HIBISCUS PETROLEUM BERHAD

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

Unaudited Quarterly Financial Report
30 September 2018

HIBISCUS PETROLEUM BERHAD
(Company No: 798322-P)
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	**QUARTER ENDED 30.09.2018 RM'000**	**QUARTER ENDED 30.09.2017 RM'000**	**PERIOD ENDED 30.09.2018 RM'000**	**PERIOD ENDED 30.09.2017 RM'000**
Revenue		359,955	58,236	359,955	58,236
Cost of sales		(109,650)	(18,996)	(109,650)	(18,996)
GROSS PROFIT		250,305	39,240	250,305	39,240
Other income	26	745	685	745	685
Administrative expenses		(41,664)	(7,707)	(41,664)	(7,707)
Other expenses		(32,838)	(16,791)	(32,838)	(16,791)
Finance costs		(11,237)	(5,343)	(11,237)	(5,343)
Share of results of an associate		(101)	(362)	(101)	(362)
PROFIT BEFORE TAXATION	27	165,210	9,722	165,210	9,722
Taxation	28	(65,209)	1,062	(65,209)	1,062
PROFIT AFTER TAXATION		100,001	10,784	100,001	10,784
PROFIT AFTER TAXATION ATTRIBUTABLE TO:					
- Owners of the Company		100,001	10,784	100,001	10,784
EARNINGS PER SHARE (SEN)					
Basic	25	6.30	0.73	6.30	0.73
Diluted	25	5.25	0.73	5.25	0.73

Note:

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")		209,180	28,861	209,180	28,861

(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 2018 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2018 RM'000	QUARTER ENDED 30.09.2017 RM'000	PERIOD ENDED 30.09.2018 RM'000	PERIOD ENDED 30.09.2017 RM'000
PROFIT AFTER TAXATION	100,001	10,784	100,001	10,784
Other comprehensive income/(expenses):				
Items that may be subsequently reclassified to profit or loss:				
- Foreign currency translation *	19,100	(7,573)	19,100	(7,573)
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER/PERIOD	119,101	3,211	119,101	3,211
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the Company	119,101	3,211	119,101	3,211

* *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 2018 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 30.09.2018 RM'000	AUDITED AS AT 30.06.2018 RM'000
ASSETS			
NON-CURRENT ASSETS			
Investment in an associate		6,144	4,905
Intangible assets		1,340,030	1,337,252
Equipment		300,501	229,311
		1,646,675	1,571,468
CURRENT ASSETS			
Inventories		20,029	57,914
Trade receivables		112,598	109,028
Other receivables, deposits and prepayments		134,727	98,984
Amount owing by a joint venture		466	608
Amount owing by an associate		-	5
Cash and bank balances		302,188	135,957
		570,008	402,496
TOTAL ASSETS		2,216,683	1,973,964
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	764,965	764,965
Other reserves		72,569	53,469
Retained earnings		277,357	177,356
		1,114,891	995,790
NON-CURRENT LIABILITIES			
Deferred consideration		17,829	16,946
Contingent consideration		1,917	1,822
Finance lease liabilities		7,718	6,628
Other payables		99,325	112,621
Deferred tax liabilities		360,333	345,172
Provision for decommissioning costs		270,639	259,237
		757,761	742,426

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 2018 and the accompanying explanatory notes attached to the financial statements.

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

	Note	UNAUDITED AS AT 30.09.2018 RM'000	AUDITED AS AT 30.06.2018 RM'000
CURRENT LIABILITIES			
Trade payables		3,587	3,126
Other payables and accruals		216,533	156,143
Deferred consideration		19,696	18,717
Amount owing to a joint venture		318	595
Amount owing to an associate		447	-
Finance lease liabilities		4,198	1,421
Provision for taxation		99,033	55,527
Redeemable Convertible Preference Shares		219	219
		344,031	235,748
TOTAL LIABILITIES		1,101,792	978,174
TOTAL EQUITY AND LIABILITIES		2,216,683	1,973,964
NET ASSETS PER SHARE (RM)		0.70	0.63

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 2018 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<----------- NON-DISTRIBUTABLE ------->				
	SHARE CAPITAL RM'000	**OTHER RESERVES RM'000**	**FOREIGN EXCHANGE RESERVE RM'000**	**RETAINED EARNINGS/ (ACCUMULATED LOSSES) RM'000**	**TOTAL RM'000**
3 months to 30.09.2018					
As at 01.07.2018	764,965	389	53,080	177,356	995,790
Profit after taxation	-	-	-	100,001	100,001
Other comprehensive income, net of tax:					
- Foreign currency translation	-	-	19,100	-	19,100
Total comprehensive income for the year	-	-	19,100	100,001	119,101
As at 30.09.2018	764,965	389	72,180	277,357	1,114,891
3 months to 30.09.2017					
As at 01.07.2017	675,314	389	92,466	(25,807)	742,362
Issuance of shares	23,492	-	-	-	23,492
Profit after taxation	-	-	-	10,784	10,784
Other comprehensive expenses, net of tax:					
- Foreign currency translation	-	-	(7,573)	-	(7,573)
Total comprehensive (expenses)/income for the year	-	-	(7,573)	10,784	3,211
As at 30.09.2017	698,806	389	84,893	(15,023)	769,065

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 2018 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	QUARTER ENDED 30.09.2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	165,210
Adjustments for:	
Depreciation and amortisation of equipment and intangible assets	32,733
Interest income	(164)
Unrealised loss on foreign exchange	105
Finance costs	11,237
Reversal of impairment of investment in an associate	(1,335)
Share of results of an associate	101
Operating profit before working capital changes:	207,887
Inventories	39,089
Trade receivables	(1,051)
Other receivables, deposits and prepayments	(32,317)
Trade payables	375
Other payables and accruals	33,390
Amount owing by a joint venture	148
Amount owing to a joint venture	(433)
Amount owing by an associate	5
Amount owing to an associate	448
Cash generated from operating activities	247,541
Tax paid	(17,608)
Net cash generated from operating activities	229,933
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(67,191)
Interest received	164
Acquisition of intangible assets	(406)
Net cash used in investing activities	(67,433)
Net increase in cash and cash equivalents	162,500
Effects of foreign exchange rate changes	3,731
Cash and cash equivalents at beginning of the financial quarter	135,957
	302,188
Less: Cash restricted in use **	(14,058)
Cash and cash equivalents at end of the financial quarter	288,130

** *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.*

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 2018 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 2018 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 2018.

