taxation ("LBT")	(4,174)	(2,232)	(3,303)	32
Taxation	-	-	-	-
Loss after taxation ("LAT")	(4,174)	(2,232)	(3,303)	32
Investment holding and group activities				
Revenue	3,813	1,213	1,415	(14)
LBITDA	**(31,342)**	**(22,550)**	**(2,419)**	**(832)**
LBT	(42,535)	(25,890)	(5,967)	(334)
Taxation	9	(1)	16	-
LAT	(42,526)	(25,891)	(5,951)	(335)
Group				
Revenue	209,717	75,420	76,061	(1)
EBITDA	**156,883**	**99,646**	**28,376**	**251**
PBT	104,398	81,569	13,107	522
Taxation	563	1,566	(2,065)	-
PAT	104,961	83,135	11,042	653

15 PERFORMANCE REVIEW (CONT'D)

15.1 Material factors affecting financial year-to-date and current quarter results

(A) Statements of Profit or Loss

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

(i) North Sabah

- **Financial year-to-date results**

  The Group completed the acquisition a 50% participating interest under the 2011 North Sabah EOR PSC on 31 March 2018. The provisional fair value of the identifiable assets and liabilities (reviewed in accordance with the provisions of MFRS 3 *Business Combinations*) as at the date of acquisition when compared against the purchase consideration resulted in a negative goodwill of RM112.4 million. This was partly off-set by transition costs in connection with the acquisition and segment-specific administrative expenses of RM22.8 million.

- **Current quarter results**

  As the completion of the Acquisition took place on 31 March 2018, commentary for the current three-month period ("**Current Quarter**") is similar to that illustrated above for "Financial year-to-date results".

(ii) Anasuria

- **Financial year-to-date results**

  The Anasuria segment recorded an EBITDA of RM102.2 million (49.7% margin over revenue) in the Current Period.

  There were three crude oil offtakes in the Current Period, in which 791,822 barrels of crude were sold at an average realised oil price of USD60.11 per barrel ("**bbl**").

  Average uptime recorded was 69%. It was adversely affected by the planned shutdown of the Anasuria FPSO ("**Offshore Turnaround**") that commenced in mid-September 2017 and was completed in mid-October 2017. The impact of the Offshore Turnaround was a thirty one-day period of complete shutdown of the Anasuria FPSO for planned maintenance activities. In addition, we were also affected by two unplanned events that occurred during the Current Period, namely (i) a temporary interruption in production of the Cook-P1 well which also affected gas lift operations on the Guillemot A field and (ii) a temporary failure of our gas compression facility on board the Anasuria FPSO which again affected gas lift operations on the Guillemot A field. All such technical issues were resolved during the Current Period and wells and facilities are now performing at the expected levels.

15 PERFORMANCE REVIEW (CONT'D)

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

Segment PBT was RM61.5 million after having accounted for the following items, all of which are non-cash in nature:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM30.3 million;
- Unwinding of discount on provision for decommissioning costs of RM9.6 million; and,
- Unwinding of discount on deferred and contingent consideration of RM0.9 million.

The segment recorded a net tax credit in the Current Period amounting to RM0.6 million. Net reversal of deferred tax liabilities amounted to RM10.3 million, but was largely off-set by period-to-date income tax expense recognised of RM9.7 million.

- **Current quarter results**

The segment achieved EBITDA of RM34.8 million in the Current Quarter.

Anasuria Hibiscus UK sold 271,047 bbls of crude oil at an average realised price of USD65.03 per bbl in the Current Quarter.

The asset achieved average uptime of 82%, against 57% and 70% recorded in the three-month period ended 31 December 2017 ("**Preceding Quarter**") and 30 September 2017 respectively. The planned Offshore Turnaround project that commenced in mid-September 2017 was completed in mid-October 2017. In addition, both the temporary malfunction of the Cook-P1 subsea production choke and the extended failure of a gas compression facility on-board the Anasuria FPSO that affected production in the Guillemot field encountered in the Preceding Quarter have been resolved. As a result, wells and facilities have performed at the expected levels during the Current Quarter.

PBT stood at RM20.1 million after deducting the following from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM11.5 million; and,
- Unwinding of discount on provision for decommissioning costs of RM3.3 million.

The segment recorded a net tax credit in the Current Quarter largely due to the reversal of deferred tax liabilities recognised upon accounting for the asset as a business combination upon completion of its acquisition. Such deferred tax liabilities were in relation to temporary differences in the tax base of intangible assets (i.e. rights and concession) acquired and their accounting base.

