HIBISCUS PETROLEUM BERHAD

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

Unaudited Quarterly Financial Report
31 March 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 31.03.2017 RM'000	**QUARTER ENDED 31.03.2016 RM'000**	**PERIOD ENDED 31.03.2017 RM'000**	**PERIOD ENDED 31.03.2016 RM'000**
Revenue		69,242	31,777	186,808	32,977
Cost of sales		(22,562)	(23,798)	(64,367)	(23,798)
GROSS PROFIT		46,680	7,979	122,441	9,179
Other income		6,976	(13,039)	28,858	11,044
Administrative expenses		(14,895)	(39,086)	(43,484)	(150,928)
Other expenses		(15,675)	(5,805)	(54,312)	(12,840)
Finance costs		(5,990)	(1,827)	(18,847)	(2,033)
Negative goodwill from business combination		-	135,343	-	135,343
Share of results of an associate		(305)	(3,830)	(352)	(4,035)
Share of results of joint ventures		-	104	-	(65,289)
PROFIT/(LOSS) BEFORE TAXATION	25	16,791	79,839	34,304	(79,559)
Taxation	26	(10,306)	666	63,139	647
PROFIT/(LOSS) AFTER TAXATION		6,485	80,505	97,443	(78,912)
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:					
Owners of the Company		6,485	80,505	97,443	(78,912)
EARNINGS/(LOSS) PER SHARE (SEN)					
Basic	24	0.45	7.32	6.92	(7.71)
Diluted	24	0.45	7.32	6.92	(7.71)

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 2016 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.03.2017 RM'000	QUARTER ENDED 31.03.2016 RM'000	PERIOD ENDED 31.03.2017 RM'000	PERIOD ENDED 31.03.2016 RM'000
PROFIT/(LOSS) AFTER TAXATION	6,485	80,505	97,443	(78,912)
Other comprehensive income/ (expenses):				
Items that may be subsequently reclassified to profit or loss:				
- Foreign currency translation *	769	(25,584)	43,793	19,444
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE QUARTER/PERIOD	7,254	54,921	141,236	(59,468)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:				
Owners of the Company	7,254	54,921	141,236	(59,468)

** 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 2016 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 31.03.2017 RM'000	AUDITED AS AT 30.06.2016 RM'000
ASSETS			
NON-CURRENT ASSETS			
Investment in an associate		4,192	1,940
Intangible assets		1,071,212	997,146
Equipment		214,702	211,452
		1,290,106	1,210,538
CURRENT ASSETS			
Trade receivables		6,361	1,985
Other receivables, deposits and prepayments		17,665	21,502
Inventories		7,663	5,542
Amounts owing by joint ventures		186	121
Amount owing by an associate		-	733
Cash and bank balances		23,110	28,746
		54,985	58,629
TOTAL ASSETS		1,345,091	1,269,167
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	14,438	13,126
Other reserves		773,121	703,037
Accumulated losses		(34,461)	(131,904)
		753,098	584,259
NON-CURRENT LIABILITIES			
Deferred consideration		-	26,549
Contingent consideration		1,766	1,484
Deferred tax liabilities		337,922	390,866
Provision for decommissioning costs		137,285	115,352
		476,973	534,251

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 2016 and the accompanying explanatory notes attached to the financial statements

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

	Note	UNAUDITED AS AT 31.03.2017 RM'000	AUDITED AS AT 30.06.2016 RM'000
CURRENT LIABILITIES			
Trade payables		202	60
Other payables and accruals		61,736	88,775
Deferred consideration		31,597	55,809
Amount owing to a joint venture		347	315
Amount owing to an associate		10	5,449
Provision for taxation		20,672	30
Deferred revenue		237	-
Redeemable Convertible Preference Shares		219	219
		115,020	150,657
TOTAL LIABILITIES		591,993	684,908
TOTAL EQUITY AND LIABILITIES		1,345,091	1,269,167
NET ASSETS PER SHARE (RM)		0.52	0.45

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 2016 and the accompanying explanatory notes attached to the financial statements