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 2018.

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 2018:

Annual Improvements to MFRS 128	*Investments in Associates and Joint Ventures*
IC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*
MFRS 9	*Financial Instruments*
MFRS 15	*Revenue from Contracts with Customers*

The adoption of the above amendments did not have any material 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 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

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Standards issued but not yet effective (Cont'd)

IC 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 Conceptual Framework for Financial Reporting (Revised 2018)		1 January 2020

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

There were no significant or unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter ended 30 September 2018 ("**Current Quarter**").

5 MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported in the prior financial periods that have a material effect in the Current Quarter.

6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER

Saved as disclosed below, there were no other material events subsequent to the end of the Current Quarter up to the date of this Quarterly Report.

The below-mentioned transaction, which commenced after the Current Quarter, was completed as at the date of this Quarterly Report:

(i) Acquisition of a 50% interest in the United Kingdom ("**UK**") Continental Shelf Petroleum Production Licence No. P.198 Block 15/13a and Block 15/13b in UK Central North Sea by Anasuria Hibiscus UK, an indirect wholly-owned subsidiary of Hibiscus Petroleum Berhad ("**Hibiscus Petroleum**" or "**the Company**"), for a total cash consideration of USD37.5 million.

The Company had on 9 October 2018 announced that, its indirect wholly-owned subsidiary, Anasuria Hibiscus UK, entered into a conditional sale and purchase agreement ("**SPA**") with Caldera Petroleum (UK) Ltd ("**Caldera**") on 8 October 2018 to acquire a 50% interest in the UK Continental Shelf Petroleum Production Licence No. P.198 Block 15/13a and Block 15/13b in the UK Central North Sea (collectively referred as "**Blocks**") for a total cash consideration of USD37.5 million ("**Acquisition**").

6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER (CONT'D)

Subsequently, the Company had on 17 October 2018 announced that, the conditions precedent to the SPA in connection with the Acquisition have been fulfilled on 16 October 2018, save for the written consent of the Oil & Gas Authority of UK ("**OGA**") for the transfer of operatorship to Anasuria Hibiscus UK which had been waived ("**OGA Consent**"). This OGA Consent is now a post-completion event. It is contemplated that Anasuria Hibiscus UK will assume operatorship of the Blocks upon approval from the OGA. In conjunction thereto, the SPA had become unconditional on the same day.

Pursuant to payment of the purchase consideration of USD37.5 million in cash from internally generated funds, the Acquisition was completed on 16 October 2018.

Please refer to our announcements dated 9 October 2018 and 17 October 2018 for further details.

7 CHANGES IN THE COMPOSITION OF THE GROUP

During the Current Quarter, the Group's associate, 3D Oil Limited ("**3D Oil**"), had issued new ordinary shares to third parties. It resulted in the Group's investment in 3D Oil to be diluted from 13.04% as at 30 June 2018 to 12.95% and 11.89% as at 30 July 2018 and 11 September 2018 respectively.

As at 30 September 2018, the Group's investment in 3D Oil is 11.89%.

Note that subsequent to the Current Quarter up to the date of this Quarterly Report, 3D Oil had further issued additional new ordinary shares on 3 October 2018 and 21 November 2018, also to third parties. As at the date of this Quarterly Report, the Group's investment in 3D Oil is 11.68%.

Except for the above, there were no other changes in the composition of the Group during the Current Quarter.

8 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

9 DIVIDENDS PAID/PAYABLE

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

10 BORROWINGS, DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of borrowings, debt and equity securities during the Current Quarter.

	QUARTER ENDED 30.09.2018	
ORDINARY SHARES	**Number of shares**	**Share capital RM'000**
As at 30.09.2018/01.07.2018	1,588,228,791	764,965

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 50% participating interests in the 2011 North Sabah Enhanced Oil Recovery ("**EOR**") Production Sharing Contract ("**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 Labuan Crude Oil Terminal ("**LCOT**"), and all other equipment and assets relating to the PSC. The functional currency of this segment is United States Dollars ("**USD**"). The average and closing rates adopted for conversion to RM in the Current Quarter are 4.106 and 4.140 respectively.
(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 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 Quarter are 4.106 and 4.140 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. The functional currency of the segment is Australian Dollar ("**AUD**"). The average and closing rates adopted for conversion to RM in the Current Quarter are 2.994 and 2.991 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 30.09.2018						
Non-current assets	411,861	966,507	241,961	26,346	-	1,646,675
Included in the segment assets is:						
Investment in an associate	-	-	6,144	-	-	6,144
Additions to non-current assets	1,736	65,449	406	4,070	-	71,661
Period ended 30.09.2018						
Project management, technical and other service fees	-	-	-	1,083	-	1,083
Sales of crude oil and gas	191,986	166,794	-	-	-	358,780
Interest income	-	-	2	90	-	92
Revenue	191,986	166,794	2	1,173	-	359,955
Depreciation and amortisation	(17,166)	(15,005)	-	(562)	-	(32,733)
Profit/(loss) from operations	83,576	99,061	(925)	(6,571)	-	175,141
Reversal of impairment of investment in an associate	-	-	1,335	-	-	1,335
Share of results	-	-	(101)	-	-	(101)
Finance costs	(7,633)	(3,413)	-	(191)	-	(11,237)
Interest income	72	-	-	-	-	72
Taxation	(31,060)	(34,149)	-	-	-	(65,209)
Profit after taxation ("**PAT**")/ (Loss after taxation ("**LAT**"))	44,955	61,499	309	(6,762)	-	100,001
EBITDA/(Loss Before Interest, Taxes, Depreciation and Amortization ("**LBITDA**"))	100,814	114,066	309	(6,009)	-	209,180