15 PERFORMANCE REVIEW (CONT'D)

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

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

- **Financial year-to-date results**

  During the Current Period, the segment recorded LAT of RM4.2 million.

  This was largely caused by a one-off third party engineering services related consultancy charge. In addition, the USD had appreciated against the segment's functional currency, the AUD, in the Current Quarter. The settlement and quarter-end retranslation of the segment's USD-denominated payables resulted in net foreign exchange loss. A large portion of such USD-denominated payables are inter-company, and as a result, there is no significant adverse impact to the Group.

- **Current quarter results**

  Segment LAT in the Current Quarter was RM2.2 million.

  An impairment assessment was performed for the Group's investment in its associate, 3D Oil, by comparing the higher of the fair value less cost to sell ("FVLCTS") and value in use, against the carrying value of the investment as at the end of the Preceding Quarter, ie. 31 December 2017. The recoverable amount is based on FVLCTS. As 3D Oil shares are publicly traded on the Australian Stock Exchange, the market price of the shares was used for determining the FVLCTS. The share price as at 31 March 2018 was lower than that as at 31 December 2017, resulting in a provision for impairment of RM1.3 million.

  This segment also recorded adverse foreign exchange impact due to the appreciation of the USD against the AUD.

(iv) Investment holding and group activities

- **Financial year-to-date results**

  The segment recorded LAT of RM42.5 million in the Current Period.

  In the Current Period (on 31 March 2018), after due consideration and assessment, the Group concluded that there will be no anticipated utilisation of the Britannia Rig ("**Rig**") within the Group's planned activities for the foreseeable future. In addition, there is evidence of an oversupply of drilling rigs in the global market, and as a result, the Group also believes that there is very limited market demand for the Rig. Hence, the Group wrote down the carrying value of the Rig to its scrap value and recognised an impairment loss of RM6.7 million.

15 PERFORMANCE REVIEW (CONT'D)

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

Other major expense items include:

- Unrealised foreign exchange loss of RM10.6 million from the translation of the AUD-denominated intercompany securities, i.e. Convertible Mandatorily Redeemable Preference Shares ("**CMRPS**") at a weaker AUD against the Ringgit. The CMRPS were issued by Carnarvon Hibiscus Pty Ltd and held by Oceania Hibiscus Sdn Bhd, both of which are wholly-owned subsidiaries of Hibiscus Petroleum Berhad and therefore, such an unrealised loss on foreign exchange does not affect the cash flows of the Group;

- Depreciation of the Rig (from 1 July 2017 to 31 March 2018) of RM10.0 million; and,

- Expenditure relating to business development activities and professional fees amounting to RM5.4 million.

- **Current quarter results**

  During the Current Quarter, the segment incurred LAT of RM25.9 million.

  Major expense items are:

  - Impairment of the Rig of RM6.7 million;

  - A net unrealised foreign exchange loss of RM6.4 million from the translation of AUD-denominated intercompany securities, CMRPS at a weaker AUD against the Ringgit and impact of a weaker USD against the Ringgit which adversely impacted the quarter-end retranslation of USD-denominated inter-company receivables;

  - Professional fees and expenditure relating to business development activities of RM4.8 million; and,

  - Depreciation of the Rig (from 1 January 2018 to 31 March 2018) of RM3.1 million.

(B) <u>Statements of Financial Position</u>

(i) Non-current Assets

The Group's non-current assets amounted to RM1,285 million as at 31 March 2018 compared to RM1,236 million as at 30 June 2017.

The increase was mainly due to the reversal of impairment of investment in an associate, 3D Oil and the inclusion of the provisional fair value of identifiable non-current assets of the Group's 50% participating interests in the 2011 North Sabah EOR PSC upon completion of the Acquisition.

15 PERFORMANCE REVIEW (CONT'D)

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

(ii) Current Assets

Current assets increased from RM83.6 million as at 30 June 2017 to RM347.9 million as at 31 March 2018.

This is mainly due to recognition of both the completion (interim working capital and other) adjustments and inventories arising from the completion of the Acquisition on 31 March 2018 by SEA Hibiscus. These items amounted to RM198.5 million.

In addition, cash and bank balances increased by RM61.8 million due to collection of proceeds from crude oil offtakes in the Anasuria Cluster.

(iii) Total Liabilities

The Group's total liabilities amounted to RM767.1 million as at 31 March 2018, an increase of RM189.9 million from RM577.2 million as at 30 June 2017.

