HIBISCUS PETROLEUM BERHAD

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

Unaudited Quarterly Financial Report
31 March 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	QUARTER ENDED 31.03.2019 RM'000	QUARTER ENDED 31.03.2018 RM'000	PERIOD ENDED 31.03.2019 RM'000	PERIOD ENDED 31.03.2018 RM'000
Revenue		226,121	75,420	751,234	209,717
Cost of sales		(76,278)	(30,350)	(237,571)	(87,027)
GROSS PROFIT		149,843	45,070	513,663	122,690
Other income	26	66	3,456	1,469	4,409
Administrative expenses		(29,905)	(47,462)	(87,804)	(60,611)
Other expenses		(27,462)	(28,319)	(95,671)	(61,637)
Finance costs		(10,502)	(3,467)	(32,297)	(12,192)
Share of results of an associate		(71)	(142)	(255)	(694)
Negative goodwill from business combination		-	112,433	-	112,433
PROFIT BEFORE TAXATION	27	81,969	81,569	299,105	104,398
Taxation	28	(26,788)	1,566	(93,818)	563
PROFIT AFTER TAXATION		55,181	83,135	205,287	104,961
PROFIT AFTER TAXATION ATTRIBUTABLE TO:					
- Owners of the Company		55,181	83,135	205,287	104,961
EARNINGS PER SHARE (SEN)					
Basic	25	3.47	5.26	12.93	6.87
Diluted	25	2.87	5.23	10.71	6.85

Note:

Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")		115,129	99,646	422,306	156,883

(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 31.03.2019 RM'000	QUARTER ENDED 31.03.2018 RM'000	PERIOD ENDED 31.03.2019 RM'000	PERIOD ENDED 31.03.2018 RM'000
PROFIT AFTER TAXATION	55,181	83,135	205,287	104,961
Other comprehensive (expenses)/income: Items that may be subsequently reclassified to profit or loss:				
- Foreign currency translation *	(11,840)	(35,770)	292	(70,095)
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) FOR THE QUARTER/PERIOD	43,341	47,365	205,579	34,866
TOTAL COMPREHENSIVE INCOME/ (EXPENSES) ATTRIBUTABLE TO:				
- Owners of the Company	43,341	47,365	205,579	34,866

* *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 31.03.2019 RM'000	AUDITED AS AT 30.06.2018 RM'000
ASSETS			
NON-CURRENT ASSETS			
Investment in an associate		5,814	4,905
Intangible assets		1,434,702	1,337,252
Equipment		301,388	229,311
		1,741,904	1,571,468
CURRENT ASSETS			
Inventories		35,940	57,914
Trade receivables		91,452	109,028
Other receivables, deposits and prepayments		131,643	98,984
Amount owing by a joint venture		473	608
Amount owing by an associate		-	5
Cash and bank balances		221,213	135,957
		480,721	402,496
TOTAL ASSETS		2,222,625	1,973,964
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	764,965	764,965
Other reserves		53,761	53,469
Retained earnings		382,643	177,356
		1,201,369	995,790
NON-CURRENT LIABILITIES			
Deferred consideration		-	16,946
Contingent consideration		1,988	1,822
Finance lease liabilities		10,022	6,628
Other payables		102,991	112,621
Deferred tax liabilities		364,027	345,172
Provision for decommissioning costs		213,323	259,237
		692,351	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 31.03.2019 RM'000	AUDITED AS AT 30.06.2018 RM'000
CURRENT LIABILITIES			
Trade payables		7,017	3,126
Other payables and accruals		235,634	156,143
Deferred consideration		18,487	18,717
Amount owing to a joint venture		318	595
Amount owing to an associate		217	-
Finance lease liabilities		4,651	1,421
Provision for taxation		62,362	55,527
Redeemable Convertible Preference Shares		219	219
		328,905	235,748
TOTAL LIABILITIES		1,021,256	978,174
TOTAL EQUITY AND LIABILITIES		2,222,625	1,973,964
NET ASSETS PER SHARE (RM)		0.76	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	SHARE PREMIUM RM'000	OTHER RESERVES RM'000	FOREIGN EXCHANGE RESERVE RM'000	RETAINED EARNINGS/ (ACCUMULATED LOSSES) RM'000	TOTAL RM'000
9 months to 31.03.2019						
As at 01.07.2018	764,965	-	389	53,080	177,356	995,790
Profit after taxation	-	-	-	-	205,287	205,287
Other comprehensive income, net of tax: - Foreign currency translation	-	-	-	292	-	292
Total comprehensive income for the period	-	-	-	292	205,287	205,579
As at 31.03.2019	764,965	-	389	53,372	382,643	1,201,369
9 months to 31.03.2018						
As at 01.07.2017	675,314	-	389	92,466	(25,807)	742,362
Issuance of shares	89,278	-	-	-	-	89,278
Warrants issuance transaction costs	-	-	-	-	(566)	(566)
Profit after taxation	-	-	-	-	104,961	104,961
Other comprehensive expenses, net of tax: - Foreign currency translation	-	-	-	(70,095)	-	(70,095)
Total comprehensive (expenses)/income for the period	-	-	-	(70,095)	104,961	34,866
As at 31.03.2018	764,592	-	389	22,371	78,588	865,940

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 31.03.2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	299,105
Adjustments for:	
Depreciation and amortisation of equipment and intangible assets	90,904
Interest income	(700)
Unrealised loss on foreign exchange	3,210
Finance costs	32,297
Reversal of impairment of investment in an associate	(1,335)
Share of results of an associate	255
Operating profit before working capital changes:	423,736
Inventories	22,902
Trade receivables	19,637
Other receivables, deposits and prepayments	(31,507)
Trade payables	3,740
Other payables and accruals	(36,128)
Amount owing by a joint venture	158
Amount owing to a joint venture	(1,187)
Amount owing by an associate	5
Amount owing to an associate	218
Cash generated from operating activities	401,574
Tax paid	(73,006)
Net cash generated from operating activities	328,568
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(82,062)
Interest received	700
Acquisition of intangible assets	(159,800)
Net cash used in investing activities	(241,162)
Net increase in cash and cash equivalents	87,406
Effects of foreign exchange rate changes	(2,150)
Cash and cash equivalents at beginning of the financial period	135,957
	221,213
Less: Cash restricted in use **	(61,103)
Cash and cash equivalents at end of the financial period	160,110

** *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 March 2019 ("**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 then became a post-completion event. In conjunction thereto, the SPA became 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.

