# HIBISCUS PETROLEUM BERHAD

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

# Unaudited Quarterly Financial Report
# 31 December 2018

**HIBISCUS PETROLEUM BERHAD**
**(Company No: 798322-P)**
**(Incorporated in Malaysia)**
**QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2018**

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

| | Note | INDIVIDUAL QUARTER QUARTER ENDED 31.12.2018 RM'000 | INDIVIDUAL QUARTER QUARTER ENDED 31.12.2017 RM'000 | CUMULATIVE QUARTER PERIOD ENDED 31.12.2018 RM'000 | CUMULATIVE QUARTER PERIOD ENDED 31.12.2017 RM'000 |
|---|---|---|---|---|---|
| Revenue | | 165,158 | 76,061 | 525,113 | 134,297 |
| Cost of sales | | (51,643) | (37,681) | (161,293) | (56,677) |
| **GROSS PROFIT** | | 113,515 | 38,380 | 363,820 | 77,620 |
| Other income | 26 | 1,547 | 268 | 1,540 | 953 |
| Administrative expenses | | (16,235) | (5,442) | (57,899) | (13,149) |
| Other expenses | | (36,260) | (16,527) | (68,346) | (33,318) |
| Finance costs | | (10,558) | (3,382) | (21,795) | (8,725) |
| Share of results of an associate | | (83) | (190) | (184) | (552) |
| **PROFIT BEFORE TAXATION** | 27 | 51,926 | 13,107 | 217,136 | 22,829 |
| Taxation | 28 | (1,821) | (2,065) | (67,030) | (1,003) |
| **PROFIT AFTER TAXATION** | | 50,105 | 11,042 | 150,106 | 21,826 |
| **PROFIT AFTER TAXATION ATTRIBUTABLE TO:** | | | | | |
| - Owners of the Company | | 50,105 | 11,042 | 150,106 | 21,826 |
| **EARNINGS PER SHARE (SEN)** | | | | | |
| Basic | 25 | 3.15 | 0.72 | 9.45 | 1.45 |
| Diluted | 25 | 2.63 | 0.72 | 7.88 | 1.45 |

Note:

| | | | | | |
|---|---|---|---|---|---|
| **Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")** | | 97,997 | 28,376 | 307,177 | 57,237 |

(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 31.12.2018 RM'000** | **QUARTER ENDED 31.12.2017 RM'000** | **PERIOD ENDED 31.12.2018 RM'000** | **PERIOD ENDED 31.12.2017 RM'000** |
| **PROFIT AFTER TAXATION** | 50,105 | 11,042 | 150,106 | 21,826 |
| Other comprehensive (expenses)/income: | | | | |
| Items that may be subsequently reclassified to profit or loss: | | | | |
| - Foreign currency translation * | (6,968) | (26,752) | 12,132 | (34,325) |
| **TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE QUARTER/PERIOD** | 43,137 | (15,710) | 162,238 | (12,499) |
| **TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:** | | | | |
| - Owners of the Company | 43,137 | (15,710) | 162,238 | (12,499) |

* *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 31.12.2018 RM'000 | AUDITED AS AT 30.06.2018 RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Investment in an associate | | 6,193 | 4,905 |
| Intangible assets | | 1,466,247 | 1,337,252 |
| Equipment | | 305,497 | 229,311 |
| | | 1,777,937 | 1,571,468 |
| **CURRENT ASSETS** | | | |
| Inventories | | 52,038 | 57,914 |
| Trade receivables | | 10,889 | 109,028 |
| Other receivables, deposits and prepayments | | 144,190 | 98,984 |
| Amount owing by a joint venture | | 475 | 608 |
| Amount owing by an associate | | - | 5 |
| Cash and bank balances | | 203,840 | 135,957 |
| | | 411,432 | 402,496 |
| **TOTAL ASSETS** | | 2,189,369 | 1,973,964 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Share capital | 10 | 764,965 | 764,965 |
| Other reserves | | 65,601 | 53,469 |
| Retained earnings | | 327,462 | 177,356 |
| | | 1,158,028 | 995,790 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred consideration | | 18,270 | 16,946 |
| Contingent consideration | | 1,965 | 1,822 |
| Finance lease liabilities | | 9,181 | 6,628 |
| Other payables | | 101,779 | 112,621 |
| Deferred tax liabilities | | 375,973 | 345,172 |
| Provision for decommissioning costs | | 206,769 | 259,237 |
| | | 713,937 | 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 31.12.2018 RM'000 | AUDITED AS AT 30.06.2018 RM'000 |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade payables | | 6,840 | 3,126 |
| Other payables and accruals | | 238,209 | 156,143 |
| Deferred consideration | | 20,183 | 18,717 |
| Amount owing to a joint venture | | 318 | 595 |
| Amount owing to an associate | | 234 | - |
| Finance lease liabilities | | 5,152 | 1,421 |
| Provision for taxation | | 46,249 | 55,527 |
| Redeemable Convertible Preference Shares | | 219 | 219 |
| | | 317,404 | 235,748 |
| **TOTAL LIABILITIES** | | 1,031,341 | 978,174 |
| **TOTAL EQUITY AND LIABILITIES** | | 2,189,369 | 1,973,964 |
| **NET ASSETS PER SHARE (RM)** | | 0.73 | 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 |
| **6 months to 31.12.2018** | | | | | |
| As at 01.07.2018 | 764,965 | 389 | 53,080 | 177,356 | 995,790 |
| Profit after taxation | - | - | - | 150,106 | 150,106 |
| Other comprehensive income, net of tax: | | | | | |
| - Foreign currency translation | - | - | 12,132 | - | 12,132 |
| Total comprehensive income for the period | - | - | 12,132 | 150,106 | 162,238 |
| As at 31.12.2018 | 764,965 | 389 | 65,212 | 327,462 | 1,158,028 |
| **6 months to 31.12.2017** | | | | | |
| As at 01.07.2017 | 675,314 | 389 | 92,466 | (25,807) | 742,362 |
| Issuance of shares | 49,367 | - | - | - | 49,367 |
| Profit after taxation | - | - | - | 21,826 | 21,826 |
| Other comprehensive expenses, net of tax: | | | | | |
| - Foreign currency translation | - | - | (34,325) | - | (34,325) |
| Total comprehensive (expenses)/income for the period | - | - | (34,325) | 21,826 | (12,499) |
| As at 31.12.2017 | 724,681 | 389 | 58,141 | (3,981) | 779,230 |