Increase in other payables includes RM154.8 million relating to the 2011 North Sabah EOR PSC, details as follows:

- Reimbursement to the Sellers over a period of three years from 2019 to 2021 for recoverable capital expenditure incurred by the Sellers as part of its executed work program but not yet recovered as of the Effective Date, subject to oil prices having reached certain thresholds. The net present value of the amount recognised as at 31 March 2018 is RM106.5 million; and,

- Balance of the initial purchase consideration amounting to USD12.5 million (RM48.3 million) due upon the completion of the Acquisition. Note that out of the total initial consideration of USD15.0 million, a deposit of USD2.5 million was paid earlier upon the execution of the CSPA.

In addition, the Group recognised the present value of decommissioning costs in respect of its 50% participating interests in the 2011 North Sabah EOR PSC upon completing the Acquisition, amounting to RM81.2 million.

The above are partly off-set 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 RM36.1 million (USD8.0 million) and RM30.7 million (USD7.5 million) respectively.

(iv) Total Equity

The increase in total equity during the Current Period by RM123.6 million was mainly attributable to cash inflows originating from the placement of new ordinary shares (please refer to Part A, Note 4 (i) of this Quarterly Report for further details), net earnings generated from the Anasuria Cluster and negative goodwill from business combination arising from the Acquisition.

15 PERFORMANCE REVIEW (CONT'D)

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

(C) Statement of Cash Flows

(i) Cash flow from operating activities

The Group's net cash inflow for the Current Period from operating activities was RM47.8 million. It mainly comprises cash received from operations at the Anasuria Cluster, partly off-set by payment of taxation obligations in the UK and group-wide operating overheads.

(ii) Cash flow from investing activities

Net cash used in investing activities amounted to RM55.0 million. Cash outflow equivalent to RM30.7 million (USD7.5 million) was incurred to fulfil payment of the final tranche of the deferred consideration for the Anasuria Cluster. In addition, RM23.8 million was paid for capital expenditure incurred for activities conducted at the Anasuria Cluster.

(iii) Cash flow from financing activities

Net cash generated by the Group from financing activities was RM89.5 million. It comprises the proceeds derived from the placement of new ordinary shares (please refer to Part A, Note 4 (i) of this Quarterly Report for further details) during the Current Period.

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.)

Statements of Profit or Loss

(i) North Sabah

PAT achieved for the North Sabah asset in the Current Quarter is driven by negative goodwill recognised upon completion of the acquisition of 50% participating interests under the 2011 North Sabah EOR PSC on 31 March 2018 of RM112.4 million. It was partly off-set by transition costs in connection with the acquisition and segment-specific administrative expenses of RM22.8 million.

The North Sabah segment is included in the Current Quarter as completion of the acquisition had taken place on 31 March 2018. As a result, there are no comparatives available.

(ii) Anasuria

EBITDA achieved for the Anasuria Cluster in the Current Quarter is marginally higher compared to that recorded in the Preceding Quarter by RM0.7 million, despite revenue being slightly lower by RM0.4 million. This is largely driven by lower average operating costs ("**OPEX**") per bbl of oil equivalent ("**boe**") achieved in the Current Quarter of USD23.96 compared to USD34.33 in the Preceding Quarter. All planned and unplanned interruptions in production encountered in the Preceding Quarter have been resolved.

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

A net tax credit of RM1.6 million was recognised in the Current Quarter as compared to a net tax expense of RM2.1 million in the Preceding Quarter. Net tax expense in the Preceding Quarter was driven by the recognition of deferred tax liabilities arising from significant investments in capital expenditure. 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.

In the Current Quarter, Anasuria Hibiscus UK invested in capital expenditure amounting to RM3.8 million. The resulting deferred tax expense charged to the profit or loss account was RM1.5 million. Recognition of such deferred tax liabilities in the Preceding Quarter was much higher, driven by higher capital expenditure of RM14.7 million, which resulted in a deferred tax expense of RM5.9 million charged to the profit or loss account.

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

During the Current Quarter, the segment recorded a LAT of RM2.2 million as compared to a LAT of RM3.3 million in the Preceding Quarter. This was largely caused by a one-off third party engineering services related consultancy charge in the Preceding Quarter.

(iv) Investment holding and group activities

The segment recorded an increase of RM19.9 million in LAT in the Current Quarter as compared to a LAT of RM6.0 million in the Preceding Quarter.

