HIBISCUS PETROLEUM BERHAD

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

Unaudited Quarterly Financial Report
30 June 2016

HIBISCUS PETROLEUM BERHAD
(Company No : 798322-P)
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE YEAR ENDED 30 JUNE 2016

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30.06.2016 RM'000	QUARTER ENDED 30.06.2015 RM'000	YEAR ENDED 30.06.2016 RM'000	YEAR ENDED 30.06.2015 RM'000
Revenue		50,583	831	83,560	7,098
Cost of sales		(18,249)	-	(42,047)	-
GROSS PROFIT		32,334	831	41,513	7,098
Other income		668	1,000	11,712	22,768
Administrative expenses		(213,688)	(21,281)	(364,616)	(49,627)
Impairment of investment in joint ventures		(229,002)	-	(229,002)	-
(Impairment)/reversal of impairment of investment in an associate		(326)	(2,762)	683	(6,062)
Reversal of impairment/ (impairment) of intangible assets		64,134	-	(17,549)	-
Other administrative expenses		(48,494)	(18,519)	(118,748)	(43,565)
Other expenses		(18,061)	(2,235)	(30,901)	(23,122)
Finance costs		(6,163)	-	(8,196)	-
Negative goodwill from business combination		228,789	-	364,132	-
Share of results of an associate		(64)	(93)	(4,099)	(1,215)
Share of results of joint ventures		(577)	(12,479)	(65,866)	(21,776)
PROFIT/(LOSS) BEFORE TAXATION	25	23,238	(34,257)	(56,321)	(65,874)
Taxation	26	(4,286)	(17)	(3,639)	624
PROFIT/(LOSS) AFTER TAXATION		18,952	(34,274)	(59,960)	(65,250)
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:					
Owners of the Company		18,952	(34,274)	(59,960)	(65,250)
EARNINGS/(LOSS) PER SHARE (SEN)					
Basic	24	1.61	(3.72)	(5.65)	(7.40)
Diluted	24	1.61	(3.72)	(5.65)	(7.40)

The Unaudited Condensed Consolidated Statements of Profit or Loss should be read in conjunction with the audited financial statements for the financial period ended 30 June 2015 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.06.2016 RM'000	QUARTER ENDED 30.06.2015 RM'000	YEAR ENDED 30.06.2016 RM'000	YEAR ENDED 30.06.2015 RM'000
PROFIT/(LOSS) AFTER TAXATION	18,952	(34,274)	(59,960)	(65,250)
Other comprehensive income:				
Items that may be subsequently reclassified to profit and loss:				
- Foreign currency translation*	7,761	5,687	27,205	33,109
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE QUARTER/YEAR	26,713	(28,587)	(32,755)	(32,141)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:				
Owners of the Company	26,713	(28,587)	(32,755)	(32,141)

** 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 period ended 30 June 2015 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 30.06.2016 RM'000	AUDITED AS AT 30.06.2015 RM'000
ASSETS			
NON-CURRENT ASSETS			
Investment in an associate		1,940	5,022
Investments in joint ventures		-	259,310
Intangible assets		997,146	144,774
Equipment		211,452	55,451
		1,210,538	464,557
CURRENT ASSETS			
Trade receivables		269	-
Other receivables, deposits and prepayments		21,494	67,477
Inventories		5,542	-
Amounts owing by joint ventures		121	12,102
Amount owing by a joint operation		3,439	-
Amount owing by an associate		733	970
Cash and bank balances		28,746	5,930
		60,344	86,479
TOTAL ASSETS		1,270,882	551,036
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	13,126	9,278
Other reserves		703,036	574,403
Accumulated losses		(131,904)	(71,944)
		584,258	511,737
NON-CURRENT LIABILITIES			
Deferred consideration		26,548	-
Contingent consideration		1,484	-
Deferred tax liabilities		390,866	-
Provision for decommissioning costs		115,352	-
		534,250	-

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial period ended 30 June 2015 and the accompanying explanatory notes attached to the financial statements

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

	Note	UNAUDITED AS AT 30.06.2016 RM'000	AUDITED AS AT 30.06.2015 RM'000
CURRENT LIABILITIES			
Trade payables		60	-
Other payables and accruals		90,484	26,970
Deferred consideration		55,809	-
Amount owing to a joint venture		315	240
Amount owing to a joint operation		8	-
Amount owing to an associate		5,449	11,849
Provision for taxation		30	21
Redeemable Convertible Preference Shares ("**RCPS**")		219	219
		152,374	39,299
TOTAL LIABILITIES		686,624	39,299
TOTAL EQUITY AND LIABILITIES		1,270,882	551,036
NET ASSETS PER SHARE (RM)		0.45	0.55

The Unaudited Condensed Consolidated Statements of Financial Position should be read in conjunction with the audited financial statements for the financial period ended 30 June 2015 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**	**WARRANT RESERVE RM'000**	**OTHER RESERVE RM'000**	**FOREIGN EXCHANGE RESERVE RM'000**	**ACCUMULATED LOSSES RM'000**	**TOTAL RM'000**
12 months to 30.06.2016							
As at 01.07.2015	9,278	535,731	-	241	38,431	(71,944)	511,737
Issuance of shares	3,848	98,854	-	-	-	-	102,702
Share-based payment	-	-	-	148	-	-	148
Change in composition of a a joint venture	-	-	-	2,426	-	-	2,426
Loss after taxation	-	-	-	-	-	(59,960)	(59,960)
Other comprehensive income, net of tax: - Foreign currency translation	-	-	-	-	27,205	-	27,205
Total comprehensive income/(expenses) for the year	-	-	-	-	27,205	(59,960)	(32,755)
As at 30.06.2016	13,126	634,585	-	2,815	65,636	(131,904)	584,258
12 months to 30.06.2015							
As at 01.07.2014	5,892	328,141	64,654	110	5,322	(7,117)	397,002
Conversion of warrants	3,025	178,996	(64,654)	-	-	-	117,367
Share-based payment	-	-	-	131	-	-	131
Issuance of shares	361	28,594	-	-	-	-	28,955
Unexercised warrant reserve	-	-	-	-	-	423	423
Loss after taxation	-	-	-	-	-	(65,250)	(65,250)
Other comprehensive income, net of tax: - Foreign currency translation	-	-	-	-	33,109	-	33,109
Total comprehensive income/(expenses) for the year	-	-	-	-	33,109	(65,250)	(32,141)
As at 30.06.2015	9,278	535,731	-	241	38,431	(71,944)	511,737

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial period ended 30 June 2015 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	YEAR ENDED 30.06.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Loss before taxation	(56,321)
Adjustments for:	
Depreciation of equipment	30,901
Interest income	(116)
Unrealised gain on foreign exchange	(3,302)
Finance costs	8,196
Reversal of impairment of investment in an associate	(683)
Impairment of investments in joint ventures	229,002
Impairment of intangible assets	17,549
Negative goodwill from business combination	(364,132)
Allowance for doubtful debts	2,232
Write-off of business development expenditure	30,889
Share of results of an associate	4,099
Share of results of joint ventures	65,866
Operating loss before working capital changes	(35,820)
Trade receivables	834
Other receivables, deposits and prepayments	18,226
Trade payables	(10,668)
Other payables and accruals	71,465
Inventories	16,688
Amount owing by a joint operation	(6,897)
Amount owing to a joint operation	8
Amounts owing by joint ventures	9,614
Amount owing to a joint venture	(747)
Amount owing by an associate	250
Amount owing to an associate	(6,813)
Cash generated from operating activities	56,140
Tax paid	(1)
Net cash generated from operating activities	56,139
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(26)
Interest received	116
Net cash outflow arising from business combination	(21,062)
Acquisition of intangible assets	(103,835)
Net cash used in investing activities	(124,807)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of ordinary shares	92,572
Cash advances	2,500
Net cash generated from financing activities	95,072
Net increase in cash and cash equivalents	26,404
Effects of foreign exchange rate changes	(3,588)
Cash and cash equivalents at beginning of the financial year	5,930
Cash and cash equivalents at end of the financial year	28,746

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial period ended 30 June 2015 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

The 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 period ended 30 June 2015 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 period ended 30 June 2015.

The significant accounting policies and methods adopted for the unaudited condensed financial statements are consistent with those adopted for the audited financial statements for the financial period ended 30 June 2015 except for the adoption of the new accounting policies below:

Revenue

Sale of oil and gas products
Oil and gas revenues comprise the Group's share of sales of hydrocarbons when the significant risks and rewards of ownership have been passed to the buyer.

Under/over-lift
Under or over-lifted positions of hydrocarbons are valued at the reporting date spot price or contract price prevailing at the reporting date.

Provision for decommissioning costs

Provision for future decommissioning costs is made in full when the Group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. Periodic estimates are made for such future facility abandonment costs. The estimated cost of decommissioning and restoration is discounted to its net present value. An amount equivalent to the discounted initial provision for decommissioning costs is capitalised and amortised over the life of the underlying asset on a unit-of-production basis over proven and probable developed reserves. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the oil and gas asset.

The unwinding of the discount applied to future decommissioning provisions is included under finance costs in profit or loss as hydrocarbons are produced.

Any change in the expected future cost, interest rate and inflation rate is reflected as an adjustment in the provision for decommissioning costs of the corresponding oil and gas properties.