*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

| | PERIOD ENDED 31.12.2018<br>RM'000 |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Profit before taxation | 217,136 |
| Adjustments for: | |
| Depreciation and amortisation of equipment and intangible assets | 68,246 |
| Interest income | (512) |
| Unrealised gain on foreign exchange | (136) |
| Finance costs | 21,795 |
| Reversal of impairment of investment in an associate | (1,335) |
| Share of results of an associate | 184 |
| Operating profit before working capital changes: | 305,378 |
| Inventories | 7,377 |
| Trade receivables | 100,987 |
| Other receivables, deposits and prepayments | (42,963) |
| Trade payables | 3,633 |
| Other payables and accruals | (13,983) |
| Amount owing by a joint venture | 159 |
| Amount owing to a joint venture | (272) |
| Amount owing by an associate | 5 |
| Amount owing to an associate | 235 |
| **Cash generated from operating activities** | 360,556 |
| Tax paid | (55,978) |
| **Net cash generated from operating activities** | 304,578 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | |
| Purchase of equipment | (77,183) |
| Interest received | 512 |
| Acquisition of intangible assets | (158,176) |
| **Net cash used in investing activities** | (234,847) |
| **Net increase in cash and cash equivalents** | 69,731 |
| **Effects of foreign exchange rate changes** | (1,848) |
| **Cash and cash equivalents at beginning of the financial period** | 135,957 |
| | 203,840 |
| Less: Cash restricted in use ** | (27,521) |
| **Cash and cash equivalents at end of the financial period** | 176,319 |

** *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 |
| Amendments to MFRS 101 and MFRS 108 | *Definition of Material* | 1 January 2020 |
| Amendments to MFRS 3 | *Definition of a Business* | 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

Save as disclosed below, there were no other significant or unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial period ended 31 December 2018 ("**Current Period**"):

(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**").

Subsequently, the Company had on 17 October 2018 announced that, the conditions precedent to the SPA in connection with the Acquisition had 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 due course. In conjunction thereto, the SPA had become unconditional on the same day.

## 4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

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.

## 5 MATERIAL CHANGES IN ESTIMATES

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

## 6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER

There were no other material events subsequent to the end of the Current Period up to the date of this Quarterly Report.

## 7 CHANGES IN THE COMPOSITION OF THE GROUP

During the Current Period, 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%, 11.89%, 11.70% and 11.68% as at 30 July 2018, 11 September 2018, 3 October 2018 and 21 November 2018 respectively.

As at 31 December 2018, 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 Period.

## 8 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

## 9 DIVIDENDS PAID/PAYABLE

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

## 10 BORROWINGS, DEBT AND EQUITY SECURITIES

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

| | **PERIOD ENDED 31.12.2018** | |
|---|---|---|
| ORDINARY SHARES | **Number of shares** | **Share capital RM'000** |
| As at 31.12.2018/01.07.2018 | 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.<br><br>The functional currency of this segment is United States Dollars ("**USD**"). The average and closing rates adopted for conversion to RM in the Current Period are 4.1381 and 4.1383 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.<br><br>The functional currency of the segment is USD. The average and closing rates adopted for conversion to RM in the Current Period are 4.1381 and 4.1383 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.<br><br>The functional currency of the segment is Australian Dollar ("**AUD**"). The average and closing rates adopted for conversion to RM in the Current Period are 2.9878 and 2.9197 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. Both Lime and HIREX are in the process of being wound up.*

## 11 OPERATING SEGMENTS (CONT'D)

| | North Sabah RM'000 | Anasuria RM'000 | 3D Oil, VIC/L31 & VIC/P57 RM'000 | Investment holding and group activities RM'000 | Elimination RM'000 | Group RM'000 |
|---|---|---|---|---|---|---|
| **As at 31.12.2018** | | | | | | |
| Non-current assets | 399,016 | 1,113,959 | 235,435 | 29,527 | - | 1,777,937 |
| Included in the segment assets is: | | | | | | |
| Investment in an associate | - | - | 6,193 | - | - | 6,193 |
| Additions to non-current assets | 2,970 | 77,040 | - | 7,140 | - | 87,150 |
| **Period ended 31.12.2018** | | | | | | |
| Project management, technical and other service fees | - | - | - | 2,490 | - | 2,490 |
| Sales of crude oil and gas | 280,117 | 242,182 | - | - | - | 522,299 |
| Interest income | - | - | - | 324 | - | 324 |
| Revenue | 280,117 | 242,182 | - | 2,814 | - | 525,113 |
| Depreciation and amortisation | (31,166) | (35,708) | - | (1,372) | - | (68,246) |
| Profit/(loss) from operations | 107,087 | 143,414 | (1,761) | (11,148) | - | 237,592 |
| Reversal of impairment of investment in an associate | - | - | 1,335 | - | - | 1,335 |
| Share of results | - | - | (184) | - | - | (184) |
| Finance costs | (14,466) | (6,912) | - | (417) | - | (21,795) |
| Interest income | 188 | - | - | - | - | 188 |
| Taxation | (35,055) | (31,975) | - | - | - | (67,030) |
| Profit after taxation ("**PAT**")/ (Loss after taxation ("**LAT**")) | 57,754 | 104,527 | (610) | (11,565) | - | 150,106 |
| EBITDA/(Loss Before Interest, Taxes, Depreciation and Amortization ("**LBITDA**")) | 138,441 | 179,122 | (610) | (9,776) | - | 307,177 |

**Note:**

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

| | | | | | | |
|---|---|---|---|---|---|---|
| PAT/(LAT) | 57,754 | 104,527 | (610) | (11,565) | - | 150,106 |
| EBITDA/(LBITDA) | 138,441 | 179,122 | (610) | (9,776) | - | 307,177 |