This was mainly attributed to:

- Impairment of the Rig in the Current Quarter of RM6.7 million;
- Higher expenses incurred for business development activities and professional fees amounting to RM4.8 million during the Current Quarter;
- Higher net unrealised loss on foreign exchange of RM4.8 million in the Current Quarter arising from the translation of AUD-denominated intercompany securities at a weaker AUD against the Ringgit; and,
- Reversal of withholding tax accruals relating to intercompany securities in the Preceding Quarter amounting to RM3.4 million, which did not recur in the Current Quarter. Such accruals were originally made for prudence purposes and we have now ascertained that they will not materialise.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There were no corporate proposals announced but not completed as at the date of this Quarterly Report.

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

18.1 Private Placement

The status of the utilisation of proceeds from the Private Placement of approximately RM91.1 million raised as of 28 May 2018, being the date of this Quarterly Report, is as follows:

<table>
<tr><th>Purpose</th><th>Proposed utilisation of proceeds from the Private Placement

RM’000</th><th>Actual utilisation as of 28 May 2018

RM’000</th><th>Intended timeframe for utilisation from the date of completion of the Private Placement</th><th>Percentage utilised

(%)</th></tr>
<tr><td>(i) Working capital for the business operation expenditures of the Group</td><td>36,736</td><td>31,300</td><td rowspan="4">Within twelve (12) months</td><td>85</td></tr>
<tr><td>(ii) Payment of trade and other payables</td><td>17,800</td><td>14,500</td><td>81</td></tr>
<tr><td>(iii) Potential expansion and capital expenditure</td><td>29,450</td><td>22,100</td><td>75</td></tr>
<tr><td>(iv) New business development</td><td>5,300</td><td>138</td><td>3</td></tr>
<tr><td>(v) Estimated expenses relating to the Private Placement</td><td>1,810</td><td>1,460</td><td>Within six (6) months ^^</td><td>81</td></tr>
<tr><td>Total</td><td>91,096</td><td>69,498</td><td colspan="2"></td></tr>
</table>

^^ *The remaining unutilised amount of expenses relating to the Private Placement of approximately RM350,000 is expected to be utilised by July 2018.*

The actual funds raised from the Private Placement of approximately RM91.1 million are 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’.

18.2 Warrants C

There was no exercise of Warrants C during the Current Period and therefore, no shares were listed from the exercise of Warrants C during this time. Correspondingly, there were no proceeds received arising from the exercise of Warrants C.

Subsequently, as of 28 May 2018, a total of 100 Warrants C have been exercised at the exercise price of RM1.00 each. Correspondingly, the proceeds received was RM100.00, and 100 shares were listed from the said exercise.

19 PROSPECTS OF THE GROUP

Going forward, the Group is focusing its resources on:

1. Integration and optimisation of North Sabah production operations – Our efforts will be to ensure a seamless integration of the North Sabah operations with our existing work processes and performance based operating culture. We will also be focused on lowering unit production costs.; and,

2. 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.

   This project is currently on track to commence execution within quarter 4 of financial year ending 30 June 2018. 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**”).

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 and North Sabah assets. Several key factors are particularly relevant. These are:

1. Price of the Brent crude oil benchmark at approximately the time of a scheduled offtake from the Anasuria FPSO and the LCOT. Recent gains in Brent crude oil prices are expected to be sustainable given:

   - Strong global oil demand growth, particularly from China and India;

   - The prolonged period (2015 to 2017) of minimal investment in exploration and development projects;

   - Rising geopolitical tensions in the Middle East region;

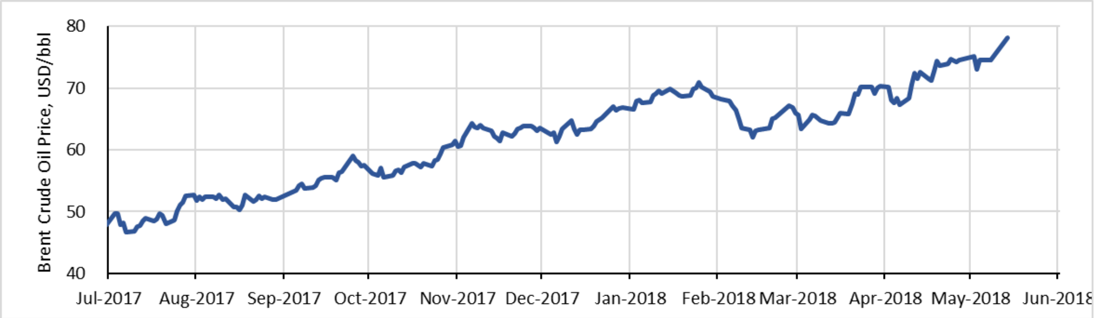
   - Extended period of production shortfalls in Venezuela;

   - Strong compliance of Organization of Petroleum Exporting Countries (“**OPEC**”) and their partners to agreed levels of supply cuts causing stockpiles to shrink in volume; and,

   - Reinstitution of sanctions by the United States of America on Iran which could affect oil supply.

