HIBISCUS PETROLEUM BERHAD

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

Unaudited Quarterly Financial Report
30 June 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	QUARTER ENDED 30.06.2018 RM'000	QUARTER ENDED 30.06.2017 RM'000	YEAR ENDED 30.06.2018 RM'000	YEAR ENDED 30.06.2017 RM'000
Revenue		184,627	74,465	394,344	261,273
Cost of sales		(86,212)	(28,722)	(173,239)	(93,089)
GROSS PROFIT		98,415	45,743	221,105	168,184
Other income	26	8,503	9,163	3,896	37,884
Administrative expenses		(22,721)	(5,575)	(83,332)	(49,059)
Other expenses		(29,154)	(18,279)	(81,775)	(72,454)
Finance costs		(8,839)	(3,189)	(21,031)	(22,036)
Share of results of an associate		44	(160)	(650)	(512)
Negative goodwill from business combination		93,821	-	206,254	-
PROFIT BEFORE TAXATION	27	140,069	27,703	244,467	62,007
Taxation	28	(41,318)	(19,049)	(40,755)	44,090
PROFIT AFTER TAXATION		98,751	8,654	203,712	106,097
PROFIT AFTER TAXATION ATTRIBUTABLE TO:					
- Owners of the Company		98,751	8,654	203,712	106,097
EARNINGS PER SHARE (SEN)					
Basic	25	6.22	0.60	13.19	7.51
Diluted	25	5.18	0.60	12.48	7.51

Note:

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")		177,248	49,034	334,131	156,497

(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 30.06.2018 RM'000	QUARTER ENDED 30.06.2017 RM'000	YEAR ENDED 30.06.2018 RM'000	YEAR ENDED 30.06.2017 RM'000
PROFIT AFTER TAXATION	98,751	8,654	203,712	106,097
Other comprehensive income/(expenses): Items that may be subsequently reclassified to profit or loss:				
- Foreign currency translation *	30,709	(19,390)	(39,386)	24,403
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE QUARTER/YEAR	129,460	(10,736)	164,326	130,500
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:				
- Owners of the Company	129,460	(10,736)	164,326	130,500

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

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 30.06.2018 RM'000	AUDITED AS AT 30.06.2017 RM'000
ASSETS			
NON-CURRENT ASSETS			
Investment in an associate		4,905	4,090
Intangible assets		1,337,252	1,029,293
Equipment		229,311	202,615
		1,571,468	1,235,998
CURRENT ASSETS			
Trade receivables		109,028	7,434
Other receivables, deposits and prepayments		98,984	17,465
Inventories		57,914	3,997
Amount owing by a joint venture		608	191
Amount owing by an associate		5	-
Cash and bank balances		135,957	54,501
		402,496	83,588
TOTAL ASSETS		1,973,964	1,319,586
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	764,965	675,314
Other reserves		53,469	92,855
Retained earnings/(Accumulated losses)		177,356	(25,807)
		995,790	742,362
NON-CURRENT LIABILITIES			
Deferred consideration		16,946	-
Contingent consideration		1,822	1,757
Finance lease liability		6,628	-
Other payables		112,621	-
Deferred tax liabilities		345,172	325,562
Provision for decommissioning costs		259,237	124,835
		742,426	452,154

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

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

	Note	UNAUDITED AS AT 30.06.2018 RM'000	AUDITED AS AT 30.06.2017 RM'000
CURRENT LIABILITIES			
Trade payables		3,126	242
Other payables and accruals		156,143	54,765
Deferred consideration		18,717	31,428
Amount owing to a joint venture		595	337
Amount owing to an associate		-	25
Finance lease liability		1,421	-
Provision for taxation		55,527	38,054
Redeemable Convertible Preference Shares		219	219
		235,748	125,070
TOTAL LIABILITIES		978,174	577,224
TOTAL EQUITY AND LIABILITIES		1,973,964	1,319,586
NET ASSETS PER SHARE (RM)		0.63	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**
12 months to 30.06.2018						
As at 01.07.2017	675,314	-	389	92,466	(25,807)	742,362
Issuance of shares	89,651	-	-	-	-	89,651
Warrants issuance transaction costs	-	-	-	-	(549)	(549)
Profit after taxation	-	-	-	-	203,712	203,712
Other comprehensive expenses, net of tax: - Foreign currency translation	-	-	-	(39,386)	-	(39,386)
Total comprehensive (expenses)/income for the year	-	-	-	(39,386)	203,712	164,326
As at 30.06.2018	764,965	-	389	53,080	177,356	995,790
12 months to 30.06.2017						
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	-	-	-	-	106,097	106,097
Other comprehensive income, net of tax: - Foreign currency translation	-	-	-	24,403	-	24,403
Total comprehensive income for the year	-	-	-	24,403	106,097	130,500
Transition to no-par value regime on 31.01.17 **	660,876	(660,876)	-	-	-	-
As at 30.06.2017	675,314	-	389	92,466	(25,807)	742,362