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

PAT/(LAT)	44,955	61,499	309	(6,762)	-	100,001
EBITDA/(LBITDA)	100,814	114,066	309	(6,009)	-	209,180

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 30.09.2017					
Non-current assets	918,776	265,889	30,469	-	1,215,134
Included in the segment assets is:					
Investment in an associate	-	5,636	-	-	5,636
Additions to non-current assets	5,781	373	-	-	6,154
Period ended 30.09.2017					
Project management, technical and other services fees	-	-	1,178	-	1,178
Sales of crude oil and gas	57,048	-	-	-	57,048
Interest income	-	3	7	-	10
Revenue	57,048	3	1,185	-	58,236
Depreciation and amortisation	(10,247)	(2)	(3,547)	-	(13,796)
Profit/(loss) from operations	23,003	459	(9,014)	-	14,448
Reversal of impairment of investment in an associate	-	1,885	-	-	1,885
Impairment of amount owing by a joint venture	-	-	(906)	-	(906)
Share of results	-	(362)	-	-	(362)
Finance costs	(3,964)	(2,474)	(758)	1,853	(5,343)
Interest income	-	-	1,853	(1,853)	-
Taxation	1,068	-	(6)	-	1,062
PAT/(LAT)	20,107	(492)	(8,831)	-	10,784
EBITDA/(LBITDA)	33,250	131	(4,520)	-	28,861

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

PAT/(LAT)	20,107	1,361	(10,684)	-	10,784
EBITDA/(LBITDA)	33,250	1,984	(6,373)	-	28,861

12 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions within the Group are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2018 RM'000	QUARTER ENDED 30.09.2017 RM'000	PERIOD ENDED 30.09.2018 RM'000	PERIOD ENDED 30.09.2017 RM'000
Project management, technical and other services fees earned from joint ventures				
- Ping Petroleum UK Limited	1,169	1,136	1,169	1,136
- HIREX	-	42	-	42
Joint Operating Agreement indirect overheads recovery from an associate				
- 3D Oil	6	3	6	3
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	1	1	1	1
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	(205)	(94)	(205)	(94)

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 September 2018:

	RM'000
Approved and contracted for:	
Group's capital commitments	704
Share of a joint operation's capital commitments	222
	926
Share of a joint operation's other material commitments	37,979
	38,905
Approved but not contracted for:	
Group's capital commitments	13,495
Share of a joint operation's capital commitments	60,053
	73,548
Share of a joint operation's other material commitments	1,075
	74,623

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 Quarter 30.09.2018 RM'000	Immediate Preceding Quarter 30.06.2018 RM'000	Current Year Quarter vs Immediate Preceding Quarter (Change in %)
North Sabah			
Revenue	191,986	181,886	6
EBITDA	**100,814**	**176,562**	(43)
Profit before taxation ("PBT")	76,015	157,426	(52)
Taxation	(31,060)	(25,507)	(22)
PAT	44,955	131,919	(66)
Anasuria			
Revenue	166,794	1,481	11,162
EBITDA	**114,066**	**5,168**	2,107
PBT/(Loss before taxation ("LBT"))	95,648	(12,287)	-
Taxation	(34,149)	(15,853)	(115)
PAT/(LAT)	61,499	(28,140)	-
3D Oil, VIC/L31 & VIC/P57			
Revenue	2	-	-
EBITDA	**309**	**(876)**	-
PBT/(LBT)	309	(867)	-
Taxation	-	42	-
PAT/(LAT)	309	(825)	-
Investment holding and group activities			
Revenue	1,173	1,260	(7)
LBITDA	**(6,009)**	**(3,606)**	(67)
LBT	(6,762)	(4,203)	(61)
Taxation	-	-	-
LAT	(6,762)	(4,203)	(61)
Group			
Revenue	359,955	184,627	95
EBITDA	**209,180**	**177,248**	18
PBT	165,210	140,069	18
Taxation	(65,209)	(41,318)	(58)
PAT	100,001	98,751	1

15 PERFORMANCE REVIEW (CONT'D)

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

(A) <u>Statements of Profit or Loss</u>

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

(i) North Sabah

- **Current quarter results**

The Company's indirect wholly-owned subsidiary, SEA Hibiscus Sdn Bhd ("**SEA Hibiscus**"), completed the acquisition of 50% participating interests in the 2011 North Sabah EOR PSC on 31 March 2018.

In the Current Quarter, from this segment of our business, we sold 595,286 barrels of crude oil in two cargoes, at an average realised price of USD78.55 per barrel ("**bbl**"). The segment contributed RM192.0 million to revenue and RM132.1 million to gross profit from the sale of crude oil. Average operating costs ("**OPEX**") in this segment amounted to USD11.54 per bbl.

Segment PBT was RM76.0 million after deducting the following items, all of which are non-cash in nature:

- Amortisation of intangible assets of RM17.2 million;
- Unwinding of discount on deferred consideration and non-current payables of RM3.5 million; and,
- Unwinding of discount on provision for decommissioning costs of RM3.0 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 Quarter were due to taxes levied on profits generated from operations, partly off-set by a reversal of deferred tax liabilities.

(ii) Anasuria

- **Current quarter results**

The Anasuria segment recorded an EBITDA of RM114.1 million (68.4% margin over revenue) in the Current Quarter.

Total revenue recorded was RM166.8 million. There were two crude oil offtakes in the Current Quarter, in which 523,899 bbls of crude were sold at an average realised oil price of USD73.88 per bbl.

Both average uptime and average OPEX per bbl of oil equivalent ("**boe**") remained at healthy levels in the Current Quarter. Average uptime achieved in the Current Quarter was 88% while average OPEX per boe was USD15.93.