1 BASIS OF PREPARATION (CONT'D)

Depreciation, depletion and amortisation

Expenditure on the construction, installation and completion of infrastructure facilities and the drilling of development well is capitalised within oil and gas properties.

Amortisation of producing oil and gas properties is computed based on the unit-of-production method using proven and probable reserves for capitalised acquisition costs.

Changes in the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as a change in the accounting estimate. Cost associated with production and general corporate activities are expensed in the period incurred.

Depreciation of subsea facilities and equipment is computed based on the unit-of-production method using proven and probable developed reserves.

Depreciation of floating production storage and offloading vessel is based on the straight-line method over its estimated useful life taking into account its residual value.

Inventories

Inventories of petroleum products are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost of petroleum products includes direct costs and transportation charges incurred in bringing the inventories to their present condition and location, and is determined on a weighted average basis.

Critical accounting estimates and judgements

Impairment on investments in joint ventures – Lime Petroleum Plc ("**Lime Plc**") and its concession companies ("**Lime Group**")

Without prejudice to the Group's legal position and rights (all of which are fully reserved), the Group has recognised an impairment of RM224.4 million (being the carrying value of the Company's investment in Lime Group as at 30 June 2016).

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

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 period ended 30 June 2015.

2.1 Standards issued but not yet effective

At the date of authorisation of the Quarterly Report, the following Standards were issued but not yet effective and have not been adopted by the Group:

Description		**Effective for financial periods beginning on or after**
Amendment to MFRS 11	*Joint Arrangements*	1 January 2016
Amendments to MFRS 116 and MFRS 138	*Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to MFRS 127	*Separate Financial Statements*	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128	*Investment Entities – Applying the Consolidation Exception*	1 January 2016
Annual Improvements to MFRSs 2012 - 2014 Cycle	(Amendments to MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, MFRS 7 *Financial Instruments: Disclosures*, MFRS 134 *Interim Financial Reporting*)	1 January 2016
Amendments to MFRS 101	*Presentation of Financial Statements*	1 January 2016
Amendments to MFRS 107	*Statement of Cash Flow – Disclosure Initiative*	1 January 2017
Amendments to MFRS 112	*Income Taxes*	1 January 2017
MFRS 9	*Financial Instruments*	1 January 2018
MFRS 15	*Revenue from Contracts with Customers*	1 January 2018
MFRS 16	*Leases*	1 January 2019

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

3 SEASONAL OR CYCLICAL FACTORS

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

4 SIGNIFICANT/UNUSUAL ITEMS

Save as disclosed below, there were no other significant or unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial year ended 30 June 2016:

(i) Proposed call option between HiRex Petroleum Sdn. Bhd. ("**HIREX**") and Carnarvon Hibiscus Pty Ltd ("**CHPL**") to grant CHPL a call option to acquire 100% of the entire issued and paid-up share capital of HiRex (Australia) Pty Ltd ("**HIREX Australia**"), for a call option price of USD1.00

HIREX had on 14 August 2015 entered into a call option agreement with CHPL whereby HIREX had granted CHPL a call option to acquire 100% of the entire issued and paid-up share capital of HIREX Australia, for a call option price of USD1.00 ("**Proposed Call Option**"). CHPL had on the same day exercised the Proposed Call Option. Therefore, the Group has 78.35% effective interest in the VIC/P57 Exploration Permit ("**VIC/P57**") as at 4 September 2015, upon completion of the transaction contemplated in the Proposed Call Option.

On 7 October 2015, HIREX Australia's name was changed to Gippsland Hibiscus Pty Ltd.

Please refer to our announcements dated 14 August 2015 and 4 September 2015.

(ii) The proposed placement of up to 89,164,225 new ordinary shares of RM0.01 each in Hibiscus Petroleum Berhad ("**Hibiscus Petroleum**" or the "**Company**") ("**Hibiscus Petroleum Shares**"), pursuant to the approval obtained from the shareholders of the Company at its Annual General Meeting ("**AGM**") for the Board to allot and issue new Hibiscus Petroleum Shares not exceeding 10% of the Company's issued share capital for the time being, pursuant to Section 132D of the Companies Act, 1965 ("**Placement Shares**")

Subsequent to the financial period ended 30 June 2015, the Company issued 53,027,700 Placement Shares, raising a total of RM38,314,775.

The Placement Shares exercise was completed on 6 August 2015 with a total of 89,164,200 new ordinary shares issued.

Please refer to our announcements dated 1 July 2015, 13 July 2015, 14 July 2015, 29 July 2015, 4 August 2015, 5 August 2015 and 6 August 2015.

(iii) On 11 September 2015, the Company announced that it proposes to undertake the placement of up to 326,935,484 new ordinary shares in the Company ("**New Placement Shares**"), representing up to 25% of the enlarged issued and paid-up ordinary share capital of the Company ("**Proposed Placement**")

Please refer to Part B, Item 17 (i) of this Quarterly Report for further details.

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

(iv) Proposed acquisition of the entire equity interest in Talisman Resources (JPDA 06-105) Pty Limited ("**Talisman Resources JPDA**")

On 23 June 2014, the Company announced that its wholly-owned subsidiary, Timor Hibiscus Limited ("**Timor Hibiscus**"), had entered into a conditional share sale agreement ("**SSA**") with Talisman Oil & Gas (Australia) Pty Limited ("**Talisman Oil & Gas**") and the Company (as Timor Hibiscus' guarantor) to acquire the entire equity interest in Talisman Resources JPDA, which in turn holds a 25% interest in the Kitan producing oilfield for a purchase price of USD18 million.

A sum of USD13 million had been remitted into a joint escrow account in accordance with the terms of the SSA.

The Company subsequently terminated the agreement on 1 June 2015, as conditions precedent were not fully satisfied by the cut-off date of 31 May 2015, as stipulated within the SSA. Talisman Oil & Gas had disputed the termination of the SSA by the Company. All matters relating to the dispute have been resolved.

(v) On 11 November 2015, the Company announced that its wholly-owned subsidiary, CHPL advised that wireline evaluation and sampling of formation fluids over the 6 zones of interest identified on preliminary Sea Lion-1 data had been completed. This work confirmed that no zones of commercial hydrocarbons were encountered in the Sea Lion-1 well. The well was plugged and abandoned and operations at the drilling location were completed. Despite this, the Group plans to continuously explore other potential prospects within the permit.

Please refer to our announcements dated 11 November 2015 and 16 November 2015 and to Part C, Item 2 of this Quarterly Report for further details.

In the year ended 30 June 2016, the Group recognised an impairment of RM17.5 million following its assessment of its carrying value of VIC/P57 based on prevaling oil prices at the time.

(vi) Lime Group

Please refer to the corresponding sections of the preceding Quarterly Report for the quarters ended 31 December 2015 and 31 March 2016, which remain applicable. Further developments are elaborated below.

- <u>Lime Plc</u>

  As announced on 14 April 2016, an application for the winding up of Lime Plc has been filed by Rex Middle East Ltd ("**Rex**") and Schroder & Co Banque S.A. ("**Schroder**") and/or Lime Plc (acting under the direction of Laurence Keenan, Karl Helge Tore Lidgren and Simon Comina) in the Isle of Man courts.

  The High Court of Justice of the Isle of Man has, at a court hearing of the application on 30 June 2016, granted an order for the winding-up of Lime Plc on the ground that it was unable to pay its debts. Provisional liquidators for Lime Plc have been appointed by the court.

  The written judgement for the above court order was subsequently issued on 26 July 2016 and Gulf Hibiscus Limited ("**Gulf Hibiscus**"), having considered the relevant factors and without prejudice to its legal position and rights (all of which are fully reserved), has decided to impair its investment in Lime Group pending the next course of action.

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

- Lime Petroleum Norway AS ("**Lime Norway**")

  No material development subsequent to the preceding Quarterly Report, with regard to actions initiated by the Group. The Company is not in a position to confirm any other developments subsequent to the preceding Quarterly Report as it has not been kept informed of the same by Lime Plc and/or Lime Norway.

- Masirah Oil Ltd ("**Masirah**")

  The Company is not in a position to confirm any developments subsequent to the preceding Quarterly Report as it has not been kept informed of the same by Lime Plc and/or Masirah.

- Dahan Petroleum Limited ("**Dahan**"), Baqal Petroleum Limited ("**Baqal**") and Lime Petroleum Limited ("**Lime BVI**") (collectively "**Other Lime Subsidiaries**")

  As announced on 31 March 2016, various actions have been taken by Rex, Schroder and/or parties related to them in relation to Dahan, Baqal and Lime BVI (including the proposed liquidation of Dahan and Baqal) which the Company regards as invalid, defective and/or improper.

  Gulf Hibiscus has not received further relevant information relating to the Other Lime Subsidiaries from Lime Plc and/or the relevant Other Lime Subsidiaries and the status of those entities are presently uncertain.

All rights of the Group are fully reserved.

(vii) Action against Rex International Holding Limited ("**Rex International**") and its wholly-owned subsidiary, Rex International Investments Pte Ltd ("**RII**")

No material development subsequent to the preceding Quarterly Report, save that the defendants to the suit (Rex International and RII) have filed an application to stay the suit. The stay application was heard by the court of first instance on 10 August 2016. The decision of the court is currently pending.