** *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

	YEAR ENDED 30.06.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	244,467
Adjustments for:	
Depreciation and amortisation of equipment and intangible assets	68,633
Interest income	(637)
Unrealised loss on foreign exchange	13,142
Finance costs	21,031
Impairment of Britannia Rig	6,607
Reversal of impairment of investment in an associate	(2,098)
Impairment of receivables	1,338
Provision for stock obsolescence	269
Share of results of an associate	650
Negative goodwill arising from business combination	(206,254)
Operating profit before working capital changes:	147,148
Trade receivables	(100,572)
Other receivables, deposits and prepayments	(25,257)
Trade payables	2,975
Other payables and accruals	66,422
Inventories	42,554
Amount owing by a joint venture	(2,413)
Amount owing to a joint venture	659
Amount owing by an associate	(28)
Cash generated from operating activities	131,488
Tax paid	(46,978)
Net cash generated from operating activities	84,510
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(57,183)
Interest received	637
Acquisition of intangible assets	(574)
Net cash outflow arising from business combination	(30,487)
Net cash used in investing activities	(87,607)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net proceeds from issuance of ordinary shares	89,912
Net cash generated from financing activities	89,912
Net increase in cash and cash equivalents	86,815
Effects of foreign exchange rate changes	(5,359)
Cash and cash equivalents at beginning of the financial year	54,501
	135,957
Less: Cash restricted in use ***	(13,878)
Cash and cash equivalents at end of the financial year	122,079

*** *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. Two such payments were contributed during the financial year ended 30 June 2018 ("**Current Year**").*

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

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*

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1 Adoption of Amendments to Standards and IC Interpretations (cont'd)

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**
MFRS 9	*Financial Instruments*	1 January 2018
MFRS 15	*Revenue from Contracts with Customers*	1 January 2018
Amendments to MFRS 2	*Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 140	*Clarification on 'Change in Use' - Asset transferred to, or from, Investment Properties*	1 January 2018
Annual Improvements MFRS 1	*First-time Adoption of Malaysian Financial Reporting Standards*	1 January 2018
Annual Improvements MFRS128	*Investment in Associates and Joint Ventures*	1 January 2018
Issues Committee Interpretation 22	*Foreign Currency Transactions and Advance Consideration*	1 January 2018
MFRS 16	*Leases*	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
Issues Committee Interpretation 23	*Uncertainty over Income Tax Treatments*	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 are 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 Current Year:

(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 Year, 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 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.

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)

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

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

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

The approval by Bursa Securities 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.

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

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

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.

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 Year.

6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER

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

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 USD28.8 million (RM111.1 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.

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

The fair value of the identifiable assets and liabilities of the Group's 50% participating interests in the 2011 North Sabah EOR PSC as at the date of acquisition are:

	Fair value recognised on acquisition RM'000
Assets	
Intangible assets	410,483
Inventories	93,750
	504,233
Liabilities	
Provision for decommissioning costs	(120,668)
Deferred tax liabilities	(62,248)
Accruals	(29,573)
	(212,489)
Total identifiable net assets at fair value	291,744
Negative goodwill from business combination	(206,254)
Purchase consideration	85,490
Purchase consideration:	
- Paid	9,665
- Payable *	81,662
Other amounts:	
- Unrecovered recoverable costs payable **	105,307
- Interim working capital and other adjustments receivable	(111,144)
	85,490

* *RM48.3 million (USD12.5 million) of this amount, representing the balance of the initial consideration, was paid in April 2018.*

** *Represents recoverable costs incurred by the Sellers as part of their executed work program but not yet recovered as of the Completion Date, subject to oil prices having reached certain thresholds.*

Deferred tax liabilities recognised upon completion of the business combination are mainly 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 asset. The reversal of the deferred tax liabilities will result in a tax credit being recorded in the profit or loss.

Save as disclosed above, there were no changes in the composition of the Group during the Current Year.

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 Year.

10 BORROWINGS, DEBT AND EQUITY SECURITIES

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

	YEAR ENDED 30.06.2018	
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	89,651
New ordinary shares arising from the exercise of Warrants C	100	- ***
As at 30.06.2018	1,588,228,791	764,965

*** *Negligible.*

(i) Placement Shares

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

(ii) New ordinary shares arising from the exercise of Warrants C

During the Current Year, 100 Warrants C were exercised at the exercise price of RM1.00 each and correspondingly, 100 new ordinary shares were allotted and issued, and subsequently listed on Main Market of Bursa Securities, raising a total of RM100.00.

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

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 in the 2011 North Sabah EOR PSC, which includes the management of the operations relating to the production of petroleum from four existing oil fields, namely St Joseph, South Furious, SF30 and Barton and existing pipeline infrastructure, the LCOT, and all other equipment and assets relating to the PSC. The functional currency of this segment is United States Dollars ("**USD**"). The closing rate adopted for conversion to RM in the Current Year is 4.034. The average rate adopted for conversion is 3.982, being the average from 1 April 2018 (the day immediately after the Completion Date) to 30 June 2018.
(ii)	Anasuria	Group's investments and operations in a geographically focused package of operated producing fields and associated infrastructure located approximately 175 km east of Aberdeen in the United Kingdom ("**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 Year are 4.068 and 4.034 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 Year are 3.149 and 2.989 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 30.06.2018						
Non-current assets	416,415	892,066	240,160	22,827	-	1,571,468
Included in the segment assets is:						
Investment in an associate	-	-	4,905	-	-	4,905
Additions to non-current assets	412,538	55,128	575	8,382	-	476,623
Year ended 30.06.2018						
Project management, technical and other service fees	-	-	-	4,994	-	4,994
Sales of crude oil and gas	181,886	207,379	-	-	-	389,265
Interest income	-	-	-	85	-	85
Revenue	181,886	207,379	-	5,079	-	394,344
Depreciation and amortisation	(13,775)	(44,376)	(6)	(10,476)	-	(68,633)
Profit/(loss) from operations	46,113	63,058	(5,956)	(38,460)	434	65,189
Reversal of impairment of investment in an associate	-	-	2,098	-	-	2,098
Impairment of receivables	-	(547)	-	(791)	-	(1,338)
Impairment of Britannia Rig	-	-	-	(6,607)	-	(6,607)
Share of results	-	-	(650)	-	-	(650)
Other income/(expense) from inter-company securities	-	-	27,943	(27,561)	(382)	-
Finance costs	(5,361)	(13,815)	(6,226)	(1,314)	5,685	(21,031)
Interest income	31	513	8	5,737	(5,737)	552
Taxation	(25,507)	(15,299)	42	9	-	(40,755)
Negative goodwill from business combination	206,254	-	-	-	-	206,254
Profit/(loss) after taxation	221,530	33,910	17,259	(68,987)	-	203,712
EBITDA/(Loss Before Interest, Taxes, Depreciation and Amortization ("**LBITDA**"))	266,173	107,400	17,764	(57,206)	-	334,131