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<------------------- NON-DISTRIBUTABLE			------------------->		
	SHARE CAPITAL RM'000	**SHARE PREMIUM ** RM'000**	**OTHER RESERVES RM'000**	**FOREIGN EXCHANGE RESERVE RM'000**	**ACCUMULATED LOSSES RM'000**	**TOTAL RM'000**
9 months to 31.03.2017						
As at 01.07.2016	13,126	634,585	389	68,063	(131,904)	584,259
Issuance of shares	1,312	26,291	-	-	-	27,603
Profit after taxation	-	-	-	-	97,443	97,443
Other comprehensive income, net of tax: - Foreign currency translation	-	-	-	43,793	-	43,793
Total comprehensive income for the period	-	-	-	43,793	97,443	141,236
As at 31.03.2017	14,438	660,876	389	111,856	(34,461)	753,098
9 months to 31.03.2016						
As at 01.07.2015	9,278	535,731	241	38,431	(71,944)	511,737
Issuance of shares	2,050	68,971	-	-	-	71,021
Share-based payment	-	-	112	-	-	112
Change in composition of a joint venture	-	-	2,426	-	-	2,426
Loss after taxation	-	-	-	-	(78,912)	(78,912)
Other comprehensive income, net of tax: - Foreign currency translation	-	-	-	19,444	-	19,444
Total comprehensive income/(expenses) for the period	-	-	-	19,444	(78,912)	(59,468)
As at 31.03.2016	11,328	604,702	2,779	57,875	(150,856)	525,828

** *The new Companies Act 2016 (the "**Act**"), came into effect from 31 January 2017 and abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of a company's share premium account shall become part of the company's share capital pursuant to Section 618(2) of the Act. Under the transitional provision in Section 618(3) of the Act, a company may within twenty-four months upon the commencement of the Act, use the amount standing to the credit of its share premium account for purposes as set out in that section.*

The Unaudited Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	PERIOD ENDED 31.03.2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	34,304
Adjustments for:	
Depreciation and amortisation of equipment and intangible assets	54,312
Interest income	(15)
Unrealised gain on foreign exchange	(8,991)
Finance costs	18,847
Reversal of impairment of investment in an associate	(1,677)
Impairment of receivables	4,804
Share of results of an associate	352
Operating profit before working capital changes	101,936
Trade receivables	(4,306)
Other receivables, deposits and prepayments	12,147
Trade payables	131
Other payables and accruals	(31,323)
Inventories	(1,498)
Amounts owing by joint ventures	(368)
Amount owing to a joint venture	31
Amount owing by an associate	797
Amount owing to an associate	(5,919)
Cash generated from operating activities	71,628
Tax paid	(4,771)
Net cash generated from operating activities	66,857
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(202)
Interest received	15
Acquisition of intangible assets	(390)
Deposit for an investment	(10,436)
Net cash outflow arising from business combination	(69,331)
Net cash used in investing activities	(80,344)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net proceeds from issuance of ordinary shares	27,821
Repayment of cash advances from directors	(2,650)
Net cash generated from financing activities	25,171
Net increase in cash and cash equivalents	11,684
Effects of foreign exchange rate changes	(17,320)
Cash and cash equivalents at beginning of the financial period	28,746
Cash and cash equivalents at end of the financial period	23,110

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 2016 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 year ended 30 June 2016 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 2016.

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 2016.

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 2016:

Amendments to MFRS 11	*Joint Arrangements – Accounting for Acquisition of Interests in Joint Operations*
Amendments to MFRS 101	*Presentation of Financial Statements – Disclosure Initiative*
Amendments to MFRS 127	*Equity Method in Separate Financial Statements*
Amendments to MFRS 10, MFRS 12 and MFRS 128	*Investment Entities – Applying the Consolidation Exception*
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*)

The adoption of the above amendments did not have any impact on the current financial period or any prior financial period and is not likely to affect future financial periods.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Standards issued but not yet effective

Description		**Effective for financial periods beginning on or after**
Amendments to MFRS 107	*Statement of Cash Flow – Disclosure Initiative*	1 January 2017
Amendments to MFRS 112	*Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*	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 period ended 31 March 2017:

(i) The proposed placement of up to 326,935,484 new ordinary shares of RM0.01 each in the Company ("**Placement Shares**"), representing up to 25% of the enlarged issued and paid-up ordinary share capital of the Company ("**Proposed Placement**")

Bursa Securities gave its approval for the listing of and quotation of the Placement Shares to be issued pursuant to the Proposed Placement on the Main Market of Bursa Securities on 23 September 2015 whilst the approval of the shareholders of the Company was obtained for the Proposed Placement at an Extraordinary General Meeting 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.

Subsequent to the financial year ended 30 June 2016, the Company issued 48,900,000 Placement Shares, raising a total of RM8,802,000.

The Proposed Placement was completed on 13 July 2016 with a total of 326,884,000 new ordinary shares issued.