(viii) Debt facility

The Group had entered into a binding arrangement dated 30 October 2015 for a debt facility amounting to USD20 million for a tenure of between 18 and 36 months. In the process of finalising documentation for the debt facility, the lending party varied terms previously agreed. On 29 April 2016, the lending party sent the Company an official written confirmation that despite both parties having expended their best efforts to proceed with the debt facility, the conditions precedent for the facility were not met. Hence, the said binding arrangement is at an end, and neither party is bound by any future obligations under it. Nevertheless, Hibiscus Petroleum reserves all other rights accruing to it pursuant to the binding arrangement.

Prior to receiving such confirmation from the lending party, the Company had been pursuing alternative financing arrangements and shall continue its efforts to secure the same.

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

(ix) On 9 November 2015, the Company announced that it had executed a binding equity transaction term sheet in relation to the proposed acquisition of 100% equity interest in Hydra Energy Holdings Pty Ltd ("**Hydra Energy**") to be satisfied through the issuance of new ordinary shares of RM0.01 each in Hibiscus Petroleum ("**Proposed Transaction**")

On 3 May 2016, an announcement by the Company stated that the term sheet is deemed terminated in view of non-fulfilment of the conditions precedent (which included the parties agreeing and entering into the sale and purchase agreement ("**SPA**"), and the approval of the shareholders of Hydra Energy to proceed with the Proposed Transaction) before 30 April 2016.

The announcement was made pursuant to the Company receiving an official reply from Hydra Energy on 29 April 2016 confirming that:

(i) Hydra Energy has noted that despite Hibiscus Petroleum and Hydra Energy having expended their best efforts to proceed with the Proposed Transaction, the conditions precedents in the term sheet were not met. Amongst the measures taken were initiating due diligence and independent probabilistic resource assessment of Hydra Energy's assets subsequent to the execution of the term sheet;

(ii) the term sheet is at an end and neither party is bound by any future obligations under the term sheet; and

(iii) the breaking fee of USD3.5 million is not payable by Hibiscus Petroleum as the approval of Hydra Energy's shareholders was not obtained.

Following the termination of the term sheet, the Company is completely discharged and has no liability or obligation to assume pursuant to the terms and conditions of the term sheet. Nevertheless, Hibiscus Petroleum reserves all other rights accruing to it pursuant to the term sheet.

The Company does not foresee any material financial impact to the Company as a result of the termination of the term sheet in terms of the effect on earnings per share and net assets per share.

Please refer to our announcements dated 9 November 2015, 11 November 2015, 13 November 2015 and 3 May 2016.

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

(x) Acquisition of a 50% interest in the Anasuria Cluster

On 6 August 2015, the Company announced that its indirect wholly-owned subsidiary, Anasuria Hibiscus UK Limited ("**Anasuria Hibiscus**"), had entered into two conditional SPAs to acquire a 50% interest in the Anasuria Cluster for a total cash consideration of USD52.5 million ("**Proposed Acquisition**").

The Company paid a deposit of USD4.0 million (RM15.5 million) upon the execution of the two conditional SPAs.

The Anasuria Cluster comprises a geographically focused package of operated producing fields and associated infrastructure as follows:

- 100% interest in the Guillemot A field and the related field facilities ("**Guillemot A Field**");
- 100% interest in the Teal field and the related field facilities ("**Teal Field**");
- 100% interest in the Teal South field and the related field facilities ("**Teal South Field**");
- 38.65% interest in the Cook field and the related field facilities ("**Cook Field**"); and
- 100% ownership in the common infrastructure known as the Anasuria Floating Production Storage and Offloading unit and the related equipment ("**Anasuria FPSO**").

The Guillemot A Field, Teal Field, Teal South Field, Cook Field and Anasuria FPSO are collectively referred to as the "Anasuria Cluster".

Shareholders of Hibiscus Petroleum had, at the EGM of the Company held on 4 February 2016, unanimously approved the Proposed Acquisition.

On 15 February 2016, the Company announced that the Secretary of State for Energy and Climate Change of the United Kingdom Government ("**Secretary of State**") had, vide its notices dated 9 February 2016 (in respect of the Guillemot A Field, the Teal Field and the Teal South Field) and 11 February 2016 (in respect of the Cook Field) (which were both received on 12 February 2016) granted its consents and approvals in relation to the Proposed Acquisition for the following:

(i) the assignment of the relevant interests of Shell U.K. Limited ("**Shell UK**"), Shell EP Offshore Ventures Limited ("**Shell EP**") and Esso Exploration and Production UK Limited ("**Esso UK**") under the relevant licences of the Anasuria Cluster to Anasuria Hibiscus and Ping Petroleum UK Limited ("**Ping Petroleum UK**");

(ii) the creation and execution of (and the transactions contained in) the relevant assignment documents including the assignment of the entitlement to the benefit of rights granted by the licenses and transfer of operatorships;

(iii) the appointment of Anasuria Operating Company Limited ("**AOCL**") as the operator of the Guillemot A Field, the Teal Field and the Teal South Field; and

(iv) the appointment of Ithaca Energy (UK) Limited as the operator of the Cook Field.

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

The Secretary of State's consents and approvals were subject to the following conditions:

(i) the deeds of assignment being executed in a form approved by the Secretary of State;

(ii) the Proposed Acquisition being completed during the period of validity of the consents and approvals of the Secretary of State which is until 9 May 2016 (in respect of the Guillemot A Field, the Teal Field and the Teal South Field) and 11 May 2016 (in respect of the Cook Field); and

(iii) the Department of Energy and Climate Change to be notified of the completion of the Proposed Acquisition within 2 weeks of completion.

The Company subsequently announced on 10 March 2016 the following conditions precedent to the Proposed Acquisition had been fulfilled:

(i) receipt of all necessary written consents, approvals or waivers, including the waiver or non-exercise by relevant third parties of any pre-emption rights by the relevant third parties in relation to the transfer by Shell UK, Shell EP and Esso UK to Anasuria Hibiscus and Ping Petroleum UK; and

(ii) all operational readiness indicators under the transfer of operatorship agreement entered into on 6 August 2015 between Shell UK, Anasuria Hibiscus, Ping Petroleum UK and AOCL, for the transfer of operatorship of the Anasuria Cluster (save for the Cook Field) from Shell UK to AOCL had been satisfied (in relation to the Shell SPA).

Following the above, all the conditions precedent to the SPAs had been met and the SPAs have become unconditional.

Consequently, the Proposed Acquisition was completed on 10 March 2016. On the same day, AOCL, a company jointly incorporated by Anasuria Hibiscus and Ping Petroleum UK assumed operatorship of the Anasuria Cluster (with the exception of the Cook Field).

Subsequent to the completion of the Proposed Acquisition, the Company commissioned RPS Energy Consultants Limited ("**RPS Energy**") to undertake a valuation exercise of the Anasuria Cluster based on the conditions as of completion date. The updates are in the areas of oil and gas production profiles, oil price projections and revised operating and capital cost estimates. On 30 June 2016, the Company announced the findings of the valuation exercise. In the report issued by RPS Energy, the valuation of the interest held by Hibiscus Petroleum as of 1 March 2016 is USD208 million, signifying a 84% uplift in valuation when compared to a previous report also issued by RPS Energy dated September 2015 ("**2015 RPS Report**"). The 2015 RPS Report valued Hibiscus Petroleum's interest in the Anasuria Cluster at USD113 million (please refer to the Circular to Shareholders in relation to the Proposed Acquisition dated 20 January 2016).

Please refer to our announcements dated 6 August 2015, 19 January 2016, 20 January 2016, 4 February 2016, 15 February 2016, 10 March 2016, 11 March 2016 and 30 June 2016.

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

(xi) Settlement of amount owing to Ping Petroleum Limited ("**Ping Petroleum**") via issuance of up to 4.88% of the issued and paid-up share capital of the Company ("**Ping Petroleum Settlement**")

On 14 March 2016, the Company had announced a proposal to undertake a settlement of an amount owing to Ping Petroleum via issuance of up to 53,848,537 new ordinary shares of RM0.01 each in the Company ("**Settlement Shares**"), representing up to 4.88% of the issued and paid-up share capital of the Company, in relation to the introducer fee agreed between the parties payable upon successful completion of the acquisition of a 50% interest in the Anasuria Cluster (refer to Part A, Item 4 (x) of this Quarterly Report), as Ping Petroleum had already achieved the preferred bidder status with the vendors prior to Hibiscus Petroleum's entry into the transaction.

In August 2015, Hibiscus Petroleum paid USD0.6 million on behalf of Ping Petroleum to the vendors upon execution of the SPAs. In view of this, USD0.6 million was considered as being paid to Ping Petroleum by Hibiscus Petroleum in August 2015 as part of the introducer fee.

As at the date of completion of the Anasuria Cluster transaction, the balance of the introducer fee due and owing by Hibiscus Petroleum to Ping Petroleum was USD5.4 million ("**Balance Sum**").

On 11 March 2016, both parties entered into a variation term sheet and mutually agreed the following payment method for the Balance Sum:

(i) USD2.7 million to be settled by Hibiscus Petroleum in the form of Hibiscus Petroleum Shares calculated based on USD2.7 million divided by a conversion price based on the 5-day volume weighted average price ("**VWAP**") of the Hibiscus Petroleum Shares immediately prior to 14 March 2016; and

(ii) the remaining balance of USD2.7 million of the Balance Sum to accrue interest monthly at 2% per month compounded from 10 March 2016.