<u>Note</u>:
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	221,530	33,910	(4,999)	(46,729)	-	203,712
EBITDA/(LBITDA)	266,173	107,400	(4,494)	(34,948)	-	334,131

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 30.06.2017					
Non-current assets	938,741	263,381	33,876	-	1,235,998
Included in the segment assets is:					
Investment in an associate	-	4,090	-	-	4,090
Additions to non-current assets	621	869	86	-	1,576
Year ended 30.06.2017					
Project management, technical and other services fees	-	-	4,439	-	4,439
Sales of crude oil and gas	256,818	-	-	-	256,818
Interest income	-	-	16	-	16
Revenue	256,818	-	4,455	-	261,273
Depreciation and amortisation	(58,553)	(3,403)	(10,498)	-	(72,454)
Profit/(loss) from operations	106,308	(12,206)	(2,763)	-	91,339
Reversal of impairment of investment in an associate	-	1,946	-	-	1,946
Impairment of receivables	(4,342)	-	(4,388)	-	(8,730)
Share of results	-	(512)	-	-	(512)
Finance costs	(19,389)	(9,446)	(30)	6,829	(22,036)
Interest income	-	-	6,829	(6,829)	-
Taxation	47,240	(3,173)	23	-	44,090
Profit/(loss) after taxation	129,817	(23,391)	(329)	-	106,097
EBITDA/(LBITDA)	160,519	(14,198)	10,176	-	156,497

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

	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	129,817	(16,562)	(7,158)	-	106,097
EBITDA/(LBITDA)	160,519	(7,369)	3,347	-	156,497

12 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions within the Group are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.06.2018 RM'000	QUARTER ENDED 30.06.2017 RM'000	PERIOD ENDED 30.06.2018 RM'000	PERIOD ENDED 30.06.2017 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	1	-	4	-
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	5	2	6	30
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	-	(98)	(121)	(167)
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 30 June 2018:

	RM'000
Approved and contracted for:	
Group's material commitments	1,170
Share of a joint operation's material commitments ^	46,871
	48,041
Approved but not contracted for:	
Group's material commitments	16,244
Share of a joint operation's material commitments	116,307
	132,551

^ *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 RM37.5 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 30.06.2018 RM'000	Current Year Quarter 30.06.2018 RM'000	Immediate Preceding Quarter 31.03.2018 RM'000	Current Year Quarter vs Immediate Preceding Quarter (Change in %)
North Sabah				
Revenue	181,886	181,886	-	-
EBITDA	**266,173**	**176,562**	**89,611**	**97**
Profit before taxation ("PBT")	247,037	157,426	89,611	76
Taxation	(25,507)	(25,507)	-	-
Profit after taxation ("PAT")	221,530	131,919	89,611	47
Anasuria				
Revenue	207,379	1,481	74,206	(98)
EBITDA	**107,400**	**5,168**	**34,828**	**(85)**
PBT/(Loss before taxation ("LBT"))	49,209	(12,287)	20,080	(161)
Taxation	(15,299)	(15,853)	1,567	-
PAT/(Loss after taxation ("LAT"))	33,910	(28,140)	21,647	(230)
3D Oil, VIC/L31 & VIC/P57				
Revenue	-	-	1	1
LBITDA	**(4,494)**	**(876)**	**(2,243)**	**61**
LBT	(5,041)	(867)	(2,232)	61
Taxation	42	42	-	-
LAT	(4,999)	(825)	(2,232)	63
Investment holding and group activities				
Revenue	5,079	1,260	1,213	4
LBITDA	**(34,948)**	**(3,606)**	**(22,550)**	**84**
LBT	(46,738)	(4,203)	(25,890)	84
Taxation	9	-	(1)	-
LAT	(46,729)	(4,203)	(25,891)	84
Group				
Revenue	394,344	184,627	75,420	145
EBITDA	**334,131**	**177,248**	**99,646**	**78**
PBT	244,467	140,069	81,569	72
Taxation	(40,755)	(41,318)	1,566	-
PAT	203,712	98,751	83,135	19

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 of 50% participating interests under the 2011 North Sabah EOR PSC on 31 March 2018. From Completion Date to 30 June 2018, the segment contributed RM181.9 million to revenue and RM96.9 million to gross profit from the sale of crude oil. From this segment of our business, we sold 623,544 barrels of crude oil in two cargoes, at an average realised price of USD73.26 per barrel ("**bbl**"). The first cargo was sold in April 2018 and the second in June 2018. Average operating costs ("**OPEX**") in this segment amounted to USD8.15 per bbl.

In addition, the 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 RM206.3 million.

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

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

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

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

- **Current quarter results**

During the current three-month period ("**Current Quarter**"), the segment recorded an EBITDA of RM176.6 million.

The initial provisional fair value of the identifiable assets and liabilities recognised upon acquisition at 31 March 2018 was subsequently finalized as at 30 June 2018, which resulted in an upward adjustment to negative goodwill in the Current Quarter amounting to RM93.8 million.