15 PERFORMANCE REVIEW (CONT'D)

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

Segment PBT was RM95.6 million after having accounted for the following non-cash items:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM15.0 million; and,

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

The segment recorded a net tax charge in the Current Quarter amounting to RM34.1 million. Income tax expenses amounted to RM14.5 million, while net deferred tax liabilities recognised were RM19.6 million. The tax regime in the UK which applies to the exploration for, and production of, oil and gas, allows any investments in capital expenditure made to be fully deducted from 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 RM65.4 million, largely for the drilling of a side track from the GUA-P2 oil producing well on the Guillemot-A field. The drilling was completed in September 2018. This resulted in a deferred tax expense of RM26.2 million which has been charged to the profit or loss account.

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

- **Current quarter results**

The segment recorded a PAT of RM0.3 million in the Current 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 in determining the FVLCTS. The resulting adjustment in the Current Quarter was a reversal of impairment amounting to RM1.3 million.

This was partly off-set by adverse foreign exchange differences of RM0.8 million. The USD had appreciated against the segment's functional currency, the AUD, during the Current Quarter. The quarter-end retranslation of the segment's USD-denominated payables resulted in unrealised foreign exchange losses. A large portion of such USD-denominated payables are to inter-companies, and as a result, there is no 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)

(iv) Investment holding and group activities

- **Current quarter results**

  During the Current Quarter, the segment recorded LAT of RM6.8 million. Expenses incurred relate to corporate overheads, maintenance fees for the Britannia Rig and business development expenses.

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

(i) Non-current Assets

The Group's non-current assets amounted to RM1,646.7 million as at 30 September 2018 compared to RM1,571.5 million as at 30 June 2018.

The increase was mainly driven by amounts invested into capital expenditure programs in the Anasuria Cluster during the Current Quarter.

(ii) Current Assets

Current assets increased from RM402.5 million as at 30 June 2018 to RM570.0 million as at 30 September 2018.

Cash and bank balances increased by RM166.2 million, largely due to collection of proceeds from crude oil offtakes in both the Anasuria and North Sabah segments during the Current Quarter.

In addition, other operational-related receivables in North Sabah increased by approximately RM40.3 million.

These are partly off-set by a lower inventories balance of RM37.9 million.

(iii) Total Liabilities

The Group's total liabilities amounted to RM1,101.8 million as at 30 September 2018, an increase of RM123.6 million from RM978.2 million as at 30 June 2018.

The increase was largely due to the following items:

- Higher provision for income tax expense for both the North Sabah and Anasuria assets amounting to RM43.5 million;

- Higher operations-related payables and accruals in North Sabah of RM39.3 million;

- Net increase in the recognition of deferred tax liabilities by RM15.2 million driven by additional capital expenditure in the Anasuria Cluster during the Current Quarter; and,

- The impact of the unwinding of discount on North Sabah's deferred consideration, Anasuria Cluster's contingent consideration and both the assets' provision for decommissioning costs of RM13.4 million.

15 PERFORMANCE REVIEW (CONT'D)

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

(iv) Total Equity

The increase in total equity during the Current Quarter by RM119.1 million was mainly attributable to net earnings generated from both the Anasuria Cluster and North Sabah assets.

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

(i) Cash flow from operating activities

Net cash inflow from operating activities for the Current Quarter was RM229.6 million. It mainly comprises cash received from operations at the North Sabah and Anasuria Cluster assets, partly off-set by group-wide operating overheads and payment of taxation obligations in the UK.

(ii) Cash flow from investing activities

The Group's net cash used in investing activities amounted to RM67.4 million. The cash outflow was for investments in capital expenditure, largely for activities conducted at the Anasuria Cluster.

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.)

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

(i) North Sabah

The segment recorded an EBITDA of RM100.8 million in the Current Quarter as compared to RM176.6 million 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. In the Preceding Quarter (as at 30 June 2018), the Group finalized its valuation of the fair value of identifiable assets and liabilities acquired in accordance with the provisions of *MFRS 3 Business Combinations* and recognised an upward adjustment to negative goodwill amounting to RM93.8 million. This did not recur in the Current Quarter.

SEA Hibiscus generated RM192.0 million revenue and RM132.1 million gross profit in the Current Quarter, driven by the sales of 595,286 bbls of crude oil in two cargoes, at an average realised price of USD78.55 per bbl. In the Preceding Quarter, 623,544 bbls of crude oil were sold at an average realised price of USD73.26 per bbl, which generated RM181.9 million revenue and RM96.9 million gross profit.

EBITDA margin (from operations, after omitting negative goodwill in the Preceding Quarter) improved to 52.5% in the Current Quarter from 45.5% (excluding impact of negative goodwill of RM93.8 million) in the Preceding Quarter. This was mainly driven by the higher average realised price and normalisation of inventory valuation in the Current Quarter.

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

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

(ii) Anasuria

The Anasuria segment achieved an EBITDA and a PBT of RM114.1 million and RM95.6 million respectively in the Current Quarter as compared to that achieved in the Preceding Quarter, i.e. EBITDA of RM5.2 million and LBT of RM12.3 million.

Anasuria Hibiscus UK sold 523,899 bbls of crude oil at an average realised price of USD73.88 per bbl in the Current Quarter. However, no crude oil sales were recorded in the Preceding Quarter.

A net tax expense of RM34.1 million was recognised in the Current Quarter, an increase of RM18.2 million as compared to a net tax expense of RM15.9 million in the Preceding Quarter.

Net tax expense in the Current Quarter was driven by the recognition of higher deferred tax liabilities arising from significantly higher investments in capital expenditure. In the Current Quarter, Anasuria Hibiscus UK invested in capital expenditure amounting to RM65.4 million. The resulting deferred tax expense charged to the profit or loss account was RM26.2 million. Recognition of such deferred tax liabilities in the Preceding Quarter was significantly lower, due to lower capital expenditure of RM31.3 million, which resulted in a deferred tax expense of only RM12.5 million charged to the profit or loss account. In addition, income tax expenses in the Current Quarter amounted to RM14.6 million compared to RM7.1 million in the Preceding Quarter. The difference was the tax impact on the sale of 523,899 bbls of crude oil in the Current Quarter, whereas no sale of crude oil was recorded in the Preceding Quarter.