## 11 OPERATING SEGMENTS (CONT'D)

| | Anasuria RM'000 | 3D Oil, VIC/L31 & VIC/P57 RM'000 | Investment holding and group activities RM'000 | Elimination RM'000 | Group RM'000 |
|---|---|---|---|---|---|
| **As at 31.12.2017** | | | | | |
| Non-current assets | 890,114 | 256,051 | 25,891 | - | 1,172,056 |
| Included in the segment assets is: | | | | | |
| Investment in an associate | - | 6,388 | - | - | 6,388 |
| Additions to non-current assets | 20,564 | 464 | - | - | 21,028 |
| **Period ended 31.12.2017** | | | | | |
| Project management, technical and other services fees | - | - | 2,581 | - | 2,581 |
| Sales of crude oil and gas | 131,692 | - | - | - | 131,692 |
| Interest income | - | 5 | 19 | - | 24 |
| Revenue | 131,692 | 5 | 2,600 | - | 134,297 |
| Depreciation and amortisation | (18,792) | (4) | (6,887) | - | (25,683) |
| Profit/(loss) from operations | 48,612 | (3,935) | (16,277) | - | 28,400 |
| Reversal of impairment of investment in an associate | - | 3,108 | - | - | 3,108 |
| Reversal of impairment of receivables | - | - | 598 | - | 598 |
| Share of results | - | (552) | - | - | (552) |
| Finance costs | (7,196) | 36,234 | (966) | (36,797) | (8,725) |
| Interest income | - | - | (36,797) | 36,797 | - |
| Taxation | (1,013) | - | 10 | - | (1,003) |
| PAT/(LAT) | 40,403 | 34,855 | (53,432) | - | 21,826 |
| EBITDA/(LBITDA) | 67,404 | 35,422 | (45,589) | - | 57,237 |

**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 |
|---|---|---|---|---|---|
| PAT/(LAT) | 40,403 | (1,942) | (16,635) | - | 21,826 |
| EBITDA/(LBITDA) | 67,404 | (1,375) | (8,792) | - | 57,237 |

## 12 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions within the Group are as follows:

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | QUARTER ENDED 31.12.2018 RM'000 | QUARTER ENDED 31.12.2017 RM'000 | PERIOD ENDED 31.12.2018 RM'000 | PERIOD ENDED 31.12.2017 RM'000 |
| Project management, technical and other services fees earned from a related party | | | | |
| - Ping Petroleum UK Limited | 1,246 | 1,403 | 2,415 | 2,539 |
| Project management, technical and other services fees earned from joint ventures | | | | |
| - HIREX | - | - | - | 42 |
| Joint Operating Agreement indirect overheads recovery from an associate | | | | |
| - 3D Oil | 3 | - | 9 | 3 |
| Technical and non-technical charges reimbursed from an associate | | | | |
| - 3D Oil | - | - | 1 | 1 |
| Technical and non-technical, and overhead charges reimbursed to an associate | | | | |
| - 3D Oil | (36) | (29) | (241) | (123) |

## 13 MATERIAL COMMITMENTS

Save as disclosed below, the Group is not aware of any material capital commitments incurred or known to be incurred by the Group which, upon becoming enforceable, may have a material impact on the profit or loss account, or net assets value of the Group as at 31 December 2018:

| | RM'000 |
|---|---|
| Approved and contracted for: | |
| Group's capital commitments | 1,075 |
| Share of a joint operation's capital commitments | 4,289 |
| Total capital commitments approved and contracted for | 5,364 |
| Share of a joint operation's other material commitments | 37,097 |
| | 42,461 |
| Approved but not contracted for: | |
| Group's capital commitments | 34,424 |
| Share of a joint operation's capital commitments | 58,411 |
| Total capital commitments approved but not contracted for | 92,835 |
| Share of a joint operation's other material commitments | 862 |
| | 93,697 |

## 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 31.12.2018 RM'000 | Current Year Quarter 31.12.2018 RM'000 | Immediate Preceding Quarter 30.09.2018 RM'000 | Current Year Quarter vs Immediate Preceding Quarter (Change in %) |
|---|---|---|---|---|
| **North Sabah** | | | | |
| Revenue | 280,117 | 88,131 | 191,986 | (54) |
| **EBITDA** | **138,441** | **37,627** | **100,814** | **(63)** |
| Profit before taxation ("PBT") | 92,809 | 16,794 | 76,015 | (78) |
| Taxation | (35,055) | (3,995) | (31,060) | 87 |
| PAT | 57,754 | 12,799 | 44,955 | (72) |
| **Anasuria** | | | | |
| Revenue | 242,182 | 75,388 | 166,794 | (55) |
| **EBITDA** | **179,122** | **65,056** | **114,066** | **(43)** |
| PBT | 136,502 | 40,854 | 95,648 | (57) |
| Taxation | (31,975) | 2,174 | (34,149) | - |
| PAT | 104,527 | 43,028 | 61,499 | (30) |
| **3D Oil, VIC/L31 & VIC/P57** | | | | |
| Revenue | - | (2) | 2 | - |
| **(LBITDA)/EBITDA** | **(610)** | **(919)** | **309** | **-** |
| Loss before taxation ("LBT")/PBT | (610) | (919) | 309 | - |
| Taxation | - | - | - | - |
| (LAT)/PAT | (610) | (919) | 309 | - |
| **Investment holding and group activities** | | | | |
| Revenue | 2,814 | 1,641 | 1,173 | 40 |
| **LBITDA** | **(9,776)** | **(3,767)** | **(6,009)** | **37** |
| LBT | (11,565) | (4,803) | (6,762) | 29 |
| Taxation | - | - | - | - |
| LAT | (11,565) | (4,803) | (6,762) | 29 |
| **Group** | | | | |
| Revenue | 525,113 | 165,158 | 359,955 | (54) |
| **EBITDA** | **307,177** | **97,997** | **209,180** | **(53)** |
| PBT | 217,136 | 51,926 | 165,210 | (69) |
| Taxation | (67,030) | (1,821) | (65,209) | (97) |
| PAT | 150,106 | 50,105 | 100,001 | (50) |

## 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 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 Period, the North Sabah segment recorded an EBITDA of RM138.4 million. The segment sold 888,910 barrels of crude oil in three cargoes, at an average realised oil price of USD76.15 per barrel ("**bbl**"). Average operating costs ("**OPEX**") per bbl amounted to USD16.65 per bbl.

Planned maintenance activities performed at the offshore platforms which commenced and were duly completed during the current three-month period ended 31 December 2018 ("**Current Quarter**") resulted in higher average OPEX per bbl recorded in the Current Period.