15 PERFORMANCE REVIEW (CONT'D)

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

In addition, in the Current Quarter, the segment achieved a gross profit of RM96.9 million from the sale of crude oil.

Segment PBT was RM157.4 million after deducting amortisation of intangible assets (RM13.8 million), unwinding of discount on deferred consideration and non-current payables (RM3.6 million) and unwinding of discount on the provision for decommissioning costs (RM1.8 million).

Net tax expenses incurred in the Current Quarter were due to taxes levied on profits generated from operations, partly off-set by a reversal of deferred tax liabilities.

(ii) Anasuria

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

The Anasuria segment recorded an EBITDA of RM107.4 million (51.8% margin over revenue) in the Current Year.

There were three crude oil offtakes in the Current Year, in which 791,822 bbls of crude were sold at an average realised oil price of USD60.11 per bbl.

Average uptime recorded was 76%. Average uptime 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 production activities on the Anasuria FPSO for planned maintenance work. In addition, we were also affected by two unplanned events that occurred during the Current Year, 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 Year and wells and facilities are now performing at the expected levels.

Segment PBT was RM49.2 million after having accounted for the following non-cash items:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM44.4 million;
- Unwinding of discount on provision for decommissioning costs of RM12.9 million; and,
- Unwinding of discount on deferred and contingent consideration of RM0.9 million.

15 PERFORMANCE REVIEW (CONT'D)

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

The segment recorded a net tax charge in the Current Year amounting to RM15.3 million. Income tax expenses that were recognised amounted to RM16.8 million. These were partly off-set by a net reversal of deferred tax liabilities which amounted to RM1.5 million.

- **Current quarter results**

Revenue recognised was derived solely from the sale of gas, as there was no crude oil sale during the Current Quarter.

Despite that, the segment achieved an EBITDA of RM5.2 million in the Current Quarter. This was largely attributable to the impact of a net unrealised foreign exchange gain of RM8.6 million. The appreciation of USD against the Great Britain Pound ("**GBP**") also favourably impacted the revaluation of the GBP-denominated provision for decommissioning costs as at 30 June 2018.

LBT for the Current Quarter stood at RM12.3 million after deducting the following items from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM14.2 million; and,

- Unwinding of discount on provision for decommissioning costs of RM3.3 million.

The tax regime in the UK which applies to the 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 it is 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. This creates a tax expense in the profit or loss account. However, such a tax expense is non-cash in nature. In the Current Quarter, Anasuria Hibiscus UK invested in capital expenditure amounting to RM31.3 million. This resulted in a deferred tax expense of RM12.5 million which has been charged to the profit or loss account.

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

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

The segment recorded LAT of RM5.0 million in the Current Year.

This was largely attributable to a one-off third-party engineering service related consultancy charge. In addition, the USD had appreciated against the segment's functional currency, AUD, in the Current Quarter. The settlement and period-end retranslation of the segment's USD-denominated payables resulted in net foreign exchange losses. 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 and current quarter results (Cont'd)

- **Current quarter results**

  Segment LAT in the Current Quarter was RM0.8 million.

  It was mainly due to adverse foreign exchange impact which arose from the appreciation of USD against AUD.

(iv) Investment holding and group activities

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

  During the Current Year, the segment recorded LAT of RM46.7 million.

  In the Current Year (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 production related activities for the foreseeable future. In addition, there is evidence of an oversupply of drilling rigs (available for conversion into production related equipment) in the global market, and as a result, the Group believes that there is likely to be a 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 RM6.6 million.

  Other major expense items (other than payroll-related expenses) include:

  - Unrealised foreign exchange losses of RM9.9 million from (i) 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 companies are wholly-owned subsidiaries of Hibiscus Petroleum Berhad and therefore, such unrealised losses on foreign exchange does not affect the cash flows of the Group; and, (ii) and impact of a weaker USD against the Ringgit which adversely impacted the period-end retranslation of USD-denominated inter-company receivables;

  - Depreciation of the Rig (from 1 July 2017 to 31 March 2018) of RM9.8 million; and,

  - Expenditure relating to business development activities and professional fees amounting to RM8.0 million.

- **Current quarter results**

  During the Current Quarter, this segment incurred a LAT of RM4.2 million. Expenses incurred during the Current Quarter are mainly professional fees and payroll-related charges.

15 PERFORMANCE REVIEW (CONT'D)

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

(B) Statements of Financial Position

(i) Non-current Assets

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

The increase was mainly driven by the inclusion of the amount attributable to the 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.

(ii) Current Assets

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

Only proceeds from one offtake from the North Sabah asset was included in the cash balance as at 30 June 2018. Proceeds from the second crude oil offtake amounting to RM95.8 million was received on schedule on 24 July 2018.

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

In addition, other operational-related receivables in North Sabah and Anasuria amounted to RM66.5 million and RM13.6 million.

Inventories have increased by RM53.9 million largely due to higher crude oil balances as at the end of the Current Year.

(iii) Total Liabilities

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

Increase in total liabilities include the following significant transactions relating to the 2011 North Sabah EOR PSC:

- 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 RM127.7 million;

- 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 30 June 2018 is RM112.6 million;

- Operations-related payables and accruals of RM80.3 million; and,

- Provision for taxation of RM44.9 million.

15 PERFORMANCE REVIEW (CONT'D)

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

In addition, as at 30 June 2018, the Group recorded higher share of AOCL's liabilities which had been incurred and was related to capital expenditure and operational activities amounting to RM53.3 million.

(iv) Total Equity

The increase in total equity during the Current Year by RM253.4 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 both the Anasuria Cluster and North Sabah assets, and also the inclusion of the negative goodwill in relation to the business combination arising from the Acquisition.