Pursuant thereto, up to 53,848,537 Settlement Shares would be allotted and issued at an issue price of RM0.205 per Settlement Share, being the 5-day VWAP of the Shares immediately prior to 14 March 2016 ("**Issue Price**") (based on the exchange rate for RM4.0885 = USD1 from Bank Negara Malaysia's middle rate as at 5.00 p.m. on 11 March 2016).

Bursa Securities, vide its letter dated 20 April 2016, resolved to approve the listing and quotation of up to 53,848,537 new ordinary shares of RM0.01 each in Hibiscus Petroleum to be issued pursuant to the Ping Petroleum Settlement at the Issue Price, subject to certain conditions.

The Ping Petroleum Settlement would be implemented in 2 tranches within 6 months from the date of approval of Bursa Securities.

The Ping Petroleum Settlement has been completed with the listing of and quotation for 50,257,345 and 3,591,192 Settlement Shares on the Main Market of Bursa Securities on 25 May 2016 and 23 June 2016 respectively.

Please refer to our announcements dated 14 March 2016, 6 April 2016, 21 April 2016, 24 May 2016, 25 May 2016, 21 June 2016 and 23 June 2016.

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 financial year ended 30 June 2016.

6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER

Save as disclosed in Note 17 of this Quarterly Report, there were no other material events subsequent to the end of the financial year ended 30 June 2016 up to the date of this report.

7 CHANGES IN THE COMPOSITION OF THE GROUP

(i) On 5 August 2015, the Company acquired Atlantic Hibiscus Sdn Bhd ("**Atlantic Hibiscus**"), a company incorporated in Malaysia under the Companies Act, 1965, with an authorised share capital of 400,000 ordinary shares of RM1.00 each and a paid-up capital of RM2.00. Atlantic Hibiscus is a wholly-owned subsidiary of the Company. The principal activity of Atlantic Hibiscus is investment holding. Concurrently, Atlantic Hibiscus has, on 5 August 2015, become the sole shareholder of Anasuria Hibiscus, a company incorporated under the laws of England and Wales, with an issued and paid-up share capital of 1 ordinary share of £1.00. The principal activity of Anasuria Hibiscus is the exploration and production of oil and gas.

(ii) On 10 March 2016, the Group completed the acquisition of a 50% interest in the Anasuria Cluster.

The base consideration of USD52.5 million comprises the following:

- Initial consideration of USD30.0 million; and
- Deferred consideration of USD22.5 million.

The initial consideration was payable upon completion of the acquisition. After certain working capital and other interim period adjustments from the economic date of 1 January 2015, the resulting net cash outlay was USD5.2 million (RM21.4 million).

The deferred consideration will be payable as follows:

- USD15.0 million within 12 months from completion; and
- USD7.5 million within 18 months from completion.

The fair value was provisional at 31 March 2016 and has been reviewed in accordance with the provisions of MFRS 3 *Business Combinations*. The initial fair values of assets and liabilities recognised on acquisition have been updated to reflect the working capital adjustment and decommissioning provisions.

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

The fair value of the identifiable assets and liabilities of the Anasuria Cluster as at the date of acquisition was:

	Fair value recognised on acquisition RM'000
Assets	
Intangible assets	795,911
Equipment	176,453
Inventories	22,288
	994,652
Liabilities	
Provision for decommissioning costs	(114,633)
Deferred tax liabilities	(397,956)
Trade and other payables	(1,475)
Accruals	(3,458)
	(517,522)
Total identifiable net assets at fair value	477,130
Negative goodwill from business combination	(364,132)
Purchase consideration	112,998
Purchase consideration:	
Cash paid and payable	31,154
Deferred consideration	81,844
	112,998

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.

The initial fair value of the identifiable assets and liabilities of the Anasuria Cluster as at the date of acquisition recognised during the quarter ended 31 March 2016 have been updated to reflect the outcome of an updated valuation conducted by RPS Energy during the quarter ended 30 June 2016 based on updated oil and gas production profiles, latest oil projections and revised operating and capital cost estimates (please refer to Part A, Item 4 (x) of this Quarterly Report for further details) and the finalisation of working capital adjustments and decommissioning provisions.

Save as disclosed above, there were no changes in the composition of the Group during the financial year ended 30 June 2016.

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, or net assets value of the Group.

9 DIVIDENDS PAID/PAYABLE

There were no dividends declared or paid during the financial year ended 30 June 2016.

10 BORROWINGS, DEBT AND EQUITY SECURITIES

The movements in the issued and paid-up share capital of the Company arising from Placement Shares during the financial year ended 30 June 2016 were as follows:

		YEAR ENDED 30.06.2016	
ORDINARY SHARES	**Par value RM**	**Number of shares**	**Share capital RM'000**
As at 01.07.2015	0.01	927,778,754	9,278
Placement Shares	0.01	53,027,700	530
New Placement Shares	0.01	277,984,000	2,780
Ping Petroleum Settlement	0.01	53,848,537	538
As at 30.06.2016	0.01	1,312,638,991	13,126

Placement Shares

During the financial year ended 30 June 2016, the Company issued 53,027,700 new Hibiscus Petroleum Shares, raising a total of RM38,314,775. This was undertaken in two tranches; 18,200,000 shares were issued on 13 July 2015 at RM0.67 per share and 34,827,700 shares were issued on 4 August 2015 at RM0.75 per share. Please refer to Part A, Item 4 (ii) of this Quarterly Report for further details.

New Placement Shares

During the financial year ended 30 June 2016, the Company issued 277,984,000 new Hibiscus Petroleum Shares, raising a total of RM57,044,710. This was undertaken in six tranches; 90,000,000 shares were issued on 4 December 2015 at RM0.235 per share, 12,398,000 shares were issued on 17 December 2015 at RM0.245 per share, 19,586,000 shares were issued on 19 January 2016 at RM0.200 per share, 30,000,000 shares were issued on 28 March 2016 at RM0.200 per share, 26,000,000 shares were issued on 10 May 2016 at RM0.190 per share and 100,000,000 shares were issued on 27 June 2016 at RM0.18 per share. Please refer to Part A, Item 4 (iii) and Part B, Item 17 (i) of this Quarterly Report for further details.

10 BORROWINGS, DEBT AND EQUITY SECURITIES (CONT'D)

Ping Petroleum Settlement

During the financial year ended 30 June 2016, the Company issued 53,848,537 new Hibiscus Petroleum Shares to settle USD2.7 million of the USD6.0 million introducer fee payable to Ping Petroleum related to the acquisition of the Anasuria Cluster. This was undertaken in two tranches; 50,257,345 shares were issued on 24 May 2016 and 3,591,192 shares were issued on 20 June 2016. Please refer to Part A, Item 4 (xi) of this Quarterly Report for further details.

Save for the above, there were no other issuances, cancellations, repurchases, resale and repayments of borrowings, debt and equity securities during the financial year ended 30 June 2016.

11 OPERATING SEGMENTS

Operating segments are presented in respect of the Group's business segments. The Group has activities in the following principal areas:

(i)	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.
(ii)	Lime	Group's investments and operations in the exploration assets of the Lime Group, located in the Middle East and Norway. Please also refer to Part A, Items 4 (vi) and (vii) of this Quarterly Report.
(iii)	3D Oil, VIC/L31 & VIC/P57	Group's operations in the VIC/L31 Production Licence ("**VIC/L31**") for the West Seahorse field and other exploration prospects in Australia within VIC/P57, and investment in 3D Oil Limited ("**3D Oil**").
(iv)	Anasuria	Group's investments and operations in a geographically focused package of operated producing fields and associated infrastructure located approximately 175 km east of Aberdeen in the United Kingdom Central North Sea.
(v)	HIREX	Planned investments in exploration assets within the Asia Pacific region. Activities are located in Malaysia.

11 OPERATING SEGMENTS (CONT'D)

	Investment holding and group activities RM'000	Lime RM'000	3D Oil, VIC/L31 & VIC/P57 RM'000	Anasuria RM'000	HIREX RM'000	Elimination RM'000	Group RM'000
As at 30.06.2016							
Non-current assets	711	-	279,845	929,982	-	-	1,210,538
Included in the segments assets are:							
Investment in an associate	-	-	1,940	-	-	-	1,940
Additions to non-current assets	27	-	106,617	972,365	-	-	1,079,009
Year ended 30.06.2016							
Project management, technical and other service fees	4,791	-	-	-	-	-	4,791
Interest income	15	-	101	-	-	-	116
Sales of crude oil and gas	-	-	-	78,653	-	-	78,653
Revenue	4,806	-	101	78,653	-	-	83,560
Depreciation	(1,305)	-	(12,517)	(17,079)	-	-	(30,901)
Loss from operations	(53,749)	-	(25,240)	(17,435) @	-	-	(96,424)
Reversal of impairment of investment in an associate	-	-	683	-	-	-	683
Impairment of investments in joint ventures	-	(224,353)	-	-	(4,649)	-	(229,002)
Impairment of intangible assets	-	-	(17,549)	-	-	-	(17,549)
Negative goodwill arising from acquisition of a business combination	-	-	-	364,132	-	-	364,132
Share of results	-	(64,065)	(4,099)	-	(1,801)	-	(69,965)
Finance costs	(262)	-	(7,105)	(6,718)	-	5,889	(8,196)
Interest income	5,889	-	-	-	-	(5,889)	-
Taxation	(33)	-	-	(3,606)	-	-	(3,639)
(Loss)/profit after taxation	(48,155)	(288,418)	(53,310)	336,373	(6,450)	-	(59,960)

@ Included in this balance are non-recurring costs amounting to RM34.5 million, consisting of introducer fee of RM25.3 million and transition costs and professional fees relating to the acquisition of the Anasuria Cluster of RM9.2 million. Had such costs been omitted, it would show a profit from operations of RM17.1 million.