4 SIGNIFICANT/UNUSUAL ITEMS (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) The Company announced on 9 August 2016 that it proposes to undertake the proposed private placement of up to 82,305,362 ordinary shares of RM0.01 each in the Company ("**New Placement Shares**"), representing approximately 6.05% of the existing issued and paid-up ordinary share capital of the Company ("**Proposed Private Placement**").

Bursa Securities, vide its letter dated 6 September 2016, approved the listing and quotation of the New Placement Shares pursuant to the Proposed Private Placement.

The Proposed Private Placement was completed on 20 December 2016 with a total of 82,305,300 New Placement Shares issued, raising a total of RM19,973,537.

Please refer to our announcements dated 9 August 2016, 12 August 2016, 6 September 2016, 13 September 2016, 20 September 2016, 9 December 2016, 19 December 2016 and 20 December 2016.

(iii) Proposed acquisition of 50% participating interests under the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract

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

(iv) Prepaid lease rental from a third party charterer

The Group had entered into a lease and leaseback arrangement with a third party charterer in connection with its rig. Amongst others, the arrangement enables the Group to request for a prepaid lease rental of USD10 million on or after 1 February 2017 subject to meeting the conditions set by the third party charterer. As at the date of this report, the conditions have been met. In the event that the leasing arrangement does not proceed as intended, the prepaid lease rental received will be subject to an interest rate of 10% per annum from the date of receipt, and is repayable by 31 December 2017.

(v) Recognition of the effect of the reduction in the rate of the Supplementary Charge in the United Kingdom ("**UK**") by 10% on deferred tax liabilities. The deferred tax liabilities had earlier arose upon the completion of the acquisition of the Anasuria Cluster, which was accounted for as a business combination.

Please refer to Part B, Note 26 of this Quarterly Report 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 financial period ended 31 March 2017.

6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER

There were no other material events subsequent to the end of the financial period ended 31 March 2017 up to the date of this report.

7 CHANGES IN THE COMPOSITION OF THE GROUP

(i) On 10 October 2016, the Company acquired Pacific Hibiscus Sdn Bhd ("**Pacific Hibiscus**"), a company incorporated in Malaysia under the Companies Act 1965, with an authorised share capital of RM400,000.00 divided into 400,000 ordinary shares of RM1.00 each and a paid-up share capital of RM2.00 from non-related parties.

(ii) On 10 October 2016, Pacific Hibiscus acquired SEA Hibiscus Sdn Bhd ("**SEA Hibiscus**"), a company incorporated in Malaysia under the Companies Act 1965, with an authorised share capital of RM400,000.00 divided into 400,000 ordinary shares of RM1.00 each and a paid-up share capital of RM2.00 from non-related parties.

Save as disclosed above, there were no changes in the composition of the Group during the financial period ended 31 March 2017.

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 period ended 31 March 2017.

10 BORROWINGS, DEBT AND EQUITY SECURITIES

The movements in the issued and paid-up ordinary share capital of the Company during the financial period ended 31 March 2017 were as follows:

	PERIOD ENDED 31.03.2017	
ORDINARY SHARES	**Number of shares**	**Share capital RM'000**
As at 01.07.2016	1,312,638,991	13,126
Placement Shares	48,900,000	489
New Placement Shares	82,305,300	823
As at 31.03.2017	1,443,844,291	14,438

Placement Shares

During the financial period ended 31 March 2017, the Company issued 48,900,000 Placement Shares, raising a total of RM8,802,000 on 13 July 2016 at RM0.180 per Placement Share.

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

New Placement Shares

During the financial period ended 31 March 2017, the Company issued 82,305,300 New Placement Shares, raising a total of RM19,973,537. This was undertaken in two tranches: 41,000,000 New Placement Shares were issued on 19 September 2016 at RM0.195 per New Placement Share and 41,305,300 New Placement Shares were issued on 16 December 2016 at RM0.290 per New Placement Share.

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

Save as disclosed above, there were no other issuances, cancellations, repurchases, resale and repayments of borrowings, debt and equity securities during the financial period ended 31 March 2017.

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)	Anasuria	Group's investments and operations in a geographically focused package of operated producing fields and associated infrastructure located approximately 175 km east of Aberdeen in the UK Central North Sea.
(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 VIC/P57 Exploration Permit ("**VIC/P57**"), and investment in 3D Oil Limited ("**3D Oil**").