(C) <u>Statement of Cash Flows</u>

(i) Cash flow from operating activities

The Group's net cash inflow for the Current Year from operating activities was RM84.5 million. It mainly comprises cash received from operations at the Anasuria Cluster and North Sabah assets, 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 RM87.6 million. Cash outflow equivalent to RM57.2 million was paid for capital expenditure incurred during the Current Year, largely for activities conducted at the Anasuria Cluster.

In addition, RM30.5 million (USD7.5 million) was incurred to fulfil payment of the final tranche of the deferred consideration relating to the purchase of our equity interest in the Anasuria Cluster.

(iii) Cash flow from financing activities

Net cash generated by the Group from financing activities was RM89.9 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 Year.

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

The North Sabah segment achieved an EBITDA of RM176.6 million in the Current Quarter as compared to RM89.6 million in the in the three-month period ended 30 June 2018 ("**Preceding Quarter**").

The acquisition of 50% participating interests in the 2011 North Sabah EOR PSC was completed on 31 March 2018. During the Current Quarter, the Group recorded crude oil sales generated from this segment for the first time. A total of 623,544 bbls of crude oil were sold at an average realised price of USD73.26 per bbl. This generated RM181.9 million revenue and RM96.9 million gross profit.

The initial provisional fair value of the identifiable assets and liabilities reviewed in accordance with the provisions of *MFRS 3 Business Combinations* recognised upon acquisition at 31 March 2018 when compared against the purchase consideration resulted in a negative goodwill of RM112.4 million. This provisional fair value amount was recorded in the Preceding Quarter. The fair value amount of the identifiable assets and liabilities was subsequently finalized as at 30 June 2018, which resulted in an upward adjustment to negative goodwill in the Current Quarter amounting to RM93.8 million.

Net tax expenses incurred in the Current Quarter were attributable to profits generated from the sale of crude oil.

(ii) Anasuria

The segment recorded an EBITDA and a LBT of RM5.2 million and RM12.3 million respectively in the Current Quarter as compared to that achieved in the Preceding Quarter, i.e. EBITDA of RM34.8 million and PBT of RM20.1 million.

Anasuria Hibiscus UK sold 271,047 bbls of crude oil at an average realised price of USD65.03 per bbl in the Preceding Quarter. However, no crude oil sales were recorded in the Current Quarter.

A net tax expense of RM15.9 million was recognised in the Current Quarter as compared to a net tax credit of RM1.6 million in the Preceding Quarter.

Net tax expense in the Current Quarter was driven by the recognition of deferred tax liabilities arising from significant investments in capital expenditure. In the Current Quarter, Anasuria Hibiscus UK invested in capital expenditure amounting to RM31.3 million. The resulting deferred tax expense charged to the profit or loss account was RM12.5 million. Recognition of such deferred tax liabilities in the Preceding Quarter was significantly lower, due to lower capital expenditure of RM3.2 million, which resulted in a deferred tax expense of only RM1.5 million charged to the profit or loss account.

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 RM0.8 million as compared to a LAT of RM2.2 million in the Preceding Quarter.

At the end of each reporting quarter, an impairment assessment is 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 previous reporting quarter. 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 resulting adjustment in the Current Quarter was a reversal of impairment amounting to RM0.2 million, whilst in the Preceding Quarter the adjustment was an impairment loss of RM1.3 million.

(iv) Investment holding and group activities

This segment recorded a decrease in LAT of RM21.7 million in the Current Quarter as compared to a LAT of RM25.9 million in the Preceding Quarter.

This was mainly attributed to the following expense items which were higher in the Preceding Quarter:

- Higher net unrealised losses on foreign exchange of RM8.2 million largely arising from the translation of AUD-denominated intercompany securities at a weaker AUD against the Ringgit;
- Impairment of the Rig of RM6.6 million; and,
- Higher expenses incurred for business development activities and professional fees amounting to RM4.3 million.

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 29 August 2018, being the date of this Quarterly Report, is as follows:

<table>
<tr><th colspan="2">Purpose</th><th>Proposed utilisation of proceeds from the Private Placement

RM'000</th><th>Actual utilisation as of 29 August 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)</td><td>Working capital for the business operation expenditures of the Group</td><td>37,086</td><td>35,000</td><td rowspan="4">Within twelve (12) months</td><td>94</td></tr>
<tr><td>(ii)</td><td>Payment of trade and other payables</td><td>17,800</td><td>16,500</td><td>93</td></tr>
<tr><td>(iii)</td><td>Potential expansion and capital expenditure</td><td>29,450</td><td>29,450</td><td>100</td></tr>
<tr><td>(iv)</td><td>New business development</td><td>5,300</td><td>420</td><td>8</td></tr>
<tr><td>(v)</td><td>Estimated expenses relating to the Private Placement ^^</td><td>1,460</td><td>1,460</td><td>Within six (6) months</td><td>100</td></tr>
<tr><td colspan="2">Total</td><td>91,096</td><td>82,830</td><td colspan="2"></td></tr>
</table>

^^ *In the Unaudited Quarterly Financial Report 31 March 2018, RM1.81 million was allocated for "Estimated expenses relating to the Private Placement". However, only RM1.46 million has been incurred. The remaining unutilised amount of RM0.35 million has been re-allocated to "Working capital for the business operation expenditures of the Group".*

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

During the Current Year, 100 Warrants C were exercised at the exercise price of RM1.00 each and correspondingly, 100 new shares were allotted and issued, and subsequently listed on Main Market of Bursa Securities. Thus, the Company had received RM100.00 from the exercise of Warrants C as at such time. As the proceeds received were a relatively small amount, the Company has no intention to utilise such amount for any purpose yet.