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 May 2018:



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

2. Any premium 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.

3. Gas prices for the respective fields in Anasuria only, 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.

4. Exchange rates:

   - USD vs RM:
     - as our revenues from Anasuria and North Sabah assets are secured in USD;
     - as the base currency used for the Anasuria and North Sabah asset valuations is in USD; and,
     - as the majority of our operating costs in North Sabah are incurred in RM.

   - Great Britain Pound ("**GBP**") vs USD:
     - as the majority of our operating costs for the Anasuria asset are incurred in GBP.

5. Performance of the Anasuria and North Sabah assets, more specifically:

   - Production performance of the wells; and,

   - Facilities availability.

6. Management of operational expenses for the Anasuria and North Sabah assets.

As joint operator of the Anasuria Cluster and now, the operator of North Sabah, 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.

19 PROSPECTS OF THE GROUP (CONT'D)

Anasuria Cluster

The following table shows the operational performance achieved by the asset in the Current Quarter, as well as for the previous four quarters for comparison and trend analysis:

	Units	**January to March 2018**	**October to December 2017**	**July to September 2017**	**April to June 2017**	**January to March 2017**
Average daily oil production rate	bbl/day	2,798	2,071	2,576	3,204	2,617
Average daily gas export rate @	boe/day	304	141	156	317	257
Average daily oil equivalent production rate	boe/day	3,102	2,212	2,731	3,522	2,873
Total oil sold	bbl	271,047	274,644	246,132	284,963	273,419
Total gas exported (sold)	mmscf	162	77	87	173	138
Average realised oil price	USD/bbl	65.03	62.93	51.54	50.46	52.95
Average gas price	USD/ mmbtu	2.60 ∞/ 5.71 #	2.35 ∞/ 5.23 #	1.58 ∞/ 3.86 #	1.60 ∞/ 3.88 #	2.11 ∞/ 4.94 #
Average OPEX per boe	USD/boe	23.96	34.33	23.61	13.98	15.12
Average uptime	%	82	57	70	84	76

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

As of 31 March 2018, the Company's indirect wholly-owned subsidiary, Anasuria Hibiscus UK has been involved in the joint operations of the Anasuria asset for circa two years. We continue to relentlessly apply ourselves towards improving operational performance, average uptime and average daily oil production rate, all of which have improved in the Current Quarter when compared to the Preceding Quarter. As a result of a higher average daily oil production rate, OPEX per boe, another key performance indicator, has subsequently decreased.

During the Current Quarter, our team carried out a routine operational project to inhibit scale build-up in the Guillemot P3 well which has affected overall operational performance during this period. We were also affected by the following two unplanned events during the Current Quarter:

- A temporary failure of our gas compression facility on board the Anasuria FPSO which continued from the Preceding Quarter thereby affecting gas lift operations on the Guillemot A field; and,

- An unusually adverse weather condition which caused two days of reduced production.

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.

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.

19 PROSPECTS OF THE GROUP (CONT'D)

In terms of capital expenditures, the Group had incurred approximately RM3.8 million during the Current Quarter for several production enhancement projects. These expenditures were primarily for the GUA-P2 side track, GUA-P4 gas lift installation and critical spares for future drilling projects. These projects are production and development in nature, and no exploration activities have been carried in the Current Quarter.

North Sabah

	Unit	January to March 2018 [2]	October to December 2017	July to September 2017	April to June 2017	January to March 2017
Average gross oil production	bbl/day	15,335	14,865	14,049	14,614	14,992
Average net oil production	bbl/day	5,674	5,500	5,198	5,407	5,547
Total oil sold	bbls	287,019	586,658	287,850	593,086	587,228
Average realized oil price [1]	USD/bbl	73.51	67.20	55.80	56.93	59.41
Average OPEX per bbl (unit production cost)	USD/bbl	12.47	18.50	15.25	11.75	10.81
Average uptime	%	96	93	88	92	95

1 *The weighted average price of all the Labuan crude sales from various parties during the quarter.*
2 *Figures are provisional and may change subject to 1Q18 PSC Statement audit.*

The table shows the operational performance of the North Sabah asset over the five quarters from the Effective Date to the Completion Date. During this time, SSPC was operating the North Sabah asset on behalf of SEA Hibiscus. The average oil price realised includes the premium that Labuan crude oil commands over Brent.