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

During the Current Quarter, the segment recorded a PAT of RM0.3 million as compared to a LAT of RM0.9 million in the Preceding Quarter.

This was mainly attributed to the reversal of impairment in the Group's investment in its associate, 3D Oil during the Current Quarter.

(iv) Investment holding and group activities

This segment recorded an increase in LAT of RM2.6 million in the Current Quarter, from a LAT of RM4.2 million in the Preceding Quarter.

Additional costs were incurred for payroll-related expenses, business development activities and professional fees.

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 27 November 2018, being the date of this Quarterly Report, is as follows:

Purpose	Proposed utilisation of proceeds from the Private Placement RM'000	Actual utilisation as of 27 November 2018 RM'000	Intended timeframe for utilisation from the date of completion of the Private Placement	Percentage utilised (%)
(i) Working capital for the business operation expenditures of the Group ^^	41,516	41,000	Within twelve (12) months	99
(ii) Payment of trade and other payables	17,800	16,900		95
(iii) Potential expansion and capital expenditure	29,450	29,450		100
(iv) New business development ^^	870	870		100
(v) Estimated expenses relating to the Private Placement	1,460	1,460	Within six (6) months	100
Total	91,096	89,680		

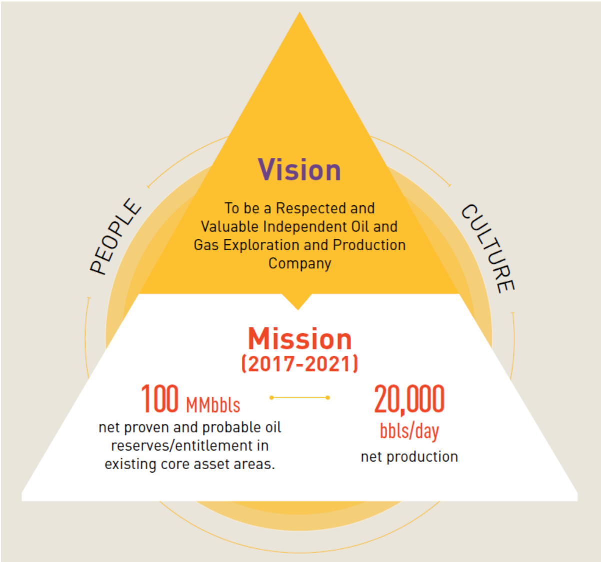
^^ *As stated in the announcement dated 6 July 2017, any unutilised amount for "New business development" will be utilised for working capital purposes. In relation thereto, the unutilised expenses of approximately RM4.3 million for "New business development" has been allocated to "Working capital for the business operation expenditures of the Group".*

18.2 Warrants C

As of 27 November 2018, the Company had received proceeds of RM100 from the exercise of Warrants C. 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

Our immediate focus as a Group is the achievement of our 2021 mission. This mission is articulated in the figure below.



In summary, the delivery of our 2021 mission entails:

+ The achievement of average daily production of 20,000 bbls of oil per day ("**bopd**"); and,
+ The securing of net proven and probable reserves/entitlement of 100 million bbls of oil.

Our business performance is underpinned by several factors:

1. Price of the Brent crude oil benchmark at approximately the time of a scheduled offtake from the Anasuria floating production storage and offloading vessel ("**FPSO**") and the LCOT. The graph below illustrates the oil price trends for the Brent crude oil benchmark for the period October 2017 to end-November 2018:

2. Any premium that we may receive on the price of the Brent crude oil benchmark on our specific cargo in Anasuria and in North Sabah 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.

19 PROSPECTS OF THE GROUP (CONT'D)

4. Movement of foreign 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. Operational 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 and general corporate overheads.

As joint operator of the Anasuria Cluster and 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.

Anasuria Cluster: Production Operations

The following table shows the operational performance achieved by the asset, based on Anasuria Hibiscus UK's 50% participating interest, for the Current Quarter, as well as for the previous three quarters for comparison and trend analysis:

	Units	**July to September 2018**	**April to June 2018**	**January to March 2018**	**October to December 2017**
Average uptime	%	88	94	82	57
Average daily oil production Rate	bbl/day	3,241	3,375	2,798	2,071
Average daily gas export rate @	boe/day	340	360	304	141
Average daily oil equivalent production rate	boe/day	3,581	3,736	3,102	2,212
Total oil sold	bbl	523,899	0	271,047	274,644
Total gas exported (sold)	mmscf	187	197	162	77
Average realised oil price	USD/bbl	73.88	n.a.	65.03	62.93
Average gas price	USD/mmbtu	2.71 ∞/ 6.25 #	2.36 ∞/ 5.51 #	2.60 ∞/ 5.71 #	2.35 ∞/ 5.23 #
Average OPEX per boe	USD/boe	15.93	16.39	23.96	34.33

@ *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.

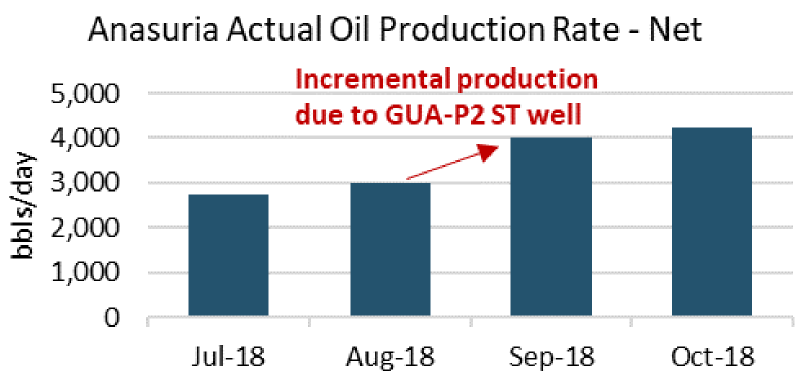
19 PROSPECTS OF THE GROUP (CONT'D)

As of 30 September 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 been maintained at reasonable levels during the Current Quarter when compared to the previous quarters as shown in the table above. Minor planned shutdowns were experienced to facilitate operations related to the drilling, testing and hook-up of the GUA-P2 side track well. As a result of our continued management of costs, OPEX per boe, a key performance indicator of the Anasuria asset, has decreased.