19 PROSPECTS OF THE GROUP

Going forward, the Group is focusing its resources on:

North Sabah

- Planned maintenance and 2019 development projects – We intend to ramp-up planned maintenance activities in the next two financial quarters. We are also preparing for commencement of development projects in the 2019 calendar year; and,

- Continued integration and optimisation of North Sabah production operations – Our efforts remain focused on ensuring the seamless integration of the North Sabah operations with our existing work processes and performance based operating culture. We will also be focused on lowering average unit production costs over the medium term.

Anasuria Cluster

- High-grading drilling opportunities for 2019 and 2020 – We have identified several drilling opportunities in the Guillemot A, Teal and Teal South fields which can be drilled in 2019 and 2020. Sub-surface evaluation work is on-going so that opportunities may be ranked for investment consideration.

- Identifying opportunities to enhance uptime and production – We have identified opportunities to build redundancy and debottleneck our processing facilities on the Anasuria FPSO facility. These opportunities are being evaluated and if implemented, will potentially increase liquid production rates. We are currently conducting detailed engineering studies to rank the various opportunities. These opportunities are part of our strategy to enhance production from the Anasuria Cluster to a volume of circa 5,000 bbls/day (net) by financial year ending 30 June 2020.

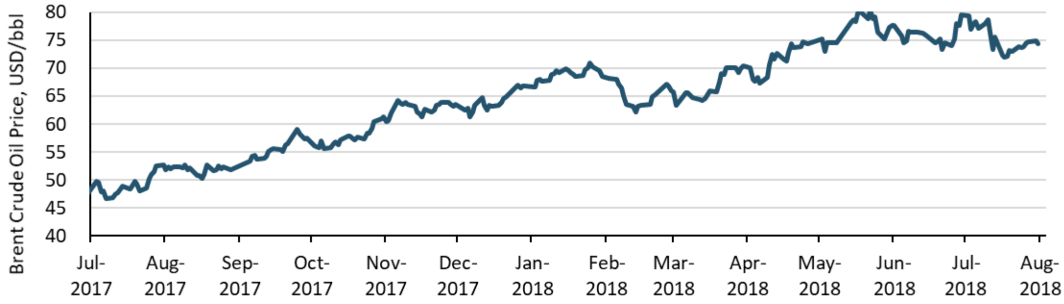
Apart from the specific activities mentioned above, it should be noted that the financial results of the Group are currently underpinned mainly by the operational performance of the oilfields in the Anasuria Cluster and the North Sabah assets. Several key factors are particularly relevant. These are:

1. Price of the Brent crude oil benchmark at approximately the time of a scheduled offtake from the Anasuria FPSO and the LCOT. We expect that Brent crude oil prices would be sustainable at current price levels 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;
    - Higher oil supply disruption risk with rising geopolitical tensions in the Middle East region;
    - Continuing production decline in Venezuela and supply disruption in Libya;
    - 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 August 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, mainly:

   - 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.

   - 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 the North Sabah oilfields, the Group continuously focuses on optimising asset performance, but it is equally important to note (from the information provided above) that our performance is impacted daily by external macroeconomic factors over which we exert minimal control.

19 PROSPECTS OF THE GROUP (CONT'D)

Anasuria Cluster: Production Operations

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

	Units	**April to June 2018**	**January to March 2018**	**October to December 2017**	**July to September 2017**
Average uptime	%	94	82	57	70
Average daily oil production rate	bbl/day	3,375	2,798	2,071	2,576
Average daily gas export rate @	boe/day	360	304	141	156
Average daily oil equivalent production rate	boe/day	3,736	3,102	2,212	2,731
Total oil sold	bbl	0	271,047	274,644	246,132
Total gas exported (sold)	mmscf	197	162	77	87
Average realised oil price	USD/bbl	n.a.	65.03	62.93	51.54
Average gas price	USD/mmbtu	2.36 ∞/ 5.51 #	2.60 ∞/ 5.71 #	2.35 ∞/ 5.23 #	1.58 ∞/ 3.86 #
Average OPEX per boe	USD/boe	16.39	23.96	34.33	23.61

@ *Conversion rate of 6,000 standard cubic feet ("**scf**")/boe.*
∞ *For Cook field.*
For Guillemot A, Teal and Teal South fields.
boe – bbl of oil equivalent.
mmscf – million standard cubic feet.
mmbtu – million British thermal units.
n.a. – not applicable.

As of 30 June 2018, the Company's indirect wholly-owned subsidiary, Anasuria Hibiscus UK has been involved in the joint operations of the Anasuria asset for over two years. We continue to relentlessly apply ourselves towards improving operational performance. Average uptime and average daily oil production rate have continued to improve in the Current Quarter when compared to the previous quarters as shown in the table above. As a result of a higher average daily oil production rate and our continued management of costs, the OPEX per boe, another key performance indicator, has decreased.

There were no major planned or unplanned events during the Current Quarter that significantly impacted operational performance of the asset. The result of the major maintenance work that has been undertaken since the month-long planned FPSO turnaround in September and October last year is reflected in the operational performance of the Current Quarter. The average uptime has steadily improved to 94%, which has contributed to an approximately 20% increase in the average daily oil equivalent production rate of 3,736 boe/day when compared to the Previous Quarter.