11 OPERATING SEGMENTS (CONT'D)

	Investment holding and group activities RM'000	Lime RM'000	3D Oil, VIC/L31 & VIC/P57 RM'000	HIREX RM'000	Elimination RM'000	Group RM'000
As at 30.06.2015						
Non-current assets	1,990	253,460	203,257	5,850	-	464,557
Included in the segments assets are:						
Investment in an associate	-	-	5,022	-	-	5,022
Investment in joint ventures	-	253,460	-	5,850	-	259,310
Additions to non-current assets	48	30,614	105,288	-	-	135,950
Year ended 30.06.2015						
Project management, technical and other services fees	6,466	-	-	-	-	6,466
Interest income	428	-	204	-	-	632
Revenue	6,894	-	204	-	-	7,098
Depreciation	(1,400)	-	(6,620)	-	-	(8,020)
Loss from operations	(1,954)	-	(34,867)	-	-	(36,821)
Impairment of investment in an associate	-	-	(6,062)	-	-	(6,062)
Share of results	-	(17,149)	(1,215)	(4,627)	-	(22,991)
Finance costs	-	-	(4,978)	-	4,978	-
Interest income	4,978	-	-	-	(4,978)	-
Taxation	(42)	-	666	-	-	624
Profit/(loss) after taxation	2,982	(17,149)	(46,456)	(4,627)	-	(65,250)

12 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions within the Group are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.06.2016 RM'000	QUARTER ENDED 30.06.2015 RM'000	YEAR ENDED 30.06.2016 RM'000	YEAR ENDED 30.06.2015 RM'000
Project management, technical and other services fees earned from joint ventures				
- Lime	-	647	101	5,701
- HIREX	38	139	202	765
Project management, technical and other services fees earned from a joint operation				
- AOCL	2,087	-	3,731	-
Joint Operating Agreement indirect overheads recovery from an associate				
- 3D Oil	43	28	465	802
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	9	23	477	1,276
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	(37)	(271)	(339)	(531)
Consultancy services provided by a related party	-	-	(72)	-

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, or net assets value of the Group as at 30 June 2016:

	RM'000
Approved and contracted for:	
Share of a joint operation's material commitments #	43,258

The Group's 50% share of commitments in the Facilities Management Agreement for the Anasuria FPSO and Anasuria Cluster entered into by AOCL with Petrofac Facilities Management Limited, the Contract Operator appointed to manage the day-to-day operations and maintenance of the Anasuria Cluster.

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

15.1 Material factors affecting financial year-to-date results

On 10 March 2016, the Group completed the acquisition of a 50% interest in the Anasuria Cluster. From the date of acquisition to 30 June 2016, the Anasuria Cluster has contributed RM78.7 million to revenue and RM36.6 million to gross profit from the sale of oil and gas products. In addition, the Group recognised negative goodwill of RM364.1 million upon completion of the acquisition.

The Group recorded a loss before taxation of RM56.3 million in the current twelve-month period ("**current year**") as compared to a loss before taxation of RM65.9 million in the corresponding twelve-month period ("**corresponding year**").

As reflected in the preceding Quarterly Report, the Group accounted for its share of a purported dilution of its investment in the Lime Group amounting to RM56.0 million in the current year. Also, following the Group's assessment of its carrying value of investment in the Lime Group, the Group has recognised an impairment of RM224.4 million. Please refer to Part A, Item 4 (vi) of this Quarterly Report for further details. The above accounting treatment and impairment is without prejudice to the Group's legal position and rights (all of which are fully reserved).

The Company announced on 11 November 2015 that its wholly-owned subsidiary, CHPL advised that wireline evaluation and sampling of formation fluids over the 6 zones of interest identified on preliminary Sea Lion-1 data was complete and that no zones of commercial hydrocarbons were encountered in the Sea Lion-1 well subsequent to commencement of drilling operations on 26 October 2015. Following that, the Group performed an assessment of the carrying value of VIC/P57 and has during the current year recognised an impairment of RM17.5 million.

In addition, the Group had during the current year written off business development expenditure amounting to RM31.1 million.

Also in the current year, the Group incurred the following costs relating to the Anasuria Cluster:

- One-off and non-recurring items relating to the acquisition of the Anasuria Cluster:
    - Introducer fee – RM25.3 million;
    - Transition costs and professional fees – RM9.2 million;
- Depreciation and amortisation – RM17.1 million; and
- Accretion of finance costs for deferred consideration and decommissioning costs – RM6.7 million.

15 PERFORMANCE REVIEW (CONT'D)

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

Depreciation for the Britannia Rig commenced in December 2014 following its completion of works in ensuring its readiness for its intended use. A depreciation charge amounting to RM12.5 million was recognised during the current year as compared to RM6.6 million in the corresponding year. Any costs subsequent to this completion are maintenance in nature which would not enhance the value of the asset, and thus, expensed off. Such costs were higher by RM5.1 million.

These were partially off-set by higher net gain on foreign exchange of RM4.2 million due to appreciation of the USD against the Ringgit, which positively impacted the Group's available USD-denominated funds.

15.2 Material factors affecting current quarter's results

During the current three-month period ("**current quarter**"), the Group recorded a profit before taxation of RM23.2 million as compared to a loss before taxation of RM34.3 million in the corresponding three-month period ended 30 June 2015 ("**corresponding quarter**").

Subsequent to the completion of the acquisition of a 50% interest in the Anasuria Cluster, the Company commissioned RPS Energy to undertake a valuation exercise of the Anasuria Cluster (please refer to Part A, Item 4 (xi) of this Quarterly Report for further details). The outcome from the updated valuation together with the finalisation of working capital adjustments and decommissioning provisions resulted in an upward adjustment to negative goodwill of RM228.8 million during the current quarter.

In addition, in the current quarter, the Anasuria Cluster contributed RM48.4 million to revenue and RM30.2 million to gross profit from the sale of oil and gas products. These were however partially off-set by costs incurred in connection to operations, namely (i) depreciation and amortisation – RM14.7 million; and (ii) accretion of finance costs for deferred consideration and decommissioning costs – RM5.4 million.

The Company has during the current quarter updated its assessment of the recoverable amount of VIC/P57. Following the re-assessment, the Company reversed part of the impairment recognised in the quarter ended 31 December 2015 by RM64.1 million due to improvement in the oil price outlook.

Without prejudice to the Group's legal position and rights (all of which are fully reserved) and following the Group's assessment of its carrying value of investment in the Lime Group, the Group has recognised an impairment of RM224.4 million during the current quarter. Please refer to Part A, Item 4 (vi) of this Quarterly Report for further details. The Group's share of losses in the Lime Group were however lower during the current quarter due to non-recurrence of its recognition of share of an impairment of the relevant carrying value in the Sharjah East Coast Concession in the corresponding quarter.

The Group had during the current year written off business development expenditure amounting to RM31.1 million.

16 MATERIAL CHANGE IN LOSS BEFORE TAXATION IN COMPARISON TO THE PRECEDING QUARTER

The Group profit before taxation for the current quarter amounted to RM23.2 million as compared to a profit before taxation of RM79.8 million in the preceding three-month period ended 31 March 2016 ("**preceding quarter**").

The Group completed the acquisition of a 50% interest in the Anasuria Cluster on 10 March 2016. During the current quarter, RPS Energy was commissioned by the Company to undertake a valuation exercise of the Anasuria Cluster (please refer to Part A, Item 4 (xi) of this Quarterly Report for further details). The outcome from the updated valuation together with the finalisation of working capital adjustments and decommissioning provisions resulted in a revised negative goodwill arising from the acquisition of RM364.1 million as compared to that recognised in the preceding quarter of RM135.3 million. This resulted in a net upward adjustment of RM228.8 million during the current quarter.

The Anasuria Cluster contributed higher gross profit from the sale of oil and gas products during the current quarter when compared to the preceding quarter by RM23.7 million. In addition, the following one-off and non-recurring costs in the preceding quarter did not recur in the current quarter:

- Introducer fee – RM25.3 million; and
- Transition costs and professional fees – RM9.2 million.

Such gains were partially off-set by higher costs incurred, namely (i) depreciation and amortisation – RM12.3 million; and (ii) accretion of finance costs for deferred consideration and decommissioning costs – RM4.1 million.

During the current quarter, following the Company's re-assessment of the recoverable amount of VIC/P57, the Company reversed part of the impairment recognised in the quarter ended 31 December 2015 by RM64.1 million due to improvement in the oil price outlook.

In addition, without prejudice to the Group's legal position and rights (all of which are fully reserved) and following the Group's assessment of its carrying value of investment in the Lime Group, the Group has recognised an impairment of RM224.4 million during the current quarter. Please refer to Part A, Item 4 (vi) of this Quarterly Report for further details.