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

Subsequently, Anasuria Hibiscus UK has received the OGA's consent to be the operator of the Blocks in February 2019.

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 being 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 March 2019, 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, exercise of Warrants C and repayments of borrowings, debt and equity securities during the Current Period.

	PERIOD ENDED 31.03.2019	
ORDINARY SHARES	**Number of shares**	**Share capital RM'000**
As at 31.03.2019/01.07.2018	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 the United States Dollars ("**USD**"). The average and closing rates adopted for conversion to RM in the Current Period are 4.1200 and 4.0846 respectively.
(ii)	Anasuria Hibiscus	Group's investments and operations in the UK, consisting of (i) Anasuria, a producing asset, and (ii) Marigold & Sunflower, a development asset, both located offshore in the UK Continental Shelf. Anasuria: • Group's investment in 50% participating interests in the Licence P013 containing the Guillemot A, Teal and Teal South producing fields, 19.3% participating interests in the Licence P185 containing the Cook producing field, 50% interests in the Anasuria floating, production, storage and offloading vessel ("**Anasuria FPSO**") and 50% interests in the Anasuria Operating Company Limited ("**AOCL**"). The Group jointly operates the producing fields under Licence P013 and the Anasuria FPSO via AOCL. Marigold & Sunflower: • Group's investment in 50% participating interests in two blocks under Licence P198; (i) Block 15/13a, containing the Marigold discovered oilfield, and (ii) Block 15/13b, containing the Sunflower discovered oilfield. This includes the management of operations to develop these fields towards production. The functional currency of the segment is the USD. The average and closing rates adopted for conversion to RM in the Current Period are 4.1200 and 4.0846 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 the Australian Dollar ("**AUD**"). The average and closing rates adopted for conversion to RM in the Current Period are 2.9672 and 2.9000 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	Anasuria Hibiscus	3D Oil, VIC/L31 & VIC/P57	Investment holding and group activities	Elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31.03.2019						
Non-current assets	385,136	1,093,514	233,837	29,417	-	1,741,904
Included in the segment assets is: Investment in an associate	-	-	5,814	-	-	5,814
Additions to non-current assets	3,259	240,330 ^	-	8,069	-	251,658
Period ended 31.03.2019						
Project management, technical and other service fees	-	-	-	3,563	-	3,563
Sales of crude oil and gas	438,834	308,374	-	-	-	747,208
Interest income	-	-	-	463	-	463
Revenue	438,834	308,374	-	4,026	-	751,234
Depreciation and amortisation	(40,110)	(48,489)	-	(2,305)	-	(90,904)
Profit/(loss) from operations	177,494	175,277	(1,728)	(20,955)	-	330,088
Reversal of impairment of investment in an associate	-	-	1,335	-	-	1,335
Share of results	-	-	(255)	-	-	(255)
Finance costs	(20,983)	(10,611)	-	(703)	-	(32,297)
Interest income	190	40	4	-	-	234
Taxation	(60,629)	(33,189)	-	-	-	(93,818)
Profit after taxation ("**PAT**")/ (Loss after taxation ("**LAT**"))	96,072	131,517	(644)	(21,658)	-	205,287
EBITDA/(Loss Before Interest, Taxes, Depreciation and Amortization ("**LBITDA**"))	217,794	223,806	(644)	(18,650)	-	422,306

Note:

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

PAT/(LAT)	96,072	131,517	(644)	(21,658)	-	205,287
EBITDA/(LBITDA)	217,794	223,806	(644)	(18,650)	-	422,306

^ *Additions to non-current assets for Anasuria Hibiscus included RM161.6 million invested during the Current Period for Block 15/13a (Marigold) and Block 15/13b (Sunflower).*

11 OPERATING SEGMENTS (CONT'D)

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

Note:

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

PAT/(LAT)	89,611	62,050	(4,174)	(42,526)	-	104,961
EBITDA/(LBITDA)	89,611	102,232	(3,618)	(31,342)	-	156,883

12 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions within the Group are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.03.2019 RM'000	QUARTER ENDED 31.03.2018 RM'000	PERIOD ENDED 31.03.2019 RM'000	PERIOD ENDED 31.03.2018 RM'000
Project management, technical and other services fees earned from a related party				
- Ping Petroleum UK Limited	1,058	1,087	3,473	3,626
Project management, technical and other services fees earned from joint ventures				
- HIREX	-	-	-	42
Joint Operating Agreement indirect overheads recovery from an associate				
- 3D Oil	4	-	13	3
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	2	-	3	1
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	(196)	-	(437)	(121)

13 MATERIAL COMMITMENTS

Save as disclosed below, the Group is not aware of any material capital commitments incurred or known to be incurred by the Group which, upon becoming enforceable, may have a material impact on the profit or loss account, or net assets value of the Group as at 31 March 2019:

	RM'000
Approved and contracted for:	
Group's capital commitments	5,457
Share of a joint operation's capital commitments	31,304
Total capital commitments approved and contracted for	36,761
Share of a joint operation's other material commitments	40,326
	77,087
Approved but not contracted for:	
Group's capital commitments	98,204
Share of a joint operation's capital commitments	88,775
Total capital commitments approved but not contracted for	186,979
Share of a joint operation's other material commitments	2,686
	189,665