Segment PBT was RM92.8 million after deducting the following items, all of which are non-cash in nature:

- Amortisation of intangible assets of RM31.2 million;
- Unwinding of discount on deferred consideration and non-current payables of RM7.8 million; and,
- Unwinding of discount on provision for decommissioning costs of RM5.6 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 Period were due to taxes levied on profits generated from operations, partly off-set by a reversal of deferred tax liabilities.

## 15 PERFORMANCE REVIEW (CONT'D)

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

- **Current quarter results**

  During the Current Quarter, the segment achieved an EBITDA of RM37.6 million.

  293,624 bbls of crude oil were sold at an average realised oil price of USD71.30 per bbl. The segment contributed RM88.1 million to revenue and RM47.2 million to gross profit from the sale of crude oil. Average OPEX per bbl amounted to USD22.74 per bbl.

  Segment PBT was RM16.8 million after deducting amortisation of intangible assets (RM14.0 million), unwinding of discount on deferred consideration and non-current payables (RM4.3 million) and unwinding of discount on the provision for decommissioning costs (RM2.6 million).

  Net tax expenses incurred in the Current Quarter amounted to RM4.0 million.

**(ii) Anasuria**

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

  The Anasuria segment recorded an EBITDA of RM179.1 million (74.0% margin over revenue) in the Current Period.

  In the Current Period, from this segment of our business, we sold 797,914 bbls of crude oil in three cargoes at an average realised oil price of USD68.45 per bbl. Total revenue recorded was RM242.2 million.

  Both average uptime and average OPEX per bbl of oil equivalent ("**boe**") remained at healthy levels in the Current Period. Average uptime achieved in the Current Period was 91% while average OPEX per boe was USD15.44.

  Segment PBT was RM136.5 million after having accounted for the following non-cash items:

  - Amortisation of intangible assets and depreciation of oil and gas assets of RM35.7 million; and,

  - Unwinding of discount on provision for decommissioning costs of RM6.7 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 Period amounting to RM32.0 million. Income tax expenses amounted to RM16.9 million, while net deferred tax liabilities recognised were RM15.1 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 Period, Anasuria Hibiscus UK invested in capital expenditure amounting to RM75.3 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 RM30.1 million which has been charged to the profit or loss account. It was partly off-set by the reversal of deferred tax liabilities previously recognised upon accounting for the asset as a business combination upon completion of its acquisition. Such deferred tax liabilities were in relation to temporary differences in the tax base of intangible assets (i.e. rights and concession) acquired and their accounting base.

- **Current quarter results**

The segment achieved EBITDA of RM65.1 million in the Current Quarter.

Anasuria Hibiscus UK sold 274,015 bbls of crude oil at an average realised price of USD58.08 per bbl in the Current Quarter.

The asset achieved average uptime of 94% and average daily oil equivalent production rate of 4,416 boe/day. This represented the highest quarterly production rate achieved since the acquisition of the asset in March 2016, which was largely driven by the contribution from the GUA-P2 side track well which commenced production in September 2018.

Gross profit margin in the Current Quarter was high, at 85.8%.

PBT stood at RM40.9 million after deducting the following from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM20.7 million; and,
- Unwinding of discount on provision for decommissioning costs of RM3.5 million.

The segment recorded a net tax credit in the Current Quarter largely due to the reversal of deferred tax liabilities recognised.

## 15 PERFORMANCE REVIEW (CONT'D)

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

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

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

  The segment recorded a LAT of RM0.6 million in the Current Period.

  The USD had appreciated against the segment's functional currency, the AUD, during the Current Period. The period-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 was no adverse impact to the Group.

- **Current quarter results**

  Segment LAT in the Current Quarter was RM0.9 million.

  This was mainly due to an adverse foreign exchange impact which arose from the appreciation of the USD against the AUD, impacting the quarter-end revaluation of USD-denominated inter-company payables.

**(iv) Investment holding and group activities**

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

  The segment recorded a LAT of RM11.6 million in the Current Period.

  Expenses incurred relate to corporate overheads, maintenance fees for the Britannia Rig and business development expenses.

- **Current quarter results**

  During the Current Quarter, the segment recorded LAT of RM4.8 million, on 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 as at 31 December 2018 amounted to RM1,777.9 million compared to RM1,571.5 million as at 30 June 2018.

The increase was mainly driven by the capitalisation into intangible assets costs incurred directly attributable to the acquisition of a 50% interest in the Blocks in UK Central North Sea (please refer to Part A, Note 4 of this Quarterly Report for further details) by Anasuria Hibiscus UK in the Current Quarter, which amounted to RM157.4 million.

In addition, capital expenditure programs invested in the Anasuria asset (included in equipment) during the Current Period have contributed to the increase.

## 15 PERFORMANCE REVIEW (CONT'D)

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

**(ii) Current Assets**

Current assets increased from RM402.5 million as at 30 June 2018 to RM411.4 million as at 31 December 2018.

Cash and bank balances increased by RM67.9 million, largely due to the collection of proceeds from crude oil offtakes in both the Anasuria and North Sabah segments during the Current Period.

In addition, other operational-related receivables in North Sabah increased by approximately RM52.4 million.

These are largely off-set by lower trade receivables balance of RM98.1 million. The trade receivables balances at the end of the respective reporting periods are impacted by the timing of receipts of proceeds from crude oil offtakes in both the Anasuria and North Sabah segments.

**(iii) Total Liabilities**

The Group's total liabilities amounted to RM1,031.3 million as at 31 December 2018, an increase of RM53.1 million from RM978.2 million as at 30 June 2018.

The increase was largely due to the following items:

- Higher operations-related payables and accruals in North Sabah of RM73.6 million, mainly caused by expenses incurred for the planned maintenance activities which commenced in the Current Quarter; and,

- Net increase in the recognition of deferred tax liabilities by RM30.8 million driven by additional capital expenditure in the Anasuria Cluster during the Current Period.

The above is partly off-set by a decrease in provision for decommissioning costs balance of RM52.5 million, due to payments made relating to the North Sabah asset.

**(iv) Total Equity**

The increase in total equity during the Current Period by RM162.2 million was mainly attributable to net earnings generated from both the Anasuria and North Sabah assets.

## 15 PERFORMANCE REVIEW (CONT'D)

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

#### (C) Statement of Cash Flows

**(i) Cash flow from operating activities**

Net cash inflow from operating activities for the Current Period was RM304.6 million. It mainly comprised cash received from operations at the North Sabah and Anasuria assets, partly off-set by group-wide operating overheads and payment of taxation obligations incurred for both assets.