The Group had also during the current quarter written off business development expenditure amounting to RM31.1 million.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

(i) New Placement Shares

Bursa Securities gave its approval for the listing of and quotation of the New Placement Shares on 23 September 2015 whilst the approval of the shareholders of Hibiscus Petroleum was obtained for the Proposed Placement at an Extraordinary General Meeting ("**EGM**") held on 13 October 2015.

On 15 March 2016, the Company received a letter from Bursa Securities approving an extension of time of 6 months from 23 March 2016 to 22 September 2016 for the Company to complete the implementation of the Proposed Placement.

The New Placement Shares exercise was completed on 13 July 2016 with a total of 326,884,000 new Hibiscus Petroleum Shares issued.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED (CONT'D)

(i) New Placement Shares (Cont'd)

Please refer to our announcements dated 11 September 2015, 14 September 2015, 23 September 2015, 28 September 2015, 13 October 2015, 1 December 2015, 4 December 2015, 7 December 2015, 11 December 2015, 18 December 2015, 21 December 2015, 14 January 2016, 20 January 2016, 21 January 2016, 15 March 2016, 21 March 2016, 28 March 2016, 29 March 2016, 4 May 2016, 10 May 2016, 11 May 2016, 17 June 2016, 28 June 2016, 29 June 2016, 1 July 2016, 12 July 2016 and 13 July 2016.

(ii) Proposed Private Placement

On 9 August 2016, it was announced that the Company proposes to undertake the proposed private placement of up to 82,305,362 ordinary shares of RM0.01 each in the Company ("**Fresh Placement Shares**") representing approximately 6.05% of the existing issued and paid-up share capital of Hibiscus Petroleum ("**Proposed Private Placement**") ("**Initial Announcement**").

It is the Company's intention to place out the Fresh Placement Shares to third party investor(s) to be identified at a later date, under the existing general mandate pursuant to Section 132D of the Companies Act, 1965 ("**General Mandate**") which was approved by the shareholders of the Company at the Company's 5th Annual General Meeting ("**AGM**") convened on 11 December 2015. The current General Mandate, which is valid until the next AGM, empowers the Board to allot and issue new shares at any time upon such terms and conditions and for such purposes as the Board may, in its absolute discretion, deem fit provided that the aggregate number of Hibiscus Shares to be issued pursuant to the General Mandate does not exceed 10% of the issued and paid-up share capital of the Company.

An application has been made to Bursa Securities for the listing of and quotation for the Fresh Placement Shares on the Main Market of Bursa Securities and is currently pending a decision from Bursa Securities.

The Proposed Private Placement may be implemented in tranches within 6 months from the date of the approval of Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities, subject to the prevailing market conditions and validity of the existing General Mandate or a new mandate being obtained from shareholders of Hibiscus Petroleum, as the case may be.

Creating value for the Company and its shareholders

The Proposed Private Placement is expected to result in the following:

(i) Additional capital provides flexibility in resources allocation

The Proposed Private Placement provides flexibility to the Group by enabling the Group to plan and effectively allocate its resources for its business operations. As the Group's revenues are subject to fluctuations in crude oil prices, the raising of equity capital albeit on a very small scale, allows the Group to maintain a satisfactory buffer to meet near term payments and obligations.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED (CONT'D)

(ii) Proposed Private Placement (Cont'd)

(ii) Additional capital for the Group to explore opportunities

The Company has also been identifying and evaluating new investment opportunities, with a view to strengthening and growing its earnings base and widening its asset portfolio. In the evaluation and due diligence of these opportunities and the preparation of bids to secure these opportunities, significant costs may be incurred. Hence, the Proposed Private Placement is undertaken by the Company to have a ready resource to pursue these opportunities.

(iii) Interest savings for the Group

As set out in Section 3 of the Initial Announcement, the Proposed Private Placement would enable the Group to raise immediate funds without incurring interest costs as compared to the conventional means of debt financing. Relative to equity, the potential use of debt financing with its associated interest costs would reduce the earnings of the Group.

(iv) Limited alternatives are available at this time

Based on the Company's previous experience, currently the local financial institutions do not seem to have the capacity to further support the oil and gas sector with conventional debt instruments at this time of volatile oil prices. However, the Company continues to engage with multiple financial institutions, both foreign and local, as an alternative to the raising of funds through the issuance of new equity.

(v) Allows the entry of strategic long term shareholders in a meaningful way

Recently, the Company has seen the entry of notable financial institutions as shareholders of the Company and this has been enabled through the issuance of new equity in private placement exercises. The Proposed Private Placement exercise allows for more meaningful institutional participation in the equity of the Company going forward.

Impact to the Company and its shareholders

The financial impact of the Proposed Private Placement to the Company and its shareholders has been highlighted in Section 4 of the Initial Announcement. At this juncture, we wish to reiterate that the Proposed Private Placement is expected to raise an estimated RM16.46 million in proceeds, which represents 6.9% of Hibiscus Petroleum's market capitalisation of RM236.3 million as at the balance sheet date. Whilst the increase in the number of issued shares of the Company is potentially marginally dilutive to existing shareholdings, the Board is of the opinion that the exercise generates an overall net positive impact to the Company as the potential deployment of additional capital creates shareholder value and strengthens the financial position of the Company.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED (CONT'D)

(ii) Proposed Private Placement (Cont'd)

Strengthening financial position and meeting funding requirements

The Board would like to highlight that the Group's asset portfolio has been substantially enhanced by the acquisition of the oil producing Anasuria Cluster, which was completed on 10 March 2016. As a direct result of this acquisition, and as shown in this fourth quarterly set of results, Hibiscus Petroleum is now generating recurring revenues and positive net cash flows.

The proceeds to be raised from the Proposed Private Placement would provide additional funds, over and above the Group's recurring cash flows, for the utilisation purposes that have already been disclosed previously.

The Board regularly evaluates the Group's funding requirements to meet its operational and development requirements across the short, medium and long term. In this regard, the Board will continue to assess the efficacy of various funding alternatives, be it equity/debt or hybrid instruments. Together with the Group's recurring source of income from the Anasuria Cluster, the Board is of the opinion that the Proposed Private Placement will strengthen the financial position of the Group and meet its overall funding objectives when combined with the other funding initiatives that are currently being explored.

Please refer to our announcements dated 9 August 2016 and 12 August 2016.

18 PROSPECTS OF THE GROUP

During a period when business operating conditions within the oil and gas sector have generally been challenging, Hibiscus Petroleum has focused on two initiatives:

- Optimization of production operations at its oil and gas fields that make up the Anasuria Cluster. As a result, the Company now has a profitable, revenue generating asset within its portfolio with economic production estimated to continue for about twenty years. This asset is operating against a backdrop of stabilizing oil prices as the oil marketplace appears to have turned the corner with December 2017 Brent futures trading at USD53/barrel as at the date of this Quarterly Report.
- Removal (through impairment) from our Consolidated Statements of Financial Position, the entire carrying value of our holdings in the Lime Group.

The ownership of the Anasuria Cluster, with oil priced at a small premium to Brent, provides the platform for the Company to generate a stable, long-term revenue stream. In addition, a sustained turnaround in the global oil industry would potentially generate higher profits per barrel of oil produced going forward. The Company has also commenced a regimented work program with tight control over operating costs to further enhance efficiency and overall asset returns. We are now working to ensure that the low cost operating model that is being deployed is safe and sustainable.

Subsequent to the completion of the Anasuria transaction in March 2016, the Company commissioned RPS Energy to undertake a valuation exercise of the Anasuria Cluster based on the conditions as of completion date. The updates are in the areas of oil and gas production profiles, oil price projections and revised operating and capital cost estimates. The revised valuation undertaken by RPS Energy (who also undertook the previous valuation dated September 2015) showed an increase in the valuation of the interest held by Hibiscus Petroleum as of 1 March 2016 of USD95 million (i.e. from USD113 million based on assumptions and dated information used in September 2015 versus USD208 million based on actual, recent data used in March 2016). This uplift in the valuation has given the Company the confidence to develop further opportunities within the asset which will yield economic benefits in the coming years.

18 PROSPECTS OF THE GROUP (CONT'D)

The legal issues surrounding the Lime Group remain outstanding with the Company vigorously pursuing avenues of recourse in multiple jurisdictions. The outcomes from our legal-based pursuits will take time. Given this situation, the Company felt that it was prudent that we impair the entire carrying value associated with the Lime Group currently held on our Consolidated Statements of Financial Position. Having taken this step, we hope that the capital markets recognize that we are committed to our vision of focusing on producing or development assets in geopolitically safe jurisdictions. We also hope that we have demonstrated that we will act transparently and prudently even in challenging times.

Our near term objective is to act logically and decisively when an opportunity meeting our investment criteria shows itself. We believe that investor sentiment surrounding the oil and gas sector is past its lowest levels and our aim is to be in a position to deliver enhanced valuations to our shareholders when the capital market indicators turn positive.

19 PROFIT FORECAST AND PROFIT GUARANTEE

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

20 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no sale of unquoted investments and/or properties during the financial year ended 30 June 2016.

21 PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities during the financial year ended 30 June 2016.

22 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.

23 MATERIAL LITIGATION

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

For completeness, please also refer to Part A, Items 4 (vi) and 4 (vii) of this Quarterly Report.