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 31.03.2019 RM'000	Current Year Quarter 31.03.2019 RM'000	Immediate Preceding Quarter 31.12.2018 RM'000	Current Year Quarter vs Immediate Preceding Quarter (Change in %)
North Sabah				
Revenue	438,834	158,717	88,131	80
EBITDA	**217,794**	**79,353**	**37,627**	**111**
Profit before taxation ("PBT")	156,701	63,892	16,794	280
Taxation	(60,629)	(25,574)	(3,995)	(540)
PAT	96,072	38,318	12,799	199
Anasuria Hibiscus				
Revenue	308,374	66,192	75,388	(12)
EBITDA	**223,806**	**44,684**	**65,056**	**(31)**
PBT	164,706	28,204	40,854	(31)
Taxation	(33,189)	(1,214)	2,174	-
PAT	131,517	26,990	43,028	(37)
3D Oil, VIC/L31 & VIC/P57				
Revenue	-	-	(2)	-
LBITDA	**(644)**	**(34)**	**(919)**	**96**
Loss before taxation ("LBT")	(644)	(34)	(919)	96
Taxation	-	-	-	-
LAT	(644)	(34)	(919)	96
Investment holding and group activities				
Revenue	4,026	1,212	1,641	(26)
LBITDA	**(18,650)**	**(8,874)**	**(3,767)**	**(136)**
LBT	(21,658)	(10,093)	(4,803)	(110)
Taxation	-	-	-	-
LAT	(21,658)	(10,093)	(4,803)	(110)
Group				
Revenue	751,234	226,121	165,158	37
EBITDA	**422,306**	**115,129**	**97,997**	**17**
PBT	299,105	81,969	51,926	58
Taxation	(93,818)	(26,788)	(1,821)	(1,371)
PAT	205,287	55,181	50,105	10

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

- **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 sold 1,467,397 barrels of crude oil in five cargoes, at an average realised oil price of USD72.89 per barrel ("**bbl**"). Average operating costs ("**OPEX**") per bbl amounted to USD15.00 per bbl. Planned maintenance activities performed at the offshore platforms which commenced and were duly completed during the three-month period ended 31 December 2018 ("**Preceding Quarter**") resulted in higher average OPEX per bbl recorded in the Current Period.

The sale of five cargoes at a relatively high average realised oil price was the main driver for the segment recording an EBITDA of RM217.8 million and EBITDA margin (over revenue) of 49.6%.

Segment PBT was RM156.7 million after deducting the following items, all of which are non-cash in nature:

- Amortisation of intangible assets of RM40.1 million;
- Unwinding of discount on deferred consideration and non-current payables of RM11.8 million; and,
- Unwinding of discount on provision for decommissioning costs of RM8.1 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 three-month period ended 31 March 2019 ("**Current Quarter**"), the segment achieved an EBITDA of RM79.4 million.

578,487 bbls of crude oil were sold in two cargoes during the Current Quarter, at an average realised oil price of USD67.87 per bbl. The segment contributed RM158.7 million to revenue and RM100.6 million to gross profit from the sale of crude oil. Average OPEX per bbl amounted to USD11.76 per bbl.

Segment PBT was RM63.9 million after deducting amortisation of intangible assets (RM8.9 million), unwinding of discount on deferred consideration and non-current payables (RM4.0 million) and unwinding of discount on the provision for decommissioning costs (RM2.5 million).

Net tax expenses incurred in the Current Quarter amounted to RM25.6 million.

(ii) Anasuria Hibiscus

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

The Anasuria Hibiscus segment recorded an EBITDA of RM223.8 million (72.6% margin over revenue) in the Current Period.

In the Current Period, from this segment of our business, we sold 1,047,030 bbls of crude oil in four cargoes at an average realised oil price of USD66.53 per bbl. Total revenue recorded was RM308.4 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 84% while average OPEX per boe was USD17.43.

Segment PBT was RM164.7 million. This was achieved after having accounted for the following non-cash items:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM48.5 million; and,
- Unwinding of discount on provision for decommissioning costs of RM10.3 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 RM33.2 million. Income tax expenses amounted to RM23.3 million, while net deferred tax liabilities recognised were RM9.9 million.

The tax regime in the UK which applies to the exploration for, and production of, oil and gas, allows for any investment in capital expenditure 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 RM81.8 million, largely for the drilling of a side-track from the GUA-P2 oil producing well on the Guillemot A field and capital expenditure for the Cook field. The drilling was completed in September 2018. This resulted in a deferred tax expense of RM32.7 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 RM44.7 million in the Current Quarter.

Anasuria Hibiscus UK sold one cargo of crude oil amounting to 249,116 bbls at an average realised price of USD60.39 per bbl in the Current Quarter.

In the Current Quarter, the Anasuria asset recorded average uptime of 71% and average OPEX per boe of USD23.27. Subsequent to a routine visit by the UK Health and Safety Executive ("**HSE**") in late February 2019 to the Anasuria FPSO, Petrofac Facilities Management Limited ("**Petrofac**"), as duty holder of the offshore production facility, was instructed through the issuance of a prohibition notice, to temporarily halt production pending the mitigation of a potential risk identified by HSE inspectors in relation to the asset's flare tip. As a result, production was temporarily halted and over the next six days, decisive action was taken by Petrofac and Anasuria Hibiscus UK to mitigate any potential risk. In addition, other previously planned maintenance work was also simultaneously undertaken during the Current Quarter. Whilst this temporary production halt and the planned maintenance work are not expected to impact our crude oil offtake schedule or have any material effect on the earnings of the Hibiscus Petroleum group for the financial year ending 30 June 2019 ("**FY2019**"), the average uptime and average OPEX per boe for the Current Quarter were adversely impacted.

Gross profit margin in the Current Quarter was relatively high, at 72.6%.

15 PERFORMANCE REVIEW (CONT'D)

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

PBT stood at RM28.2 million after deducting the following from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM12.8 million; and,
- Unwinding of discount on provision for decommissioning costs of RM3.6 million.

The segment recorded a net tax charge in the Current Quarter amounting to RM1.2 million. Income tax expenses that were recognised amounted to RM6.4 million. These were partly off-set by a net reversal of deferred tax liabilities which amounted to RM5.2 million.

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

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

In the Current Period, the segment recorded a LAT of RM0.6 million.