**(ii) Cash flow from investing activities**

The Group's net cash used in investing activities amounted to RM234.8 million.

A total of RM157.4 million was paid for the acquisition of a 50% interest in the Blocks in UK Central North Sea by Anasuria Hibiscus UK.

The remaining cash outflow was mainly for investments in capital expenditure in 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.)*

**Statements of Profit or Loss**

**(i) North Sabah**

The North Sabah segment recorded an EBITDA of RM37.6 million in the Current Quarter as compared to RM100.8 million in the three-month period ended 30 September 2018 ("**Preceding Quarter**").

In the Current Quarter, SEA Hibiscus sold 293,624 bbls of crude oil from one cargo as compared to 595,286 bbls of crude oil sold in two cargoes in the Preceding Quarter. Average realised oil price achieved in the Current Quarter was USD71.30 per bbl whilst USD78.55 per bbl was achieved in the Preceding Quarter. Accordingly, the segment generated RM88.1 million revenue and RM47.2 million gross profit in Current Quarter, lower than that in the Preceding Quarter, where revenue and gross profit were RM192.0 million and RM132.1 million respectively.

Lower bbls of crude oil sold coupled with lower average realised price achieved in the Current Quarter resulted in the lower EBITDA when compared to the Preceding Quarter.

The EBITDA margin of 42.7% in the Current Quarter was also lower than that in the Preceding Quarter of 52.5%. This was mainly driven by the lower average realised price achieved on crude oil sold and expenses incurred for planned maintenance activities at the offshore platforms carried out 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 segment achieved an EBITDA and a PBT of RM65.1 million and RM40.9 million respectively in the Current Quarter as compared to that achieved in the Preceding Quarter, i.e. EBITDA of RM114.1 million and PBT of RM95.6 million.

Anasuria Hibiscus UK sold 274,015 bbls of crude oil at an average oil price of USD58.08 per bbl in the Current Quarter. In the Preceding Quarter, 523,899 bbls of crude oil were sold at an average realised price of USD73.88 per bbl. Revenue recorded in the Current Quarter amounted to RM75.4 million, a decrease of RM91.4 million from RM166.8 million in the Preceding Quarter.

Despite this, EBITDA margin improved in the Current Quarter to 86.3%. In the Preceding Quarter, it was 68.4%. This has been largely driven by better operational performance in the Current Quarter with the Anasuria Cluster achieving an average uptime of 94%, against 88% recorded in the Preceding Quarter. Average OPEX per boe also improved to USD15.05 in the Current Quarter as compared to USD15.93 in the Preceding Quarter.

A net tax credit of RM2.2 million has been recognised in the Current Quarter. In the Preceding Quarter however, a net tax expense of RM34.1 million was incurred.

Net tax expense in the Preceding Quarter was driven by the recognition of higher deferred tax liabilities arising from significantly higher investments in capital expenditure. In the Preceding 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 Current Quarter was significantly lower, due to a lower capital expenditure of RM9.8 million, which resulted in a deferred tax expense of only RM3.9 million charged to the profit or loss account. In addition, income tax expenses in the Current Quarter amounted to RM2.3 million compared to RM14.6 million in the Preceding Quarter. The difference is as a result of the tax impact originating from the sale of a lower volume of crude oil in the Current Quarter.

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

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

LAT in the Current Quarter was caused by adverse foreign exchange differences.

In the Preceding Quarter, the PAT was mainly attributed to the reversal of an impairment in the Group's investment in its associate, 3D Oil. At the end of each reporting quarter, an impairment assessment is performed on 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 Preceding Quarter was a reversal of impairment incurred previously.

### (iv) Investment holding and group activities

This segment recorded a decrease in LAT of RM2.0 million in the Current Quarter, from a LAT of RM6.8 million in the Preceding Quarter.

Lower 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 proceeds from the Private Placement of approximately RM91.1 million have been fully utilised as of 19 February 2019, being the date of this Quarterly Report, as follows:

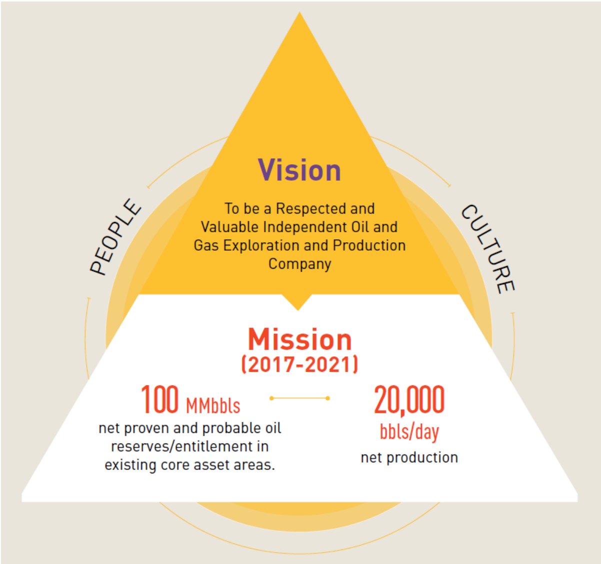
| Purpose | | Proposed utilisation of proceeds from the Private Placement<br>RM'000 | Actual utilisation as of 19 February 2019<br>RM'000 | Intended timeframe for utilisation from the date of completion of the Private Placement | Percentage utilised<br>(%) |
|---|---|---|---|---|---|
| (i) | Working capital for the business operation expenditures of the Group | 41,516 | 41,516 | Within twelve (12) months | 100 |
| (ii) | Payment of trade and other payables | 17,800 | 17,800 | | 100 |
| (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 | 91,096 | | |

### 18.2 Warrants C

As of 19 February 2019, 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.