24 EARNINGS/(LOSS) PER SHARE

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

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30.06.2016 RM'000	QUARTER ENDED 30.06.2015 RM'000	YEAR ENDED 30.06.2016 RM'000	YEAR ENDED 30.06.2015 RM'000
Profit/(loss) after taxation attributable to owners of the Company (RM'000)	(A)	18,952	(34,274)	(59,960)	(65,250)
Weighted average number of shares in issue ('000)	(B)	1,175,395	921,717	1,060,778	881,640
Basic earnings/(loss) per share (sen)	(A/B)	1.61	(3.72)	(5.65)	(7.40)
Diluted earnings/(loss) per share (sen)		1.61	(3.72)	(5.65)	(7.40)

The diluted earnings/(loss) per share for the Group is the basic earnings/(loss) per share as there are no dilutive shares outstanding at the end of the financial quarter/year.

25 PROFIT/(LOSS) BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.06.2016 RM'000	QUARTER ENDED 30.06.2015 RM'000	YEAR ENDED 30.06.2016 RM'000	YEAR ENDED 30.06.2015 RM'000
Profit/(loss) before taxation is arrived at after charging/(crediting):				
Depreciation of equipment	18,061	3,333	30,901	8,020
Interest income	(3)	(45)	(116)	(632)
Unrealised loss/(gain) on foreign exchange	837	(1,347)	(3,302)	(3,956)
Realised gain on foreign exchange	(1,314)	(724)	(7,797)	(2,908)
Finance costs	6,163	-	8,196	-
Negative goodwill from business combination	(229,801)	-	(365,144)	-
Impairment of investment in joint ventures	228,320	-	228,320	-
Impairment/(reversal of impairment) of investment in an associate	326	2,762	(683)	6,062
(Reversal of impairment)/ impairment of intangible assets	(64,134)	-	17,549	-

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 financial year ended 30 June 2016.

26 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.06.2016 RM'000	QUARTER ENDED 30.06.2015 RM'000	YEAR ENDED 30.06.2016 RM'000	YEAR ENDED 30.06.2015 RM'000
Income taxation	(5)	(17)	(33)	(85)
Deferred taxation	(4,281)	-	(3,606)	709
	(4,286)	(17)	(3,639)	624

Deferred tax liabilities relating to fair value of the identifiable assets and liabilities of the Anasuria Cluster recognised as at 30 June 2016 are measured at the tax rate expected to apply to the period when such liabilities are settled, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The Group has duly adopted the applicable rate of the Supplementary Charge in the United Kingdom as at 30 June 2016 to compute deferred tax liabilities. The United Kingdom's Finance Bill 2016 ("**Finance Bill 2016**") published on 24 March 2016 stated a downward revision of the rate of the Supplementary Charge, but that has not received Royal Assent and therefore, not been substantively enacted as at 30 June 2016. Due to the fact that the Finance Bill 2016 is yet to be enacted, or substantively enacted, the reduction in the rate of the Supplementary Charge announced cannot be taken into account when calculating deferred tax liabilities as at 30 June 2016. The change in tax rate subsequent to the financial year end will be recognised as a tax credit in the financial quarter when and if Royal Assent is granted. The tax credit impacting the Group had the reduced rate of the Supplementary Charge been applied would be MYR79.6 million.

27 REALISED AND UNREALISED ACCUMULATED LOSSES

	UNAUDITED AS AT 30.06.2016 RM'000	AUDITED AS AT 30.06.2015 RM'000
Analysis of accumulated losses:		
Realised	(4,810)	(77,722)
Unrealised	(387,564)	6,719
	(392,374)	(71,003)
Less: Consolidation adjustments	260,470	(941)
	(131,904)	(71,944)

By Order of the Board of Directors
Hibiscus Petroleum Berhad
24 August 2016

PART C – STATUS OF PRODUCTION, DEVELOPMENT AND EXPLORATION ACTIVITIES

1 ANASURIA CLUSTER

Background

On 10 March 2016, Hibiscus Petroleum Berhad ("**Hibiscus Petroleum**" or the "**Company**"), via its indirectly wholly-owned subsidiary, Anasuria Hibiscus UK Ltd ("**Anasuria Hibiscus**") with Ping Petroleum UK Limited ("**Ping Petroleum UK**"), completed the transaction to each acquire 50% of the entire interests of Shell U.K. Ltd ("**Shell UK**"), Shell EP Offshore Ventures Limited ("**Shell EP**") and Esso Exploration and Production UK Limited ("**Esso E&P**") in the Anasuria Cluster of oil and gas fields effective 1 January 2015 for a consideration of USD52.5 million ("**Completed Acquisition**").

The Anasuria Cluster is located approximately 175 kilometres east of Aberdeen in the UK Central North Sea and consists of:

- 100% interest in the Guillemot A field and the related field facilities ("**Guillemot A Field**");
- 100% interest in the Teal field and the related field facilities ("**Teal Field**");
- 100% interest in the Teal South field and the related field facilities ("**Teal South Field**");
- 38.65% interest in the Cook field and the related field facilities ("**Cook Field**"); and
- 100% ownership in the common infrastructure known as the Anasuria Floating Production Storage and Offloading unit and the related equipment ("**Anasuria FPSO**").

The cluster represents an attractive, geographically focused package of operated interests in producing fields and associated infrastructure. The assets have a proven and producing resource base which provides a platform for further development. A number of incremental development and exploration opportunities exist within the licence areas which are expected to generate significant incremental value in the medium term.

The Company, together with Ping Petroleum Limited ("**Ping Petroleum**") has established the joint operating company, Anasuria Operating Company Limited ("**AOCL**") in Aberdeen and this company has been approved as the License Operator for the assets by the Secretary of State for Energy and Climate Change of the United Kingdom Government.

On 10 March 2016, AOCL successfully assumed the role of operator for the assets from Shell UK. The day-to-day operations and maintenance of the assets are currently being managed by Petrofac Facilities Management ("**Petrofac**") under the supervision of AOCL. Petrofac is a substantial Contract Operator of North Sea assets. The AOCL office is co-located within Petrofac's Aberdeen office to enable an efficient and seamless workplace.

Crude oil produced from the Anasuria fields is stored in the Anasuria FPSO's tanks and the oil is subsequently marketed in large parcels typically comprising one to two months of oil production. The process of offloading crude oil to a shuttle oil tanker, thereby completing its sale, is called an 'offtake'. Anasuria Hibiscus records the revenue based on the offtakes which occur during each quarterly accounting period. Gas produced from the Anasuria fields is sold via gas export pipelines connected to the Anasuria FPSO. Gas is sold on a daily basis and revenue is received from the pipeline operator each month.

1 ANASURIA CLUSTER (CONT'D)

Update on operations from March 2016 to June 2016

Table 1

	Units	**March 2016 to June 2016**
Oil production rate	barrel ("**bbl**")/day	5,941
Gas export rate *	bbl of oil equivalent ("**boe**")/day	471
Oil equivalent production rate	boe/day	6,412
Average oil price	USD/bbl	40.1
Average gas price	USD/one million British Thermal Units ("**mmbtu**")	1.2/3.1 ^
Capital expenditure ("**CAPEX**")	USD million	-
Operating expenditure ("**OPEX**") per calendar month	USD million	4.5
OPEX per boe	USD/boe	23.1

Source: AOCL.
All figures are gross to AOCL.
* Conversion rate of 6,000scf/boe.
^ Per current Gas Sales Agreement ("**GSA**"), USD1.2/mmbtu for Cook Field and USD3.1/mmbtu for Guillemot A Field, Teal Field and Teal South Field.

The table above provides a summary of key operational statistics for the Anasuria Cluster from March 2016 to June 2016. Oil and gas production has been approximately 10% lower than the annual target due to lower facilities uptime. However, since taking over operations, AOCL has managed operating costs efficiently and reined in non-essential costs to put the Anasuria Cluster firmly in a cash flow positive position.

From March 2016 to June 2016, there were two offtakes of oil with gross volumes to AOCL and net volumes to Anasuria Hibiscus as shown below.

Table 2

Oil Offtake Date	**Oil Offtake Volume (barrels to AOCL)**	**Oil Offtake Volume (barrels to Anasuria Hibiscus)**
March 2016	370,000	185,000
May 2016	550,000	275,000

Subsequent to the Completed Acquisition, the Company commissioned RPS Energy Consultants Limited ("**RPS Energy**") to undertake a valuation exercise of the Anasuria Cluster based on conditions as of completion date. The updates are in the areas of oil and gas production profiles, oil price projections and revised operating and capital cost estimates ("**2016 RPS Report**"). On 30 June 2016, the Company announced the findings of the valuation exercise. In the report issued by RPS Energy, the valuation of the interest held by Hibiscus Petroleum as of 1 March 2016 is USD208 million, signifying an 84% uplift in valuation when compared to a previous report also issued by RPS Energy dated September 2015 ("**2015 RPS Report**"). The 2015 RPS Report valued Hibiscus Petroleum's interest in the Anasuria Cluster at USD113 million (please refer to the Circular of Shareholders in relation to the Completed Acquisition dated 20 January 2016). Information from the 2016 RPS Report is tabulated in Table 3 and Table 4. Two cases were presented, the Proved Developed Producing ("**PDP**") case with CAPEX focused on maintaining field facilities and a Proven and Probable Reserves ("**2P**") case, which took into account the CAPEX necessary to increase the hydrocarbon reserves which would be producible.