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 RM0.03 million.

This was 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 RM21.7 million in the Current Period.

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

- **Current quarter results**

During the Current Quarter, the segment recorded LAT of RM10.1 million, on corporate overheads, business development expenses, depreciation of computer equipment and maintenance fees for the Britannia Rig.

15 PERFORMANCE REVIEW (CONT'D)

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

(B) Statements of Financial Position

(i) Non-current Assets

The Group's non-current assets as at 31 March 2019 amounted to RM1,741.9 million compared to RM1,571.5 million as at 30 June 2018.

The increase was mainly driven by the capitalisation into intangible assets those costs incurred which were directly attributable to the acquisition of a 50% interest in the Blocks (or also known as Marigold & Sunflower) 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 RM155.7 million.

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

(ii) Current Assets

Current assets increased from RM402.5 million as at 30 June 2018 to RM480.7 million as at 31 March 2019.

Cash and bank balances increased by RM85.3 million, largely due to the collection of proceeds from crude oil offtakes in both the Anasuria Hibiscus and North Sabah segments during the Current Period.

In addition, other operational-related receivables in North Sabah increased by approximately RM39.8 million.

These are partially off-set by lower inventories balance of RM22.0 million compared to 30 June 2018. In addition, the trade receivables balance was lower by RM17.6 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 Hibiscus and North Sabah segments.

(iii) Total Liabilities

The Group's total liabilities amounted to RM1,021.3 million as at 31 March 2019, an increase of RM43.1 million from RM978.2 million as at 30 June 2018.

The increase was largely due to the higher operations-related payables and accruals in North Sabah of RM97.9 million. A higher volume of work was carried out throughout the Current Period when compared to activity levels in the financial year ended 30 June 2018. This is due to the fact that SEA Hibiscus only completed the acquisition of the North Sabah asset on 31 March 2018. Payables and accruals as at 31 March 2019 included expenses incurred for planned maintenance and inspection work carried out in the Current Quarter and the Preceding Quarter.

15 PERFORMANCE REVIEW (CONT'D)

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

This is partly off-set by:

- A decrease in provision for the decommissioning costs balance of RM45.9 million, due to payments made relating to the North Sabah asset; and,

- Payment of the first tranche of deferred consideration relating to the acquisition of 50% participating interests in the 2011 North Sabah EOR PSC amounting to USD5.0 million (RM20.4 million) in March 2019, per the agreed schedule. Note that the second and final tranche, also amounting to USD5.0 million, is payable in March 2020.

(iv) Total Equity

The increase in total equity during the Current Period by RM205.6 million was mainly attributable to net earnings generated from both the Anasuria and North Sabah assets.

(C) Statement of Cash Flows

(i) Cash flow from operating activities

Net cash inflow from operating activities for the Current Period was RM328.6 million. It comprised mainly of 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 RM241.2 million.

A total of RM155.7 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 RM79.4 million in the Current Quarter as compared to RM37.6 million in the Preceding Quarter.

In the Current Quarter, SEA Hibiscus sold 578,487 bbls of crude oil in two cargoes as compared to 293,624 bbls of crude oil from one cargo in the Preceding Quarter. Average realised oil price achieved in the Current Quarter was USD67.87 per bbl whilst USD71.30 per bbl was achieved in the Preceding Quarter.

Revenue generated in the Current Quarter was RM158.7 million, which was RM70.6 million higher than that recognised in the Preceding Quarter of RM88.1 million. This was driven by a higher number of bbls of crude oil that was sold.

The EBITDA achieved by the segment in the Current Quarter exceeded that achieved in the Preceding Quarter by RM41.7 million. The EBITDA margin of 50.0% in the Current Quarter was also higher than that achieved in the Preceding Quarter of 42.7% despite the lower average realised price achieved on crude oil sold in the Current Quarter. That was driven by a reduction in average OPEX per bbl achieved in the Current Quarter of USD11.76 per bbl compared to USD22.74 per bbl in the Preceding Quarter. It is important to note that in the Preceding Quarter, planned maintenance activities were commenced and completed on the offshore facilities leading to higher OPEX per bbl costs.

Net tax expenses incurred in the Current Quarter were attributable to profits generated from the sale of crude oil. Tax accrued in the Current Quarter when accumulated with similar accruals made in the Preceding Quarter and the financial quarter ended 30 September 2018 represent the best estimate of total tax obligations for SEA Hibiscus as at 31 March 2019.

(ii) Anasuria Hibiscus

The segment achieved an EBITDA and a PBT of RM44.7 million and RM28.2 million respectively in the Current Quarter as compared to that achieved in the Preceding Quarter, i.e. EBITDA of RM65.1 million and PBT of RM40.9 million.

Anasuria Hibiscus UK sold 249,116 bbls of crude oil at an average oil price of USD60.39 per bbl in the Current Quarter. In the Preceding Quarter, 274,015 bbls of crude oil were sold at an average realised price of USD58.08 per bbl.

Revenue recorded in the Current Quarter amounted to RM66.2 million, a decrease of RM9.2 million from RM75.4 million in the Preceding Quarter, due to lower number of bbls of crude oil sold.

EBITDA margin in the Current Quarter of 67.5% is lower than the 86.3% recorded in the Preceding Quarter. This was largely due to lower average uptime and planned maintenance work carried out in the Current Quarter.

A net tax expense of RM1.2 million was incurred in the Current Quarter. In the Preceding Quarter, the segment recognised a net tax credit of RM2.2 million. Net tax expense in the Current Quarter was driven by the recognition of higher income tax liabilities subsequent to a re-assessment of year-to-date income tax obligations.

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

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

During the Current Quarter, the segment recorded a LAT of RM0.03 million as compared to a PAT of RM0.9 million in the Preceding Quarter.

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

(iv) Investment holding and group activities

This segment recorded an increase in LAT of RM5.3 million in the Current Quarter, from a LAT of RM4.8 million in the Preceding Quarter.

Higher 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.