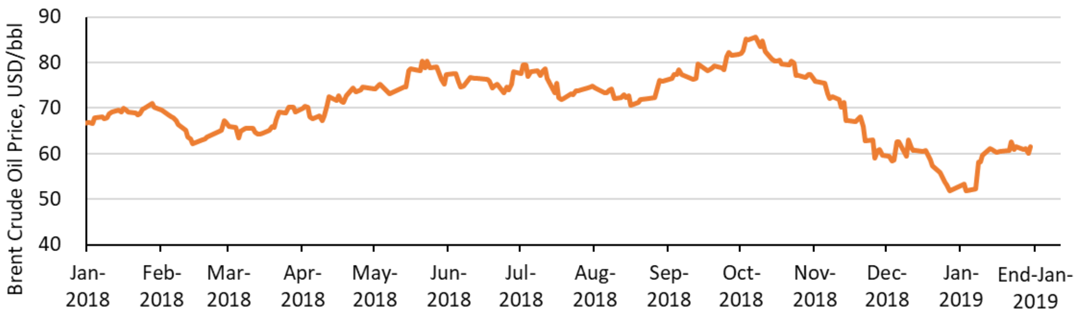



In summary, the delivery of our 2021 mission entails:

+ The achievement of an average daily net 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 LCOT. The graph below illustrates the oil price trends for the Brent crude oil benchmark for the period January 2018 to end-January 2019:




2. Any premium or discount that we may receive on the price of the Brent crude oil benchmark for 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***

As of 31 December 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.

The table below 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:

| | Units | **October to December 2018** | **July to September 2018** | **April to June 2018** | **January to March 2018** |
|---|---|---|---|---|---|
| Average uptime | % | 94 | 88 | 94 | 82 |
| Average daily oil production rate | bbl/day | 3,962 | 3,241 | 3,375 | 2,798 |
| Average daily gas export rate @ | boe/day | 454 | 340 | 360 | 304 |
| Average daily oil equivalent production rate | boe/day | 4,416 | 3,581 | 3,736 | 3,102 |
| Total oil sold | bbl | 274,015 | 523,899 | 0 | 271,047 |
| Total gas exported (sold) | mmscf | 251 | 187 | 197 | 162 |
| Average realised oil price | USD/bbl | 58.08 | 73.88 | n.a. | 65.03 |
| Average gas price | USD/mmbtu | 3.22 ∞/ 7.25 # | 2.71 ∞/ 6.25 # | 2.36 ∞/ 5.51 # | 2.60 ∞/ 5.71 # |
| Average OPEX per boe | USD/boe | 15.05 | 15.93 | 16.39 | 23.96 |

*@ 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)

A record 112 days of continuous oil production was achieved in the Current Quarter, thus resulting in a higher average uptime of 94%. This combined with the incremental production from the GUA-P2 side track well which was drilled in the Preceding Quarter has resulted in a 24% increase in the average daily oil equivalent production rate to 4,416 boe/day for the Current Quarter. The 112 days of continuous production and the quarterly average production rate for the Current Quarter is the highest recorded since taking over the joint-operatorship of Anasuria in May 2016. The improved production rate has resulted in an overall decrease in the OPEX per boe to USD15.05. One crude oil offtake was conducted in the Current Quarter, in which 274,015 bbls of oil net to Anasuria Hibiscus UK was sold at the average realised oil price of USD58.08 per bbl.

In terms of capital expenditure, Anasuria Hibiscus UK incurred approximately RM9.8 million in the Current Quarter which is primarily attributed to the GUA-P2 side track project that was completed in the Preceding Quarter, the Cook Water Injection ("**Cook WI**") project and long lead items for future drilling programmes. As previously disclosed, as part of our strategy to enhance production from the Anasuria Cluster, we have identified several drilling opportunities in the Guillemot A, Teal and Teal South fields which can be drilled in 2019 and 2020. The sub-surface evaluation work which commenced in mid-2018 has matured and an opportunity for the 2019 drilling programme is being finalised for an investment decision, subject to the approval of our board and our joint-venture partner.

***United Kingdom – Anasuria Cluster: Cook Water Injection Project***

Anasuria Hibiscus UK together with its partners in the Cook field, had, in May 2018, sanctioned the 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 expected that an increased reservoir pressure will stimulate higher production and enhance oil recovery from this field. The water injection well will be drilled in mid-2019 and a subsea pipeline will 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 the total capital expenditure net to Anasuria Hibiscus UK estimated for this project is RM61.0 million. Of this amount, RM6.1 million has been incurred in the first half of the financial year ending 30 June 2019 ("**FY2019**"), RM47.1 million is expected in the second half of FY2019, and a further RM7.8 million is expected in the financial year ending 30 June 2020.

***United Kingdom – Blocks 15/13a (Marigold) and 15/13b (Sunflower)***

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 contains a significant oil bearing discovered field (to be called Marigold), whilst Block 15/13b which lies northeast of Block 15/13a contains a smaller discovered field (to be called Sunflower). Based on an independent report by AGR TRACS International Limited, the gross contingent oil resources ("**2C 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.

Since the completion of the transaction, Anasuria Hibiscus UK has established a dedicated project team in Kuala Lumpur to conduct the subsurface field development and engineering studies as well as, with the support of Petrofac Facilities Management Limited, execute the concept select phase as part of the efforts to establish a field development plan for Marigold and Sunflower. The concept select phase is targeted to complete in mid-2019. Development concepts being considered include fixed platform, floating solutions, as well as tieback to existing nearby infrastructure solutions.

**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 | October to December 2018 [3] | July to September 2018 | April to June 2018 | January to March 2018 |
|---|---|---|---|---|---|
| Average uptime | % | 85 | 93 | 97 | 96 |
| Average gross oil production [4] | bbl/day | 13,400 | 14,860 | 15,954 | 15,167 |
| Average net oil production [4] | bbl/day | 4,958 | 4,797 | 5,903 | 5,674 |
| Total oil sold | Bbls | 293,624 | 595,286 | 623,544 | 287,019 |
| Average realised oil price [1, 2] | USD/bbl | 71.30 | 78.55 | 73.26 | 71.44 |
| Average OPEX per bbl (unit production cost) | USD/bbl | 22.74 | 11.15 | 8.15 | 12.50 |

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 to June 2018, July 2018 to September 2018 and October 2018 to December 2018, the average realised oil price represents the weighted average price of all Labuan crude sales from SEA Hibiscus.*

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

4 *Figures are best estimates as at the date of this Quarterly Report and may be subject to change.*

The lower average uptime of the North Sabah production facilities of 85% achieved during the Current Quarter was mainly due to planned maintenance activities performed at the offshore platforms. This has adversely impacted the average oil production rate resulting in a decrease of approximately 10% when compared to the Preceding Quarter. There was one crude oil offtake conducted in the North Sabah asset with a total of 293,624 bbls of oil net to SEA Hibiscus sold in the Current Quarter. The realised oil price for the oil cargo was USD71.30 per bbl.