1 ANASURIA CLUSTER (CONT'D)

PDP Case

Table 3 below shows forecasted production rates for the Anasuria fields over a five-year period starting in 2016 in the PDP case. The major activities undertaken in this case would include projects at the Guillemot A Field and Teal South Field as well as refurbishment and upgrade works on the Anasuria FPSO to extend its production life. In particular, the Anasuria FPSO refurbishment work would include minor replacements on the Anasuria FPSO's risers and mooring system.

Table 3

PDP Case	Units	2016 +	2017	2018	2019	2020
Oil production rate #	bbl/day	6,600	5,600	6,500	5,700	5,600
Gas export rate # *	boe/day	700	700	800	700	700
Oil equivalent production rate #	boe/day	7,300	6,300	7,300	6,400	6,300
CAPEX per annum	USD million	2.9	22.3	12.8	7.6	3.7
OPEX per annum	USD million	44.4	62.1	60.2	64.0	58.2
OPEX per boe @	USD/boe	20.0	27.0	22.6	27.4	25.3

Source: 2016 RPS Report and Petrofac's May 2016 Anasuria Due Diligence Cost Review Report.
Production in 2018 increases as CAPEX is spent in 2017 to increase facility availability.
All figures are gross to AOCL.
+ Based on 10 months from March 2016 to December 2016.
# Figures are rounded to the nearest hundred.
* Conversion rate of 6,000scf/boe.
@ Calculated by Hibiscus Petroleum based on the 2016 RPS Report.

2P Case

A development program consisting of field workovers and infill drilling was also considered by RPS Energy for implementation over the 2017–2018 period consisting of:

- Gas lift and recompletion of producer wells at Guillemot A Field and Teal South Field; and
- Infill drilling of two wells at the Guillemot A Field.

This investment would boost oil and gas production rates from end-2017 as shown in Table 4 below. The additional production from these projects is expected to last well beyond 2020 over the remaining useful economic life of the asset.

1 ANASURIA CLUSTER (CONT'D)

Table 4

2P Development Case	Units	2016 +	2017	2018	2019	2020
Oil production rate #	bbl/day	6,600	6,000	9,800	9,700	10,600
Gas export rate # *	boe/day	700	800	1,200	1,100	1,200
Oil equivalent production rate #	boe/day	7,300	6,800	11,000	10,800	11,800
CAPEX per annum	USD million	2.9	56.0	35.6	72.1	3.7
OPEX per annum	USD million	44.4	62.9	64.2	69.6	64.0
OPEX per boe @	USD/boe	20.0	25.3	16.0	17.7	14.9

Source: 2016 RPS Report and Petrofac's May 2016 Anasuria Due Diligence Cost Review Report.
All figures are gross to AOCL.
+ Based on 10 months from March 2016 to December 2016.
# Figures are rounded to the nearest hundred.
* Conversion rate of 6,000scf/boe.
@ Calculated by Hibiscus Petroleum based on the 2016 RPS Report.

OPEX

The components of the OPEX on the Anasuria assets consist primarily of:

- Associated completion and transition costs post the Anasuria Cluster acquisition;
- Operations and maintenance of the Anasuria FPSO (contracted to Petrofac);
- Field related maintenance projects;
- Gas transport tariff charges; and
- AOCL and Petrofac overhead costs.

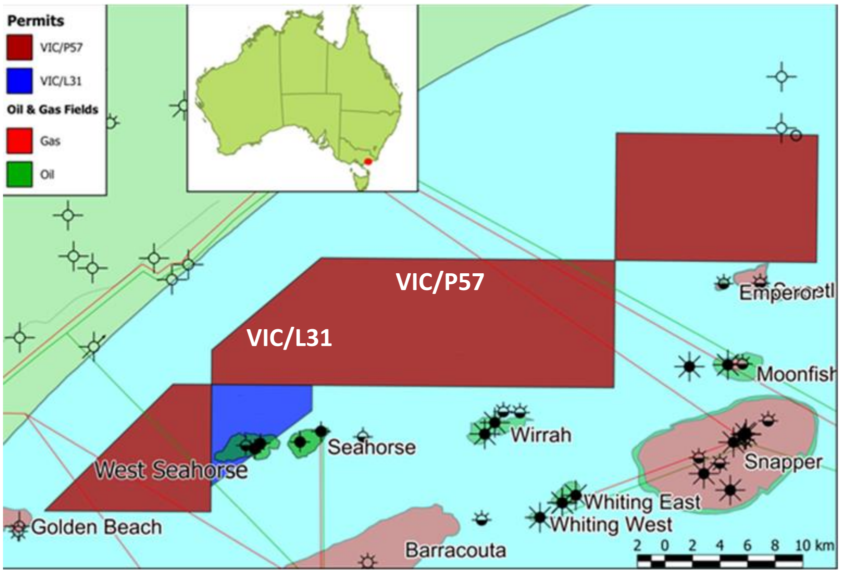
Following the successful completion of the development work/projects in both the PDP and 2P cases, total OPEX is expected to consequently increase as production rates increase. However, OPEX per boe in the 2P case is expected to decrease significantly in 2018 to approximately USD16.0/boe as shown in Table 4 (as compared to approximately USD20.0/boe in the PDP case in 2016 as shown in Table 3).

Ongoing review

Since taking over the operatorship of the Anasuria Cluster on 10 March 2016, the Company has been able to monitor actual production and field performance statistics and compare these against projections previously provided by RPS Energy. Our most recent analysis indicates that it is likely that field performance can be maintained with OPEX numbers which are significantly reduced. In addition, it is likely that CAPEX related to both the PDP case and 2P case will also be significantly reduced.

Based on the 2016 RPS Report, the total 2P reserves as at 1 March 2016 was estimated to be 40.5 million stock tank bbls ("**MMstb**") of oil and 28.4 billion of standard cubic feet ("**Bscf**") of gas attributable to Anasuria Hibiscus and Ping Petroleum UK. With the benefit of actual well performance and data post completion, the AOCL team is actively reviewing key estimates and assumptions covering all aspects of the Anasuria Cluster including reserves, production rates, budgeted CAPEX and OPEX as well as the timing of the overall work program for the cluster of assets. Additionally, with the backdrop of rising oil prices, it is anticipated that the underlying value of the Anasuria Cluster could be enhanced in the coming months.

2 EXPLORATION AND DEVELOPMENT ACTIVITIES IN RELATION TO THE PRODUCTION LICENSE VIC/L31 AND EXPLORATION PERMIT VIC/P57, GIPPSLAND BASIN, AUSTRALIA



Hibiscus Petroleum's wholly-owned subsidiary, Carnarvon Hibiscus Pty Ltd ("**CHPL**"), as operator, is responsible for the day-to-day management of work activities within the VIC/P57 Exploration Permit ("**VIC/P57**") and the VIC/L31 Production Licence ("**VIC/L31**"), affording us a high level of financial and operational control in these concessions.

In the VIC/P57 concession, following exercising an option to acquire the interest in VIC/P57 held by HiRex (Australia) Pty Ltd, Hibiscus Petroleum Group (the "**Group**") increased its interest to 78.3%. On 17 November 2014, CHPL acquired additional interest in VIC/L31, bringing its total interest held in VIC/L31 to 100%.

The VIC/P57 Exploration Permit included an obligation to drill two exploration wells, the first by end 2015 and the second by early 2018. As previously reported on 11 November 2015, CHPL announced that no zones of commercial hydrocarbons were encountered in the first obligation well that was drilled and the well was plugged and abandoned. While unsuccessful, the well was drilled without any recordable safety or environmental incidents and ahead of schedule.

One additional obligation well in VIC/P57 is due for drilling by January 2018 to retain the lease. Discussions with the regulatory authorities will be held in Q3 2016 to request an extension of the license by 1 year to January 2019 in order to provide CHPL additional time to assess the results of the Sea Lion well before making a commitment to drill another exploration well in the license.

From a regulatory perspective, we believe the West Seahorse project is well-positioned. In October 2013, the Department of Sustainability, Environment, Water, Population and Communities of the Australian government approved our Environment Protection and Biodiversity Conservation Act referral as a non-controlled action (no threat to items of national significance). In November 2013, the Australian National Offshore Petroleum Titles Administrator ("**NOPTA**") approved the Field Development Plan for West Seahorse. In December 2013, NOPTA awarded CHPL (on behalf of the VIC/P57 Joint Venture) the VIC/L31 Production Licence over the West Seahorse oilfield.

With volatile oil prices dominating the oil and gas environment, CHPL will continue to identify and aggregate suitable stranded assets (that utilize similar infrastructure as envisaged for the West Seahorse field) which will allow a viable development of the West Seahorse field.

3 LIME PETROLEUM PLC AND ITS CONCESSION COMPANIES

Please refer to Part A, Items 4 (vi) and 4 (vii) of this Quarterly Report.

4 NOTICE

When Hibiscus Petroleum initially listed as a Special Purpose Acquisition Company ("**SPAC**"), it was made mandatory for the Company to issue this Part C of the Quarterly Report until such time as we were revenue generating. Given that the Company has now demonstrated that it has been generating revenues for 2 consecutive quarters and we anticipate this trend to continue, the Company will cease providing this Part C of the Quarterly Report henceforth.

By Order of the Board of Directors
Hibiscus Petroleum Berhad
24 August 2016