Going forward, SEA Hibiscus aims to enhance production rates, manage costs and improve uptime of the asset, thus optimising the OPEX per bbl metric. SEA Hibiscus will look towards identifying and implementing opportunities for production optimization and enhancement via surface and subsurface activities in the near term.

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, 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 nine 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:

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

With the completion of the North Sabah transaction, the Group has achieved total net daily production entitlements in the range of 40% to 50% of our 2021 mission. Net 2P reserves are also in the same range.

We anticipate the gap towards achieving our mission to be closed by developing identified opportunities within the assets that are in our portfolio and 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).

Concluding Comments

Whilst the Group has articulated its mission until 2021, we are pleased to have achieved several milestones that are key towards the successful delivery of this mission, which are:

- A successful extraordinary general meeting in early March 2018 in respect of the Free Warrants Issue, and subsequently the commencement of the trading of Warrants C; and,
- Completion of the North Sabah transaction.

The Group continues to work towards its mission, and in the near term we hope to:

- Drill the GUA-P2 side-track well and realise incremental production in quarter 1 of financial year ending 30 June 2019;
- Continue integrating the North Sabah operations; and,
- Reduce unit production costs of the North Sabah operations.

We believe all these events are 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 and Part B, Note 19 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 31.03.2018 RM'000	QUARTER ENDED 31.03.2017 RM'000	PERIOD ENDED 31.03.2018 RM'000	PERIOD ENDED 31.03.2017 RM'000
Profit after taxation attributable to owners of the Company (RM'000)	(A)	83,135	6,485	104,961	97,443
Weighted average number of shares for basic earnings per share computation ('000)	(B)	1,579,368	1,443,844	1,528,202	1,408,515
Effects of dilution of Warrants C		10,588	-	3,478	-
Weighted average number of shares for diluted earnings per share computation ('000)	(C)	1,589,956	1,443,844	1,531,680	1,408,515
Basic earnings per share (sen)	(A/B)	5.26	0.45	6.87	6.92
Diluted earnings per share (sen)	(A/C)	5.23	0.45	6.85	6.92

26 OTHER INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.03.2018 RM'000	QUARTER ENDED 31.03.2017 RM'000	PERIOD ENDED 31.03.2018 RM'000	PERIOD ENDED 31.03.2017 RM'000
Sundry income	187	1,188	259	1,904
Unrealised gain on foreign exchange ^^^	-	5,471	-	8,991
Realised gain on foreign exchange ^^^	3,269	317	4,150	17,963
	3,456	6,976	4,409	28,858

^^^ *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 31.03.2018 RM'000	QUARTER ENDED 31.03.2017 RM'000	PERIOD ENDED 31.03.2018 RM'000	PERIOD ENDED 31.03.2017 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Depreciation and amortisation of equipment and intangible assets	14,610	15,675	40,293	54,312
Interest income	(22)	(5)	(46)	(15)
Finance costs	3,467	5,990	12,192	18,847
Unrealised loss/(gain) on foreign exchange ^^^^	13,710	(5,471)	21,345	(8,991)
Realised gain on foreign exchange ^^^^	(3,269)	(317)	(4,150)	(17,963)
Share of results of an associate	142	305	694	352
Impairment of receivables	1,942	1,144	1,344	4,804
Reversal of impairment of investment in an associate	(1,850)	(153)	(1,850)	(1,677)
Impairment of Britannia Rig	6,735	-	6,735	-
Negative goodwill from business combination	(112,433)	-	(112,433)	-

^^^^ *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 31.03.2018 RM'000	QUARTER ENDED 31.03.2017 RM'000	PERIOD ENDED 31.03.2018 RM'000	PERIOD ENDED 31.03.2017 RM'000
Income taxation	(4,979)	(17,590)	(9,692)	(28,021)
Deferred taxation	6,545	7,284	10,255	91,160
	1,566	(10,306)	563	63,139

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.

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.

By Order of the Board of Directors
Hibiscus Petroleum Berhad
28 May 2018