<u>United Kingdom – Anasuria Cluster: Drilling of P2-ST</u>

The drilling of a side-track from the GUA-P2 oil producing well on the Guillemot-A field ("**P2-ST**") commenced on 4 June 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.

On 3 September 2018, the Group announced that the P2-ST well programme had been completed and during the clean-up and flowback phase, the well achieved a stabilised gross production flow rate to the Anasuria FPSO of 4,750 bopd (2,375 bbls of oil per day, net to the Group). The stabilised flow rate was established during a twenty-hour flow period through a 32% choke (equivalent to a diameter of 1.7 inches), with the application of gas lift, at a rate of 1.7 million standard cubic feet per day. At this time, the well is in production and contributing positively to daily production rates, as shown in the chart below.



The Estimated Ultimate Recovery ("**EUR**") from this well is 1.5 million bbls of oil (0.75 million bbls, net to the Group) of which a gross volume of 194,705 bbls of oil (97,353 bbls, net to the Group) have been produced as at the end of October 2018. At this time, the well is flowing naturally, without the need for gas lift support. Based on a well test conducted in November 2018, the GUA-P2 ST well is able to flow naturally at a gross production rate of 3,697 bbls of oil per day (1,849 bbls of oil per day, net to the Group), with approximately a 17% water-cut. We are currently not producing this well at its maximum rate to prevent the effects of early water coning, but overall, production from GUA-P2ST is expected to contribute positively to the company in the coming quarters.

The P2-ST project represented the Company's first major capital expenditure programme in the Anasuria Cluster 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) as a result of this capital expenditure. There was no other major capital expenditure incurred in the Current Quarter.

19 PROSPECTS OF THE GROUP (CONT'D)

United Kingdom – 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 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. The Cook WI project is progressing according to schedule and 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.

United Kingdom – Blocks 15/13a and 15/13b

On 9 October 2018, the Group announced that its indirect wholly-owned subsidiary, Anasuria Hibiscus UK, had entered into an SPA with Caldera ("**Seller**") to acquire a 50% interest in the Blocks for a purchase consideration of USD37.5 million. The Blocks are located offshore, in 140 meters water depth, in the UK sector of the North Sea, approximately 250km northeast of Aberdeen. Block 15/13a consists of a significant oil bearing discovered field, whilst Block 15/13b which lies northeast of Block 15/13a consists of a smaller discovered field. Based on an independent report by AGR TRACS International Limited, the gross contingent oil resources ("**2C Oil Resources**") in the Blocks is estimated to be 60.0 million bbls of oil (30.0 million bbls of oil net to Anasuria Hibiscus UK). On 16 October 2018, subsequent to receiving all material regulatory approvals, this transaction was completed.

	Contingent Oil Resources (MMstb)					
	1C		**2C**		**3C**	
	Gross	Net ##	Gross	Net ##	Gross	Net ##
Block 15/13a	31.8	15.9	56.0	28.0	88.5	44.3
Block 15/13b	2.4	1.2	4.0	2.0	5.8	2.9
Total	**34.2**	**17.1**	**60.0**	**30.0**	**94.3**	**47.2**

Net, based on Anasuria Hibiscus UK's 50% participating interest.
MMstb – million stock tank bbls.

This acquisition:

- Expands our footprint in the UK;
- Is consistent with our 2021 Mission;
- Provides us favourable tax synergies with the Anasuria Cluster; and,
- Provides us a with a resource base for a future field development which will add production and further revenue generating capacity for the Group in the medium term.

Furthermore, collaboration with concession owners of stranded discoveries located around these Blocks will allow a reduction in overall unit development cost.

We also believe that the acquisition cost per discovered bbl of oil is very attractive and may add value to our portfolio in due course.

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, based on SEA Hibiscus' 50% participating interest, for the Current Quarter as well as for the previous three financial quarters.

	Unit	July to September 2018 [3]	April to June 2018	January to March 2018	October to December 2017
Average uptime	%	93	97	96	93
Average gross oil production	bbl/day	14,860	15,954	15,167	14,866
Average net oil production	bbl/day	4,797	5,903	5,674	5,500
Total oil sold	Bbls	595,286	623,544	287,019	586,657
Average realised oil price [1, 2]	USD/bbl	78.55	73.26	71.44	67.20
Average OPEX per bbl (unit production cost)	USD/bbl	11.54	8.15	12.50	18.50

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 the quarterly periods April 2018 June 2018 and July 2018 to September 2018, the average realised oil price represents the weighted average price of all Labuan crude sales from SEA Hibiscus.*
3 *Figures for the period July 2018 to September 2018 are provisional and may change subject to the PSC Statement audit.*

The average uptime of the North Sabah production facilities of 93% is marginally below the uptime achieved in the Preceding Quarter. This has impacted the average oil production rate resulting in a decrease of approximately 6% when compared to the Preceding Quarter. There were two oil offtakes conducted in the North Sabah asset with a total of 595,286 bbls of oil net to SEA Hibiscus sold in the Current Quarter. The weighted average realised oil price for these two oil cargoes was USD78.55 per bbl.

OPEX per bbl for North Sabah saw an increase of approximately 42% to USD11.54 per bbl mainly due to the ramp-up in planned maintenance activities towards the end of the Current Quarter. The Company expects OPEX per bbl to further increase in the next financial quarter as the planned maintenance campaign gains momentum before its completion towards the end of 2018.