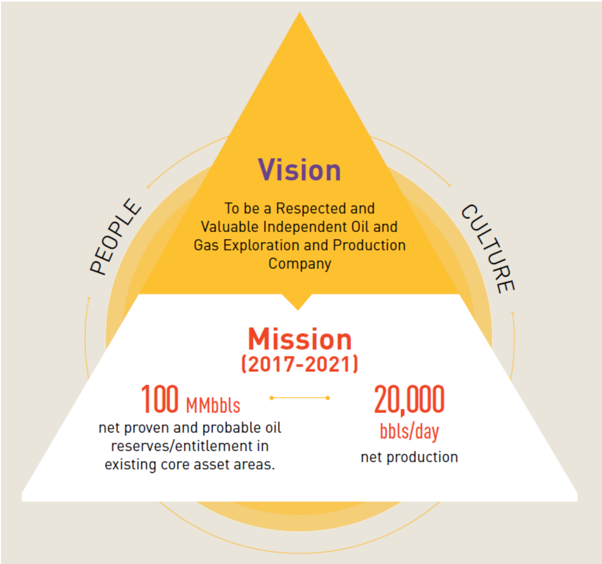
18 STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL(S)

(i) Warrants C

As of 27 May 2019, the Company had received proceeds of RM100 from the exercise of Warrants C. As the proceeds received were of a relatively small amount, the Company has no intention to utilise this amount for any specific purpose at this time.

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.

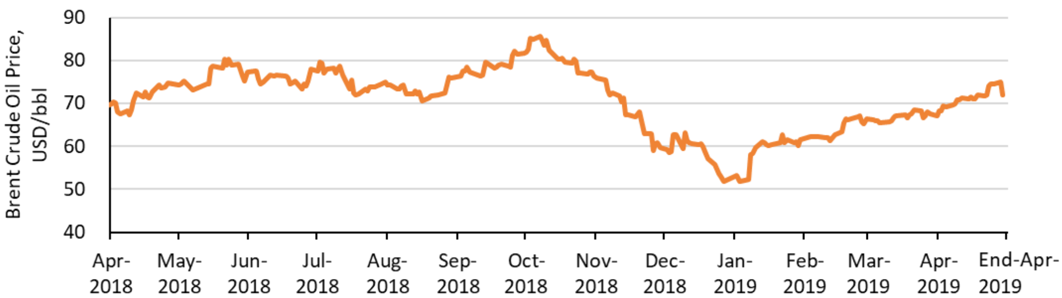


In summary, the delivery of our 2021 mission entails:

+ 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 FPSO and LCOT. The graph below illustrates the oil price trends for the Brent crude oil benchmark for the period April 2018 to end-April 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 March 2019, the Company's indirect wholly-owned subsidiary, Anasuria Hibiscus UK has been involved in the joint operations of the Anasuria asset for approximately three 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	**January to March 2019**	**October to December 2018**	**July to September 2018**	**April to June 2018**
Average uptime	%	71	94	88	94
Average daily oil production rate	bbl/day	2,504	3,962	3,241	3,375
Average daily gas export rate @	boe/day	274	454	340	360
Average daily oil equivalent production rate	boe/day	2,778	4,416	3,581	3,736
Total oil sold	bbl	249,116	274,015	523,899	0
Total gas exported (sold)	mmscf	148	251	187	197
Average realised oil price	USD/bbl	60.39	58.08	73.88	n.a.
Average gas price	USD/mmbtu	2.63 ∞/ 5.98 #	3.22 ∞/ 7.25 #	2.71 ∞/ 6.25 #	2.36 ∞/ 5.51 #
Average OPEX per boe	USD/boe	23.27	15.05	15.93	16.39

*@ 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)

The average uptime at the Anasuria asset of 71% for the Current Quarter was primarily driven by the following factors:

Activity	Planned/Unplanned	Benefits
Flare Tip – Total production shutdown	Unplanned for this quarter. Was planned to be part of 2019 Offshore Turnaround scope.	Will reduce 2019 Offshore Turnaround duration. The 2019 Offshore Turnaround planned for the fourth financial quarter of FY2019, now anticipated to take approximately two weeks (2017 Offshore Turnaround duration – 1 month).
Gas Compressor Repairs – Partial production shutdown	Planned.	Will improve gas compressor reliability and uptime in the future.
Diving Campaign – Partial production shutdown	Planned.	Will reduce future OPEX costs for annual routine scale squeeze through the use of cheaper Remotely Operated Vehicles instead of the more expensive Light Well Intervention Vessels.

To recap, the FPSO facilities were shut down for one month in 2017 ("**2017 Offshore Turnaround**") to allow for planned maintenance activities to be carried out to improve the performance of the production facilities and to ensure we continued to provide a safe workplace for our offshore personnel. Subsequent to the conduct of those maintenance activities, average uptime recorded for each quarter of the 2018 calendar year was as follows:

	Units	January to March 2018	April to June 2018	July to September 2018	October to December 2018
Average uptime	%	82	94	88	94

A single planned maintenance program had been scheduled for June 2019 ("**2019 Offshore Turnaround**"). However, some of the activities that were initially planned as part of the 2019 Offshore Turnaround have now already been completed in the Current Quarter. The remaining activities will be undertaken as planned and are expected to take approximately two weeks.

In addition, despite a lower average daily oil equivalent production rate of 2,778 boe/day recorded in the Current Quarter, when compared to the Preceding Quarter, the crude oil offtake schedule for FY2019 has not been affected. One crude oil offtake was conducted in the Current Quarter prior to the temporary production halt, in which 249,116 bbls of oil net to Anasuria Hibiscus UK was sold at the average realised oil price of USD60.39 per bbl. The crude oil offtake schedule for the quarter ending 30 June 2019 is also expected to be completed as planned.

In the Current Quarter, Anasuria Hibiscus UK incurred approximately RM6.6 million in capital expenditure in the Anasuria Cluster which is primarily attributed to two production enhancement projects. Ithaca Energy, the operator of the Cook field, commenced execution of the Cook Water Injection project ("**Cook WI**") in the Current Quarter. The first phase of this project – which entails the drilling of the water injection well – was completed on 25 May 2019. The next phase of connecting the water injection well to the Anasuria FPSO will be carried out over the remaining months of this calendar year. The objective is to commence water injection into the Cook reservoir in late 2019.