Average OPEX per bbl for North Sabah increased to USD22.74 per bbl mainly due to the higher OPEX incurred for the planned maintenance activities performed during the Current Quarter on the back of lower crude oil production. The planned maintenance campaign was completed by the end of the Current Quarter and OPEX per bbl is expected to reduce in the following quarter.

In the area of capital expenditure, SEA Hibiscus incurred approximately RM1.8 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 due to the commencement of development projects spending following the approval from Petroliam Nasional Berhad ("**PETRONAS**") of the St Joseph Infill Drilling Field Development Plan. The Company is also working towards having the South Furious 30 Infill Drilling project Milestone Review-4 approved by PETRONAS 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 on 21 December 2018 approved the St Joseph Infill Drilling Field project Development Plan intended to increase production and reserves of the St Joseph field. The total capital expenditure of RM142.6 million will be shared equally with our joint venture partner. This project entails the drilling of 3 infill producers utilizing a triple splitter wellhead on the St Joseph Jacket-A ("**SJJT-A**") platform with minimal topside facilities modifications. These modifications include flowlines, wellhead control panel modifications and modifications to the chemical pump system and chokes. Drilling is targeted to commence in April 2019 with oil production expected to commence in June 2019. The project is expected to add approximately 2,600 bbl per day at its peak with an expected life of field ("**LoF**") reserve of 2.77 MMstb.

***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.

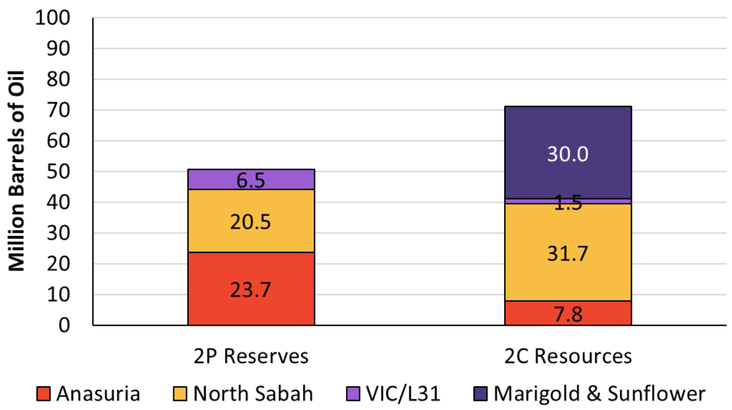
Given the expected capital requirements for low risk, identified projects within the Anasuria Cluster and North Sabah, management may defer seeking a Final Investment Decision ("**FID**") or seek an alternative solution for our development offshore Australia.

***Fundraising***

All our activities and acquisitions to-date have been funded with equity and internally generated funds. Over the course of the next six months, we anticipate that we shall undertake certain fundraising activities to ensure that the projects and opportunities we have in hand, which are expected to enhance production and create value, may be executed smoothly. The Group currently has no debt. Therefore, we are in a position to gear up to a conservative level if we need to, based on our forward looking plans. We are currently considering various debt options that are on offer, bearing in mind factors such as long term capital requirements, benefits to the Group to maintain a certain level of agility and financial flexibility, overall weighted average cost of capital, etc. We shall make the relevant disclosures as our plans mature.

***Mission (2017 – 2021)***

With the completion of our recently announced acquisition of a 50% interest in the Marigold and Sunflower discovered fields in the UK 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, as of 1 January 2019, within the licenses in which we have interests.




*Notes:*
1. *Reserves and resources are as of 1 January 2019.*
2. *Anasuria proven and probable reserves ("**2P Reserves**") and 2C Resources are based on Anasuria Hibiscus UK's interest and derived from LEAP ENERGY Partners Sdn Bhd's report, as of 1 July 2018, less actual production until 31 December 2018.*
3. *North Sabah 2P Reserves and 2C Resources are based on SEA Hibiscus' net entitlement and derived by RISC Operations Pty Ltd's report dated January 2019 for the PSC life.*

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 in Marigold and Sunflower into producing 2P Reserves.

***Claims Against Rex Companies and Other Parties***

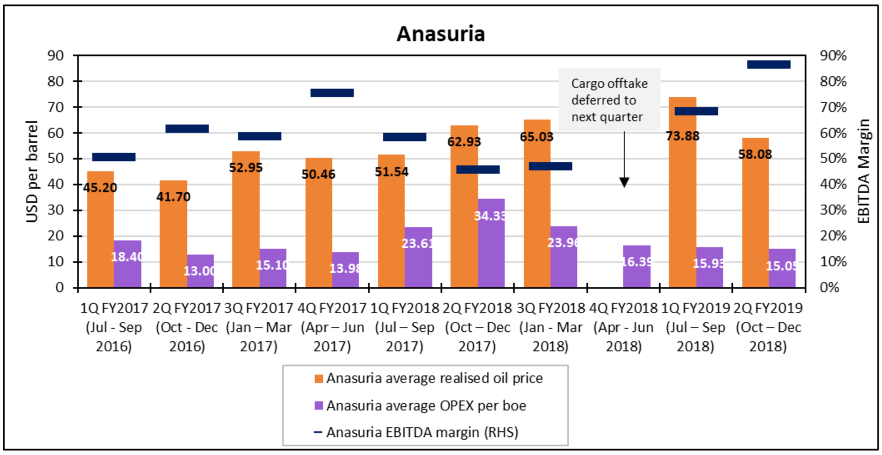
In 2016, the Group fully impaired its investments in the Lime Group and HIREX. However, the rights and legal position of the Group are fully reserved against the Rex Companies and all other parties in connection with those investments. The Group will continue to pursue appropriate legal, regulatory and 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).