In the area of capital expenditure, SEA Hibiscus incurred approximately RM0.7 million during the Current Quarter for production maintenance and onshore support activities. No development projects were carried out in the Current Quarter. The Company expects capital expenditure to increase in the next financial quarter as planned production maintenance and onshore support activities gain further momentum before closing out for the year. Higher capital expenditure is also expected due to spending on development projects which is expected to commence following the approval from Petroliam Nasional Berhad ("**PETRONAS**") of the St Joseph Infill Drilling project Milestone Review-4 during the Current Quarter. It is also expected that approval for the South Furious 30 Infill Drilling project Milestone Review-4 will be obtained in the next financial quarter.

During the Current Quarter, SEA Hibiscus continued its integration efforts of the North Sabah operations with the Company's existing work processes and performance based operating culture. These efforts will continue through the next financial quarter. The Company will also continue its efforts in identifying and implementing production optimization and enhancement initiatives via surface and subsurface activities in the near term.

19 PROSPECTS OF THE GROUP (CONT'D)

North Sabah: St Joseph Infill Drilling

PETRONAS had in August 2018 approved the St Joseph Infill Drilling project through the Milestone Review-4 maturation process, leading to the submission of Field Development Plan in November 2018. This project entails the drilling of 3 infill producers utilizing a triple splitter wellhead on the St Joseph Jacket-A ("**SJJT-A**") platform. From an EUR of 2.8 MMstb, the project is expected to add approximately 2,600 bbl per day of oil at peak production. This infill drilling program will require minimal topside facilities modification at the SJJT-A platform. The total capital commitment to this project is anticipated to be approximately RM142.5 million, which will be shared equally with our joint venture partner. Drilling is expected to commence in April 2019 and first oil production expected in June 2019.

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 North Sabah, management may defer seeking a Final Investment Decision ("**FID**") or seek an alternative solution for our development offshore Australia.

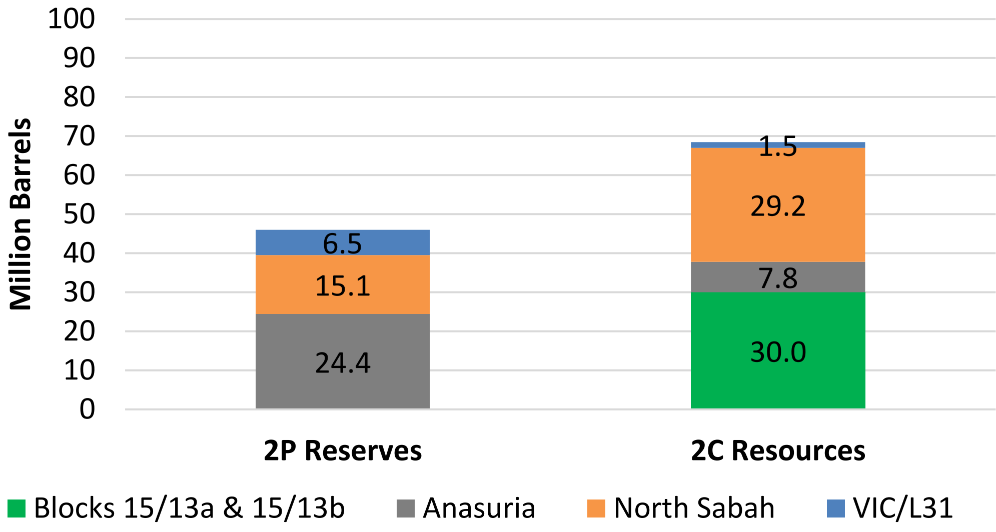
Debt

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)

With the completion of our recently announced acquisition of a 50 % interest in Block 15/13a and Block 15/13b in the United Kingdom North Sea, we believe that we are well positioned to achieve our 2021 mission. The figure below depicts our net entitlement to reserves and resources located within the licenses in which we have interests.

19 PROSPECTS OF THE GROUP (CONT'D)



Our main focus over the next three years will entail:

- Enhancing production at the Anasuria Cluster and the North Sabah fields; and,
- Converting our 2C Resources, particularly on Blocks 15/13a and 15/13b into producing 2P Reserves.

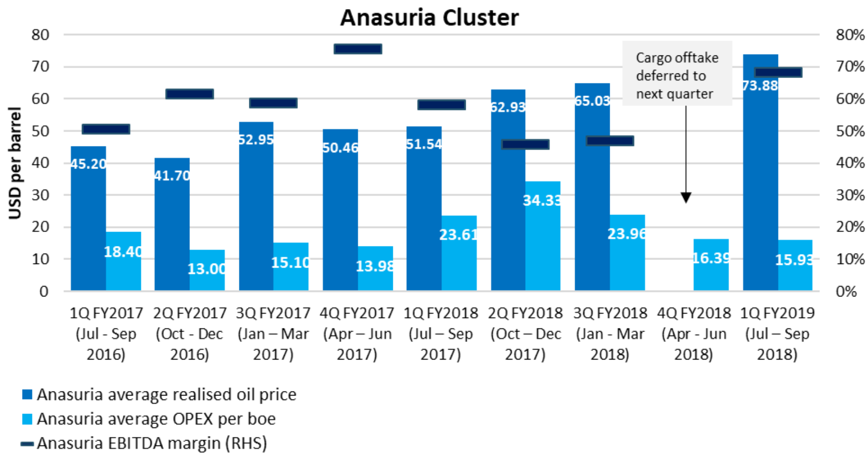
Claims Against Rex Companies and Other Parties