The second project that has incurred capital expenditure in the Current Quarter is the drilling of a side-track from the GUA-P1 oil producing well on the Guillemot A field ("**GUA-P1 ST**"). This project was sanctioned in the Current Quarter and is expected to complete in the financial quarter ending 30 September 2019.

19 PROSPECTS OF THE GROUP (CONT'D)

United Kingdom – Anasuria Cluster: Cook Water Injection Project Update

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 result in an improved oil and gas production rate as well as an improved recovery of hydrocarbons from this field.

The execution of the water injection well drilling operations commenced on 25 March 2019. The well was drilled to a total depth of 13,045-ft measure depth (-12,248-ft true vertical depth subsea) on 2 May 2019. In drilling the water injection well, the reservoir pressure at the injection well location was found to be as predicted. Additionally, the oil water contact is deeper than originally anticipated. The implication of a deeper oil water contact is positive and is anticipated to increase our net proven and probable oil reserves ("**2P Reserves**") in the Cook field. A further announcement will be made when the detailed work has been completed to establish the latest reserves estimates.

The water injection well has been completed as planned on 25 May 2019. Going forward, a subsea pipeline will be installed in the second half of calendar year 2019, which will link the water injection well to the Anasuria FPSO. The total capital expenditure net to Anasuria Hibiscus UK estimated for this project is RM61.0 million. Of this amount, RM7.0 million has been incurred up to the end of the Current Quarter, with a remaining RM54.0 million to be incurred for the rest of calendar year 2019.

United Kingdom – Anasuria Cluster: GUA-P1 Side-Track Project Update

The GUA-P1 ST project is an opportunity to re-enter the existing GUA-P1 wellbore and potentially drain additional volumes of hydrocarbons from the Guillemot A field. This project is targeted to unlock approximately 1.7 million bbls of oil from Anasuria Hibiscus UK's current net 2P Reserves. Operations on the GUA-P1 ST has commenced with the Stena Spey drilling rig mobilised to location and deployed anchors on 17 May 2019. This project is expected to complete in the financial quarter ending 30 September 2019. Barring unforeseen circumstances, production from the GUA-P1 ST well is expected to commence upon completion of the project. The total capital expenditure net to Anasuria Hibiscus UK for this project is estimated to be RM66.3 million.

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 a 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 (called Marigold), whilst Block 15/13b which lies northeast of Block 15/13a contains a smaller discovered field (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.

In February 2019, Anasuria Hibiscus UK was appointed the Block Operator of the Marigold and Sunflower fields. A dedicated project team, located in Kuala Lumpur has been established to conduct the subsurface field development engineering studies and, with the support of Petrofac, execute the concept select phase as part of the effort to establish a field development plan for Marigold and Sunflower by the end of calendar year 2020. In terms of capital expenditure, approximately RM2.0 million has been incurred in the Current Quarter for concept select phase activities which are targeted to complete in mid-2019. Development options being currently considered include a fixed platform, a floating solution, as well as a 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	January to March 2019 [2]	October to December 2018	July to September 2018	April to June 2018
Average uptime	%	95	85	93	97
Average gross oil production	bbl/day	14,670	13,400	14,860	15,901
Average net oil production	bbl/day	4,988	4,958	4,797	5,883
Total oil sold	Bbls	578,487	293,624	595,286	623,544
Average realised oil price [1]	USD/bbl	67.87	71.30	78.55	73.26
Average OPEX per bbl (unit production cost)	USD/bbl	11.76	22.74	11.15	8.18

1 *The average realised oil price represents the weighted average price of all Labuan crude sales from SEA Hibiscus.*

2 *Figures for the period January 2019 to March 2019 are provisional and may change subject to the PSC Statement audit and that they are pending Petroliam Nasional Berhad ("**PETRONAS**")'s review.*

The average uptime of the North Sabah production facilities of 95% achieved during the Current Quarter is a significant improvement when compared to performance in the Preceding Quarter. Consequently, average gross oil production increased by approximately 9%. There were two crude oil offtakes conducted in the North Sabah asset with a total of 578,487 bbls of oil net to SEA Hibiscus sold in the Current Quarter. The average realised oil price for the oil cargoes sold was USD67.87 per bbl.

Average OPEX per bbl for North Sabah reduced to USD11.76 per bbl when compared to the Preceding Quarter. The Company expects the average OPEX per bbl metric to increase over the next two financial quarters with a ramp-up in planned maintenance activities.

In the area of capital expenditure, SEA Hibiscus incurred approximately RM8.2 million during the Current Quarter primarily due to the commencement of the St Joseph Infill Drilling project following the approval from PETRONAS of the project's Field Development Plan. The Company expects capital expenditure to increase in the next financial quarter when drilling commences. Regarding the South Furious 30 Infill Drilling project, the Company has received approval of the Milestone Review-4 by PETRONAS and expects to receive approval of the South Furious 30 Infill Drilling Field Development Plan in the next financial quarter.

North Sabah: St Joseph Infill Drilling Project

PETRONAS had on 21 December 2018 approved the St Joseph Infill Drilling project Field 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 modification to topside facilities. The drilling rig for this project mobilized to location on 22 May 2019. Enhanced oil production from this project is expected to commence in August 2019. The project is expected to add approximately 2,600 bbls per day at its peak with expected life of field ("**LoF**") reserves of 2.77 MMstb.

19 PROSPECTS OF THE GROUP (CONT'D)

North Sabah: South Furious 30 Infill Drilling Project

PETRONAS had on 7 March 2019 endorsed Milestone Review-4 of the South Furious 30 Infill Drilling project which aims to increase production and reserves of the South Furious 30 field. The total capital expenditure of RM126.6 million will be shared equally with our joint venture partner. The infill wells are proposed to be drilled from South Furious Jacket-C (**"SFJT-C"**) via the remaining conductor slot and the project requires minimal topside facilities modifications. Drilling is scheduled to commence in August 2019 and first oil is expected in early November 2019. The project is expected to add circa 4,000 bbl per day at its peak with expected LoF reserves of 3.16 MMstb.