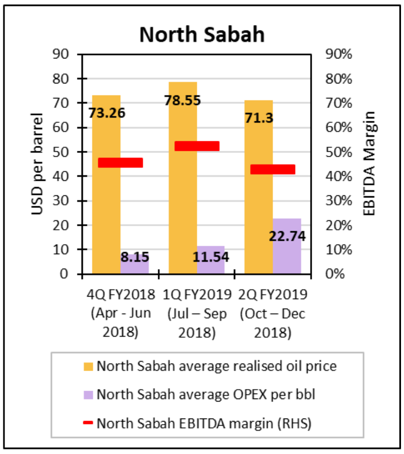
## 19 PROSPECTS OF THE GROUP (CONT'D)

### *Concluding Comments*

Our goal is to deliver 2.7 to 3.0 million bbls of oil from our two producing assets in FY2019. We have sold approximately 1.7 million bbls of crude oil across both assets in the first two quarters of FY2019 with three offtakes coming from Anasuria, and a further three offtakes from North Sabah. As of the date of this report, a further two cargoes were sold in the third quarter of FY2019. If we are able to maintain production momentum across both assets, we hope to be able to deliver on our goal for FY2019.

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 than at the current time. The Group has managed to remain profitable throughout these fluctuations. This is primarily because our 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 4Q FY2018 excludes the impact of negative goodwill of RM93.8m.*

Our asset teams from both Anasuria and North Sabah are targeting to execute production enhancement projects that could potentially enhance our net oil production rate from 8,500 bbls per day to over 12,000 bbls per day by 2021. Several of these production enhancement projects have made progress. In Anasuria, the recently completed GUA-P2 side track project has resulted in an overall enhanced production rate from this asset. Additionally, the Cook WI project which was sanctioned last year is on track for execution in 2019, and another potential opportunity is being considered for a drilling programme 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 sought.

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 Period.

## 22 PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

## 23 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

## 24 MATERIAL LITIGATION

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

For completeness, please also refer to Part A, Note 11 and Part B, Note 19 of this Quarterly Report.

## 25 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the Group's profit after taxation attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the financial quarter/period.

| | | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|---|
| | | QUARTER ENDED 31.12.2018 RM'000 | QUARTER ENDED 31.12.2017 RM'000 | PERIOD ENDED 31.12.2018 RM'000 | PERIOD ENDED 31.12.2017 RM'000 |
| Profit after taxation attributable to owners of the Company (RM'000) | (A) | 50,105 | 11,042 | 150,106 | 21,826 |
| Weighted average number of shares for basic earnings per share computation ('000) | (B) | 1,588,229 | 1,531,506 | 1,588,229 | 1,503,175 |
| 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 | 1,531,506 | 1,905,875 | 1,503,175 |
| Basic earnings per share (sen) | (A/B) | 3.15 | 0.72 | 9.45 | 1.45 |
| Diluted earnings per share (sen) | (A/C) | 2.63 | 0.72 | 7.88 | 1.45 |

## 26 OTHER INCOME

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | QUARTER ENDED 31.12.2018 RM'000 | QUARTER ENDED 31.12.2017 RM'000 | PERIOD ENDED 31.12.2018 RM'000 | PERIOD ENDED 31.12.2017 RM'000 |
| Sundry income | 1,190 | 69 | 1,216 | 72 |
| Interest income | 116 | - | 188 | - |
| Realised gain on foreign exchange ^^ | - | 199 | - | 881 |
| Unrealised gain on foreign exchange ^^ | 241 | - | 136 | - |
| | 1,547 | 268 | 1,540 | 953 |

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

## 27 PROFIT BEFORE TAXATION

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | QUARTER ENDED 31.12.2018 RM'000 | QUARTER ENDED 31.12.2017 RM'000 | PERIOD ENDED 31.12.2018 RM'000 | PERIOD ENDED 31.12.2017 RM'000 |
| Profit before taxation is arrived at after charging/(crediting): | | | | |
| Depreciation and amortisation of equipment and intangible assets | 35,513 | 11,887 | 68,246 | 25,683 |
| Interest income | (348) | (14) | (512) | (24) |
| Finance costs | 10,558 | 3,382 | 21,795 | 8,725 |
| Unrealised (gain)/loss on foreign exchange ^^^ | (241) | 4,640 | (136) | 7,635 |
| Realised loss/(gain) on foreign exchange ^^^ | 748 | (199) | 101 | (881) |
| Share of results of an associate | 83 | 190 | 184 | 552 |
| Reversal of impairment of investment in an associate | - | (1,223) | (1,335) | (3,108) |
| Reversal of impairment of receivables | - | (1,504) | - | (598) |

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

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

## 28 TAXATION

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | QUARTER ENDED 31.12.2018 RM'000 | QUARTER ENDED 31.12.2017 RM'000 | PERIOD ENDED 31.12.2018 RM'000 | PERIOD ENDED 31.12.2017 RM'000 |
| Income taxation | 14,039 | (1,218) | (45,181) | (4,713) |
| Deferred taxation | (15,860) | (847) | (21,849) | 3,710 |
| | (1,821) | (2,065) | (67,030) | (1,003) |

Breakdown by operating segments:

| OPERATING SEGMENTS | Individual Quarter | | Cumulative Quarter | |
|---|---|---|---|---|
| | Quarter Ended 31.12.2018 RM'000 | Quarter Ended 31.12.2017 RM'000 | Period Ended 31.12.2018 RM'000 | Period Ended 31.12.2017 RM'000 |
| **North Sabah** | | | | |
| **Income taxation** | 16,347 | - | (28,314) | - |
| **Deferred taxation** | (20,342) | - | (6,741) | - |
| **Total** | **(3,995)** | **-** | **(35,055)** | **-** |
| **Anasuria** | | | | |
| **Income taxation** | (2,308) | (1,234) | (16,867) | (4,723) |
| **Deferred taxation** | 4,482 | (847) | (15,108) | 3,710 |
| **Total** | **2,174** | **(2,081)** | **(31,975)** | **(1,013)** |
| **3D Oil, VIC/L31 & VIC/P57** | | | | |
| **Income taxation** | - | - | - | - |
| **Deferred taxation** | - | - | - | - |
| **Total** | **-** | **-** | **-** | **-** |
| **Investment holding and group activities** | | | | |
| **Income taxation** | - | 16 | - | 10 |
| **Deferred taxation** | - | - | - | - |
| **Total** | **-** | **16** | **-** | **10** |
| **Group** | | | | |
| **Income taxation** | 14,039 | (1,218) | (45,181) | (4,713) |
| **Deferred taxation** | (15,860) | (847) | (21,849) | 3,710 |
| **Total** | **(1,821)** | **(2,065)** | **(67,030)** | **(1,003)** |

## 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**
**19 February 2019**