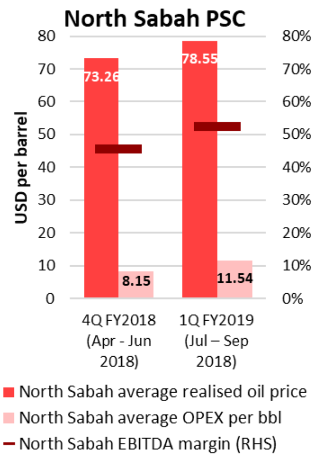
In 2016, the Group fully impaired its investments in the Lime Group and HIREX. However, the rights and legal position of the Group are fully reserved against the Rex Companies and all other parties in connection with those investments. The Group will continue to pursue appropriate legal, regulatory and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

19 PROSPECTS OF THE GROUP (CONT'D)

Concluding Comments

The Group's business performance is underpinned by several factors, predominantly the price of the Brent crude oil benchmark at approximately the time of a scheduled offtake from our crude oil storage facilities. The Group has seen oil prices at various price levels, on some occasions lower and other times, higher. The Group has managed to remain profitable throughout. This is primarily because the average unit production costs for both the Anasuria and North Sabah assets have been below the average realised oil price at the relevant times, as shown in the charts below. The careful management of costs to maintain low operational expenditure and the delivery of production enhancement projects are, therefore, key towards achieving low unit production costs to enable a continued healthy EBITDA.





Note: North Sabah EBITDA margin in the Preceding Quarter excludes the impact of negative goodwill of RM93.8m.

Several production enhancement projects pursued by the Group have made progress. In Anasuria, the recently completed GUA-P2 ST project has resulted in an overall enhanced production rate from this asset. Additionally, the Cook WI project which was sanctioned earlier this year is on track for execution in 2019. In North Sabah, the St Joseph Infill Drilling project was approved by PETRONAS at the Milestone-Review 4, and is currently on track for execution in 2019, whereas approval for the SF30 Infill Drilling project by PETRONAS at the Milestone-Review 4 is being submitted.

The Group has articulated its mission until 2021 and we are pleased to have achieved several critical milestones that are key towards the successful delivery of our goals. Given these developments and barring unforeseen circumstances, we expect our business performance for this current financial year to be encouraging.

20 PROFIT FORECAST AND PROFIT GUARANTEE

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

21 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

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

22 PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

23 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

24 MATERIAL LITIGATION

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

For completeness, please also refer to Part A, Note 11 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 30.09.2018 RM'000	QUARTER ENDED 30.09.2017 RM'000	PERIOD ENDED 30.09.2018 RM'000	PERIOD ENDED 30.09.2017 RM'000
Profit after taxation attributable to owners of the Company (RM'000)	(A)	100,001	10,784	100,001	10,784
Weighted average number of shares for basic earnings per share computation ('000)	(B)	1,588,229	1,474,844	1,588,229	1,474,844
Effects of dilution of Warrants C		317,646	-	317,646	-
Weighted average number of shares for diluted earnings per share computation ('000)	(C)	1,905,875	1,474,844	1,905,875	1,474,844
Basic earnings per share (sen)	(A/B)	6.30	0.73	6.30	0.73
Diluted earnings per share (sen)	(A/C)	5.25	0.73	5.25	0.73

26 OTHER INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2018 RM'000	QUARTER ENDED 30.09.2017 RM'000	PERIOD ENDED 30.09.2018 RM'000	PERIOD ENDED 30.09.2017 RM'000
Sundry income	26	3	26	3
Interest income	72	-	72	-
Realised gain on foreign exchange ^^^	647	682	647	682
	745	685	745	685

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

27 PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2018 RM'000	QUARTER ENDED 30.09.2017 RM'000	PERIOD ENDED 30.09.2018 RM'000	PERIOD ENDED 30.09.2017 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Depreciation and amortisation of equipment and intangible assets	32,733	13,796	32,733	13,796
Interest income	(164)	(10)	(164)	(10)
Finance costs	11,237	5,343	11,237	5,343
Unrealised loss on foreign exchange ^^^^	105	2,995	105	2,995
Realised gain on foreign exchange ^^^^	(647)	(682)	(647)	(682)
Share of results of an associate	101	362	101	362
Reversal of impairment of investment in an associate	(1,335)	(1,885)	(1,335)	(1,885)
Impairment of amount owing by a joint venture	-	906	-	906

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

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

28 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2018 RM'000	QUARTER ENDED 30.09.2017 RM'000	PERIOD ENDED 30.09.2018 RM'000	PERIOD ENDED 30.09.2017 RM'000
Income taxation	(59,220)	(3,495)	(59,220)	(3,495)
Deferred taxation	(5,989)	4,557	(5,989)	4,557
	(65,209)	1,062	(65,209)	1,062

Breakdown by operating segments:

OPERATING SEGMENTS	Individual Quarter		Cumulative Quarter	
	Quarter Ended 30.09.2018 RM'000	Quarter Ended 30.09.2017 RM'000	Period Ended 30.09.2018 RM'000	Period Ended 30.09.2017 RM'000
North Sabah				
Income taxation	(44,661)	-	(44,661)	-
Deferred taxation	13,601	-	13,601	-
Total	**(31,060)**	**-**	**(31,060)**	**-**
Anasuria				
Income taxation	(14,559)	(3,489)	(14,559)	(3,489)
Deferred taxation	(19,590)	4,557	(19,590)	4,557
Total	**(34,149)**	**1,068**	**(34,149)**	**1,068**
3D Oil, VIC/L31 & VIC/P57				
Income taxation	-	(6)	-	(6)
Deferred taxation	-	-	-	-
Total	**-**	**(6)**	**-**	**(6)**
Investment holding and group activities				
Income taxation	-	-	-	-
Deferred taxation	-	-	-	-
Total	**-**	**-**	**-**	**-**
Group				
Income taxation	(59,220)	(3,495)	(59,220)	(3,495)
Deferred taxation	(5,989)	4,557	(5,989)	4,557
Total	**(65,209)**	**1,062**	**(65,209)**	**1,062**

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 in the 2011 North Sabah EOR PSC on 31 March 2018, 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 account 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
27 November 2018