Australia

The Group has operatorship of two licenses located in the Bass Strait of Australia. In addition, we have a 11.7% interest in 3D Oil, a company listed on the Australian Stock Exchange ("**ASX**").

Details and status of our licences are as follows:

License	**Direct Interest**	**Status**
VIC/L31 Production License	100%	Retention lease application submitted on 4 December 2018. Concurrently pursuing tieback opportunities with owners of nearby infrastructure.
VIC/P57 Exploration Permit	75.1%	**Minimum Guaranteed Work Programme:** Years 1-3 (March 2018 – March 2021) • Geological and geophysical studies including petroleum systems analysis/modelling • Reprocessing of 230km^2 of the Northern Fields 3D seismic data • Seismic interpretation and depth conversion The abovementioned Minimum Guaranteed Work Programme has been completed and we are approximately 2 years ahead of schedule in performing this scope. The results from the subsurface evaluation work have been encouraging. We currently have a 75.1% in VIC/P57 and over the course of the next 12 months, we intend to engage with potential partners who would be interested to farm into this asset to further high-grade the opportunities we have identified. **Secondary Work Programme (Optional):** Year 4 (March 2021 – March 2022) • One exploration well Year 5 (March 2022 – March 2023) • Geological and geophysical studies

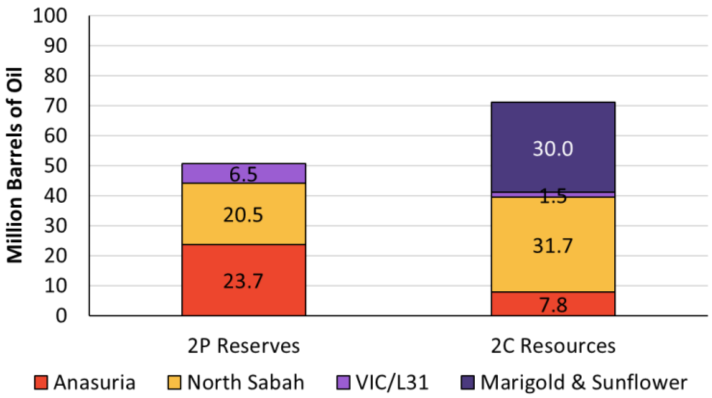
Fundraising

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 as the need arises. Based on our projected activities, we envisage that some borrowings may be required and we are currently considering various debt options that are on offer, bearing in mind factors such as long term capital requirements, preference for 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.

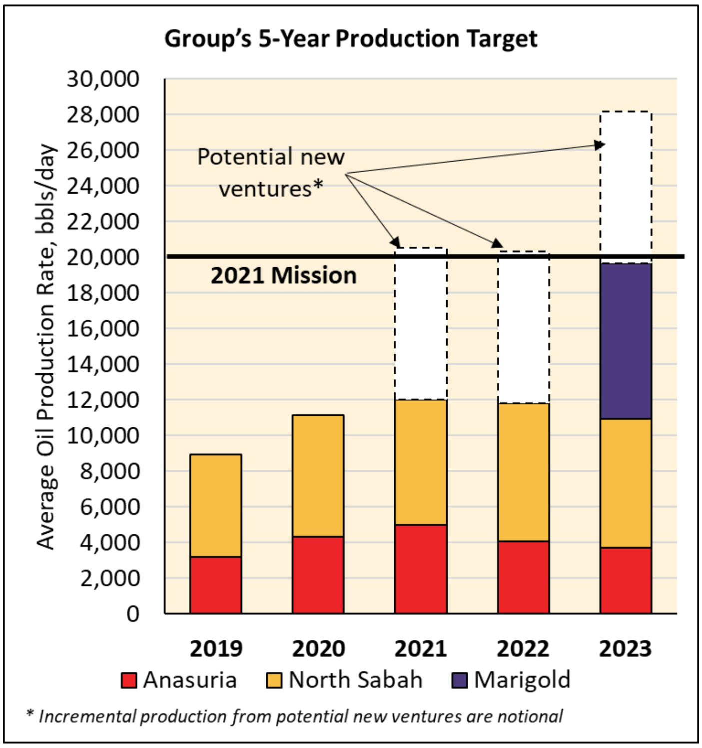
19 PROSPECTS OF THE GROUP (CONT'D)

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 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.*



Notes:
1. *Production from Marigold assumes that the Group retains only 35% interest in the Marigold and Sunflower fields.*

19 PROSPECTS OF THE GROUP (CONT'D)

The figure above depicts the Group's production targets for the next five years. In order that we achieve this target, our main focus over the next three years will entail:

- Enhancing production at Anasuria and the North Sabah fields;
- Converting our 2C Resources, particularly in Marigold and Sunflower into producing 2P Reserves;
- High-grade exploration prospects and progress nearby discussions on sharing nearby infrastructure to monetise the West Seahorse development asset; and,
- Continuing to look for opportunities to grow our asset base mainly in or around the areas of our geographic focus.