Over the past two years, it has been the practice of the Company to conduct at least one cargo offtake on a quarterly basis. In the Current Quarter, the Company did not conduct a crude oil offtake. The offtake was deferred to 2 July 2018 to ensure the overall safety and smooth running of operations whilst the drilling of the GUA-P2 side track well was ongoing. As of the date of this report, the Company has successfully completed two crude oil offtakes (524,432 bbls) for the financial quarter ending 30 September 2018 ("**1Q 19**"). This is expected to contribute favourably to our financial performance for 1Q 19.

19 PROSPECTS OF THE GROUP (CONT'D)

Anasuria Cluster: Drilling of P2-ST

Drilling of a side-track from the GUA-P2 oil producing well on the Guillemot-A field ("**P2-ST**") had commenced on 4 June 2018 and is expected to be completed by the early part of September 2018. It entailed re-entering the existing GUA-P2 well and subsequently side-tracking the well towards a compartment of the Forties reservoir that was prognosed to be untapped. This project is a production enhancement project, with the objective of unlocking additional volumes of oil.

The P2-ST project represents the Company's first major capital expenditure programme in the Anasuria Cluster and upon its completion, the production from the GUA-P2 well is expected to increase the average daily production of the Anasuria Cluster as a whole. The Group had incurred approximately RM30.1 million during the Current Quarter towards P2-ST, and the total estimated cost on completion of the project is forecasted to be RM95.9 million. It is important to note that in the UK, Anasuria Hibiscus UK is entitled to a total tax savings of RM44.4 million (46.25% of capital expenditure on this project). There was no other major capital expenditure incurred in the Current Quarter.

Anasuria Cluster: Cook Water Injector Project

Anasuria Hibiscus UK together with its partners in the Cook field, had, in May 2018, sanctioned the Cook Water Injection ("**Cook WI**") project. Ithaca Energy UK Limited is the operator of the Cook field. This project involves the drilling of a water injection well into the Cook field to increase its reservoir pressure. It is hoped that an increased reservoir pressure will stimulate higher production and also enhance oil recovery from this field. The water injection well is targeted to be drilled in mid-2019 and a subsea pipeline is expected to be installed in the second half of 2019. This subsea pipeline will link the water injection well to the Anasuria FPSO. Our anticipated total capital commitment to this project is anticipated to be approximately RM11.4 million in 2018 and approximately RM50.2 million in 2019 respectively.

Anasuria Cluster: Reserves Upgrade

The P2-ST and Cook WI projects are consistent with the Group's production enhancement strategy to unlock value from the Anasuria Cluster. To this end, the Company had commissioned Leap Energy Partners Sdn Bhd ("**Leap**") to undertake an independent evaluation of in-place and recoverable hydrocarbons in the Anasuria Cluster attributable to Anasuria Hibiscus UK. In a report dated 23 July 2018, Leap has stated that based on its evaluation, the proved and probable reserves ("**2P Reserves**") net to Anasuria Hibiscus UK have been increased to 24.4 million bbls ("**mmbbls**") as of 1 July 2018.

The 2P Reserves estimated by Leap represents a net increase of 4.2 mmbbls or 20.8% compared to 20.2 mmbbls projected by RPS Energy Consultants Limited ("**RPS Energy**") as of 1 March 2016, after factoring Anasuria Hibiscus UK's production to date from the asset. Anasuria Hibiscus UK has produced approximately 2.5 mmbbls of oil during the period since the acquisition of its interest in the Anasuria Cluster.

The table below represents the crude oil 2P Reserves (mmbbls) movement of Anasuria Hibiscus UK since the acquisition of the Anasuria Cluster.

Reserves Report	Period Start Date	Reserves at Start	Produced	Added
RPS Energy (June 2016)	1 March 2016	20.2	2.5	6.7
Leap (August 2018)	1 July 2018	24.4	n.a.	n.a.

19 PROSPECTS OF THE GROUP (CONT'D)

North Sabah: Production Operations

On 31 March 2018, the Company's indirect wholly-owned subsidiary, SEA Hibiscus successfully assumed the role of the operator of the North Sabah assets from Shell. As the operator, SEA Hibiscus is responsible for the day-to-day operations, maintenance, and any production enhancement projects carried out in the asset.

The table below provides a summary of key operational statistics for the North Sabah asset for the Current Quarter as well as for the previous three financial quarters.

	Unit	April to June 2018 [3]	January to March 2018	October to December 2017	July to September 2017
Average uptime	%	96	96	93	88
Average gross oil production	bbl/day	15,954	15,167	14,866	14,048
Average net oil production	bbl/day	5,903	5,710	5,500	5,198
Total oil sold	bbls	623,544	287,019	586,657	287,850
Average realised oil price [1, 2]	USD/bbl	73.26	71.44	67.20	55.80
Average OPEX per bbl (unit production cost)	USD/bbl	8.15	12.92	18.50	15.25

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

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

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

The average uptime of 96% is consistent with performance in the Preceding Quarter, whilst the average oil production rate has marginally increased by approximately 4%. There were two oil offtakes conducted with a total of 623,544 bbls of oil net to SEA Hibiscus sold in the Current Quarter. The weighted average realised oil price for these two oil cargoes was USD73.26 per bbl.

Whilst the production rate and uptime were fairly consistent with performance in the Preceding Quarter, the OPEX per bbl for North Sabah saw a reduction of approximately 37% to USD8.15 per bbl. The Company expects the OPEX per bbl to increase over the next two financial quarters with a ramp-up in planned maintenance activities.

In terms of capital expenditure, SEA Hibiscus had incurred approximately RM0.5 million during the Current Quarter for production maintenance and onshore support projects. No development or exploration activities have been carried out in the Current Quarter.

SEA Hibiscus will continue in its efforts to ensure a seamless integration of the North Sabah operations with the Company's existing work processes and performance based operating culture. We also look forward towards identifying and implementing production optimization and enhancement initiatives 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.