Claims Against Rex Companies and Other Parties

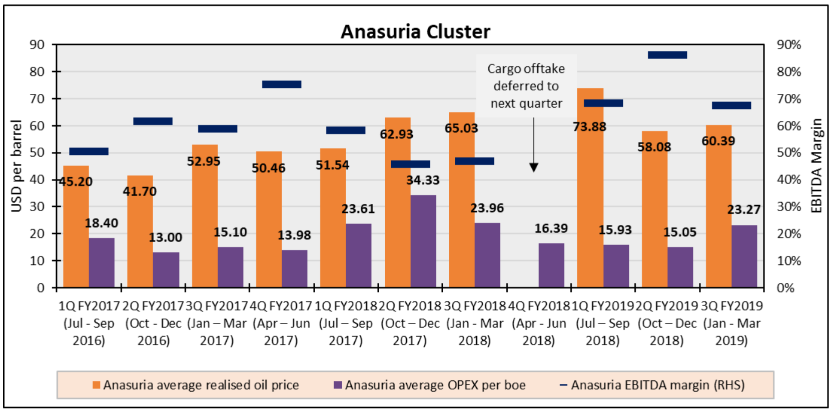
In 2016, the Group fully impaired its investments in the Lime Group and HIREX. However, the rights and legal position of the Group are fully reserved against the Rex Companies and all other parties in connection with those investments. The Group will continue to pursue appropriate legal, regulatory and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

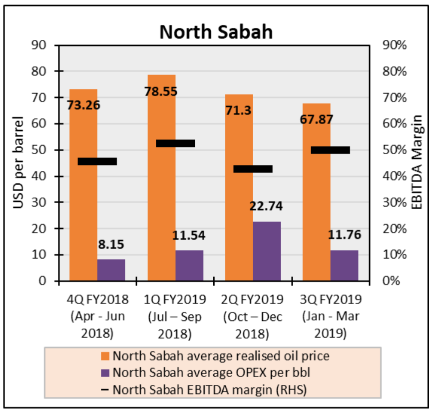
Concluding Comments

Our target has been to deliver approximately 2.7 to 3.0 million bbls of oil from our two producing assets in FY2019. We have sold approximately 2.5 million bbls of crude oil across both assets in the first three quarters of FY2019 with four offtakes coming from Anasuria, and a further five offtakes from North Sabah. Based on the current production momentum across both assets and offtake schedule, we expect to exceed our target 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, but 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.

19 PROSPECTS OF THE GROUP (CONT'D)





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 to over 12,000 bbls per day by 2021. Several of these production enhancement projects are currently being executed. In Anasuria, the Cook WI well has been completed and we will follow this activity by undertaking the tie-in of the well to the Anasuria FPSO. The GUA-P1 ST has just commenced and in North Sabah, the St Joseph Infill Drilling and the SF30 Infill Drilling projects are on track for execution, also in 2019.

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 31.03.2019 RM’000	**QUARTER ENDED 31.03.2018 RM’000**	**PERIOD ENDED 31.03.2019 RM’000**	**PERIOD ENDED 31.03.2018 RM’000**
Profit after taxation attributable to owners of the Company (RM’000)	(A)	55,181	83,135	205,287	104,961
Weighted average number of shares for basic earnings per share computation (’000)	(B)	1,588,229	1,579,368	1,588,229	1,528,202
Effects of dilution of Warrants C		317,646	10,588	317,646	3,478
Weighted average number of shares for diluted earnings per share computation (’000)	(C)	1,922,983	1,589,956	1,916,882	1,531,680
Basic earnings per share (sen)	(A/B)	3.47	5.26	12.93	6.87
Diluted earnings per share (sen)	(A/C)	2.87	5.23	10.71	6.85

26 OTHER INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.03.2019 RM'000	QUARTER ENDED 31.03.2018 RM'000	PERIOD ENDED 31.03.2019 RM'000	PERIOD ENDED 31.03.2018 RM'000
Sundry income	16	187	1,232	259
Interest income	50	-	237	-
Realised gain on foreign exchange ^^^	-	3,269	-	4,150
	66	3,456	1,469	4,409

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

27 PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.03.2019 RM'000	QUARTER ENDED 31.03.2018 RM'000	PERIOD ENDED 31.03.2019 RM'000	PERIOD ENDED 31.03.2018 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Depreciation and amortisation of equipment and intangible assets	22,659	14,610	90,905	40,293
Interest income	(189)	(22)	(701)	(46)
Finance costs	10,502	3,467	32,297	12,192
Unrealised loss on foreign exchange ^^^^	3,073	13,710	3,210	21,345
Realised loss/(gain) on foreign exchange ^^^^	1,456	(3,269)	1,557	(4,150)
Share of results of an associate	71	142	255	694
Impairment of receivables	-	1,942	-	1,344
Reversal of impairment of investment in an associate	-	(1,850)	(1,335)	(1,850)
Impairment of Britannia Rig	-	6,735	-	6,735
Negative goodwill from business combination	-	(112,433)	-	(112,433)

^^^^ *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 31.03.2019 RM'000	QUARTER ENDED 31.03.2018 RM'000	PERIOD ENDED 31.03.2019 RM'000	PERIOD ENDED 31.03.2018 RM'000
Income taxation	(34,012)	(4,979)	(79,193)	(9,692)
Deferred taxation	7,224	6,545	(14,625)	10,255
	(26,788)	1,566	(93,818)	563

Breakdown by operating segments:

OPERATING SEGMENTS	Individual Quarter		Cumulative Quarter	
	Quarter Ended 31.03.2019 RM'000	Quarter Ended 31.03.2018 RM'000	Period Ended 31.03.2019 RM'000	Period Ended 31.03.2018 RM'000
North Sabah				
Income taxation	(27,616)	-	(55,930)	-
Deferred taxation	2,042	-	(4,699)	-
Total	**(25,574)**	**-**	**(60,629)**	**-**
Anasuria Hibiscus				
Income taxation	(6,396)	(4,978)	(23,263)	(9,701)
Deferred taxation	5,182	6,545	(9,926)	10,255
Total	**(1,214)**	**1,567**	**(33,189)**	**554**
3D Oil, VIC/L31 & VIC/P57				
Income taxation	-	-	-	-
Deferred taxation	-	-	-	-
Total	**-**	**-**	**-**	**-**
Investment holding and group activities				
Income taxation	-	(1)	-	9
Deferred taxation	-	-	-	-
Total	**-**	**(1)**	**-**	**9**
Group				
Income taxation	(34,012)	(4,979)	(79,193)	(9,692)
Deferred taxation	7,224	6,545	(14,625)	10,255
Total	**(26,788)**	**1,566**	**(93,818)**	**563**

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 Hibiscus

  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 May 2019