19 PROSPECTS OF THE GROUP (CONT'D)

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.

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 the total net production entitlements in the range of 40% to 50% of our 2021 mission. Net 2P reserves that have been achieved towards our 2021 mission 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 critical milestones that are key towards the successful delivery of this mission, which are:

- The safe execution of the P2-ST project is expected to result in incremental production to be realised starting from 1Q 19; and,
- Completion of the North Sabah transaction and ongoing integration of the North Sabah operations.

We believe that the achievement of these milestones coupled with a relatively stable crude oil price environment are positive value enhancing triggers for our shareholders. Barring unforeseen circumstances, we expect these factors to augur well for the Group's performance in the next 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 Year.

22 PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

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 year.

		INDIVIDUAL QUARTER		**CUMULATIVE QUARTER**	
		QUARTER ENDED 30.06.2018 RM'000	**QUARTER ENDED 30.06.2017 RM'000**	**YEAR ENDED 30.06.2018 RM'000**	**YEAR ENDED 30.06.2017 RM'000**
Profit after taxation attributable to owners of the Company (RM'000)	(A)	98,751	8,654	203,712	106,097
Weighted average number of shares for basic earnings per share computation ('000)	(B)	1,588,229	1,443,844	1,543,997	1,413,202
Effects of dilution of Warrants C		317,645	-	88,767	-
Weighted average number of shares for diluted earnings per share computation ('000)	(C)	1,905,874	1,443,844	1,632,764	1,413,202
Basic earnings per share (sen)	(A/B)	6.22	0.60	13.19	7.51
Diluted earnings per share (sen)	(A/C)	5.18	0.60	12.48	7.51

26 OTHER INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.06.2018 RM'000	QUARTER ENDED 30.06.2017 RM'000	YEAR ENDED 30.06.2018 RM'000	YEAR ENDED 30.06.2017 RM'000
Sundry income	-	621	12	2,525
Interest income	300	-	552	-
Unrealised gain on foreign exchange ^^^	8,203	8,542	-	17,533
Realised gain on foreign exchange ^^^	-	-	3,332	17,826
	8,503	9,163	3,896	37,884

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

27 PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.06.2018 RM'000	QUARTER ENDED 30.06.2017 RM'000	YEAR ENDED 30.06.2018 RM'000	YEAR ENDED 30.06.2017 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Depreciation and amortisation of equipment and intangible assets	28,340	18,142	68,633	72,454
Interest income	(591)	(1)	(637)	(16)
Finance costs	8,839	3,189	21,031	22,036
Unrealised (gain)/loss on foreign exchange ^^^^	(8,203)	(8,542)	13,142	(17,533)
Realised loss/(gain) on foreign exchange ^^^^	818	137	(3,332)	(17,826)
Share of results of an associate	(44)	160	650	512
Impairment of receivables	-	3,926	1,338	8,730
Provision for stock obsolescence	269	-	269	-
Reversal of impairment of investment in an associate	(248)	(269)	(2,098)	(1,946)
Impairment of Britannia Rig	-	-	6,607	-
Negative goodwill from business combination	(93,821)	-	(206,254)	-

^^^^ *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 Year.

28 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.06.2018 RM'000	QUARTER ENDED 30.06.2017 RM'000	PERIOD ENDED 30.06.2018 RM'000	PERIOD ENDED 30.06.2017 RM'000
Income taxation	(56,218)	(21,362)	(65,910)	(49,383)
Deferred taxation	14,900	2,313	25,155	93,473
	(41,318)	(19,049)	(40,755)	44,090

Breakdown by operating segments:

OPERATING SEGMENTS	Individual Quarter		Cumulative Quarter	
	Quarter Ended 30.06.2018 RM'000	Quarter Ended 30.06.2017 RM'000	Period Ended 30.06.2018 RM'000	Period Ended 30.06.2017 RM'000
North Sabah				
Income taxation	(49,187)	-	(49,187)	-
Deferred taxation	23,680	-	23,680	-
Total	**(25,507)**	-	**(25,507)**	-
Anasuria				
Income taxation	(7,073)	(21,366)	(16,774)	(46,233)
Deferred taxation	(8,780)	2,313	1,475	93,473
Total	**(15,853)**	**(19,053)**	**(15,299)**	**47,240**
3D Oil, VIC/L31 & VIC/P57				
Income taxation	42	-	42	(3,173)
Deferred taxation	-	-	-	-
Total	**42**	-	**42**	**(3,173)**
Investment holding and group activities				
Income taxation	-	4	9	23
Deferred taxation	-	-	-	-
Total	-	**4**	**9**	**23**
Group				
Income taxation	(56,218)	(21,362)	(65,910)	(49,383)
Deferred taxation	14,900	2,313	25,155	93,473
Total	**(41,318)**	**(19,049)**	**(40,755)**	**44,090**

28 TAXATION (CONT'D)

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.

- North Sabah

  Upon the Group's completion of the acquisition of 50% participating interests under the 2011 North Sabah EOR PSC, deferred tax liabilities are recognised on intangible assets and inventories acquired. This was partly off-set by deferred tax assets recognised on provision for decommissioning costs. The net deferred tax liabilities will gradually reverse, generating a tax credit (i.e. a gain) in the profit or loss account.

- Anasuria

  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.

  In the UK, any investments in capital expenditures made are deductible from both taxes mentioned above in the same financial year they are incurred. Deferred tax liabilities are recognised in respect of the carrying value of the capital expenditure incurred at the end of the financial year. The setting up of the deferred tax liabilities 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 liabilities 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
29 August 2018