As reflected in the preceding Quarterly Report, during the financial year ended 30 June 2016, the Directors have fully impaired the Group's respective investments in (i) Lime Petroleum Plc and its concession companies ("**Lime Group**") [(1)]; and (ii) HiRex Petroleum Sdn. Bhd. ("**HIREX**") [(2)]. For the avoidance of doubt, the rights and legal position of the Group are fully reserved in respect of each of Lime Group (including, without limitation, the Group's legal action in Singapore against various parties in relation to the Lime Group) and HIREX.

[(1)] *Exploration assets located in the Middle East and Norway.*
[(2)] *Planned investments in exploration assets within the Asia Pacific region.*

11 OPERATING SEGMENTS (CONT'D)

	Investment holding and group activities RM'000	Anasuria RM'000	3D Oil, VIC/L31 & VIC/P57 RM'000	Lime RM'000	HIREX RM'000	Elimination RM'000	Group RM'000
As at 31.03.2017							
Non-current assets	38,234	982,222	269,650	-	-	-	1,290,106
Include in the segment assets is: Investment in an associate	-	-	4,192	-	-	-	4,192
Additions to non-current assets	74	128	-	-	-	-	202
Period ended 31.03.2017							
Project management, technical and other service fees	3,259	-	-	-	-	-	3,259
Sales of crude oil and gas	-	183,534	-	-	-	-	183,534
Interest income	15	-	-	-	-	-	15
Revenue	3,274	183,534	-	-	-	-	186,808
Depreciation	(7,111)	(43,801)	(3,400)	-	-	-	(54,312)
Profit/(loss) from operations	1,129	67,822	(12,321)	-	-	-	56,630
Reversal of impairment of investment in an associate	-	-	1,677	-	-	-	1,677
Impairment of receivables	(316)	(4,488)	-	-	-	-	(4,804)
Share of results	-	-	(352)	-	-	-	(352)
Finance costs	(30)	(16,584)	(7,308)	-	-	5,075	(18,847)
Interest income	5,075	-	-	-	-	(5,075)	-
Taxation	18	66,294	(3,173)	-	-	-	63,139
Profit/(loss) after taxation	5,876	113,044	(21,477)	-	-	-	97,443

11 OPERATING SEGMENTS (CONT'D)

	Investment holding and group activities RM'000	Anasuria RM'000	3D Oil, VIC/L31 & VIC/P57 RM'000	Lime RM'000	HIREX RM'000	Elimination RM'000	Group RM'000
As at 31.03.2016							
Non-current assets	997	450,046	222,370	212,040	4,770	-	890,223
Included in the segment assets are:							
Investment in an associate	-	-	2,510	-	-	-	2,510
Investments in joint ventures	-	-	-	212,040	4,770	-	216,810
Additions to non-current assets	23	475,799	108,321	-	-	-	584,143
Period ended 31.03.2016							
Project management, technical and other services fees	2,627	-	-	-	-	-	2,627
Interest income	14	-	99	-	-	-	113
Sales of crude oil and gas	-	30,237	-	-	-	-	30,237
Revenue	2,641	30,237	99	-	-	-	32,977
Depreciation	(1,015)	(2,393)	(9,432)	-	-	-	(12,840)
Loss from operations	(17,640)	(32,780) ^	(12,451)	-	-	-	(62,871)
Reversal of impairment of investment in an associate	-	-	1,009	-	-	-	1,009
Impairment of intangible assets	-	-	(81,683)	-	-	-	(81,683)
Negative goodwill arising from acquisition of a business combination	-	135,343	-	-	-	-	135,343
Share of results	-	-	(4,035)	(63,748)	(1,541)	-	(69,324)
Finance costs	(236)	(1,348)	(4,839)	-	-	4,390	(2,033)
Interest income	4,390	-	-	-	-	(4,390)	-
Taxation	(28)	675	-	-	-	-	647
(Loss)/profit after taxation	(13,514)	101,890	(101,999)	(63,748)	(1,541)	-	(78,912)

^ *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 RM1.7 million.*

12 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions within the Group are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.03.2017 RM'000	QUARTER ENDED 31.03.2016 RM'000	PERIOD ENDED 31.03.2017 RM'000	PERIOD ENDED 31.03.2016 RM'000
Project management, technical and other services fees earned from joint ventures				
- Lime	-	-	-	101
- HIREX	-	31	4	164
Joint Operating Agreement indirect overheads recovery from an associate				
- 3D Oil	-	(112)	-	422
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	8	(1,286)	28	468
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	(40)	1,195	(69)	(302)
Consultancy services provided by a related party	-	-	(57)	(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 31 March 2017:

	RM'000
Approved and contracted for:	
Group's material commitments	900
Share of a joint operation's material commitments ^^	45,623
	46,523

^^ *The Group's 50% share of commitments in the Facilities Management Agreement for the Anasuria Floating Production Storage and Offloading unit and related equipment ("**Anasuria FPSO**") and Anasuria Cluster entered into by Anasuria Operating Company Limited ("**AOCL**") with Petrofac Facilities Management Limited, the Contract Operator appointed to manage the day-to-day operations and maintenance of the Anasuria Cluster.*

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

The Group recorded a profit before taxation of RM34.3 million in the current nine-month period ("**current period**") as compared to a loss before taxation of RM79.6 million in the corresponding nine-month period in the previous year ("**corresponding period**").

The Group recorded its first lifting of crude oil in the financial quarter ended 31 March 2016 subsequent to completing the acquisition of 50% interest in the Anasuria Cluster on 10 March 2016. In the current period, from July 2016 to March 2017, the Group sold three offtakes of crude oil compared to just one in the corresponding period. Revenue and gross profit from the sale of oil and gas products in the current period amounted to RM183.5 million and RM119.2 million respectively. In the corresponding period, such revenue and gross profit amounted to just RM30.2 million and RM6.4 million respectively.

In the corresponding period, the Company announced on 11 November 2015 that its wholly-owned subsidiary, Carnarvon Hibiscus Pty Ltd 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 corresponding period recognised an impairment of RM81.7 million.

The Group had fully impaired its investments in both the Lime Group and HIREX during the financial year ended 30 June 2016 (please refer to Part A, Note 11 of this Quarterly Report for further details). As such, the share of losses in these investments recorded in the corresponding period of RM65.3 million did not recur.

In addition, one-off and non-recurring expenses in the form of introducer fee, transition costs and professional fees relating to the acquisition of the Anasuria Cluster incurred in the corresponding period did not recur. These amounted to RM34.5 million.

The above gains were partially off-set by negative goodwill recognised in the corresponding period upon completion of the Anasuria acquisition of RM135.3 million. In addition, the following costs relating to the Anasuria Cluster were higher in the current period – (i) depreciation and amortisation – RM41.4 million; and (ii) accretion of finance costs for decommissioning costs and deferred consideration – RM15.2 million.

15 PERFORMANCE REVIEW (CONT'D)

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 RM16.8 million, a decrease of RM63.0 million as compared to a profit before taxation of RM79.8 million in the corresponding three-month period ended 31 March 2016 ("**corresponding quarter**").

In the corresponding quarter, the Group recognised negative goodwill of RM135.3 million upon completion of the Anasuria acquisition. In addition, the acquisition was completed on 10 March 2016, and as a result, costs relating to the Anasuria Cluster were incurred for only a month in corresponding quarter compared to three months in the current quarter. The following costs were therefore lower in the corresponding quarter – (i) depreciation and amortisation – RM9.8 million; and (ii) accretion of finance costs for decommissioning costs and deferred consideration – RM4.5 million.

These were partially off-set by higher gross profit generated from the sale of Anasuria Cluster's oil and gas products in the current quarter. Revenue and gross profit of RM68.0 million and RM45.4 million respectively were achieved in the current quarter, compared to the corresponding quarter's revenue and gross profit of RM30.2 million and RM6.4 million respectively. This was due to higher barrels of crude oil sold and higher average selling price achieved for the sale.

There were also one-off and non-recurring expenses in the form of introducer fee, transition costs and professional fees relating to the acquisition of the Anasuria Cluster incurred in the corresponding quarter amounting to RM34.5 million that did not recur in the current quarter.

In addition, there was higher net positive impact in foreign exchange arising from stronger United States Dollar ("**USD**") and Australian Dollar ("**AUD**") against the Ringgit ("**RM**") amounting to RM18.7 million in the current quarter, which positively impacted the Group's available USD and AUD denominated balances and funds.

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

During the current quarter, the Group recorded a profit before taxation of RM16.8 million, an increase of RM6.8 million as compared to a profit before taxation of RM10.0 million in the preceding three-month period ended 31 December 2016 ("**preceding quarter**").

Whilst a reduced daily average level of production contributed to an increase in unit production costs, gross profit achieved during the current quarter exceeded that of the preceding quarter by RM1.3 million. This was due to a higher average selling price achieved for crude oil sold in the current quarter.

In addition, depreciation and amortisation of oil and gas assets/properties in the Anasuria Cluster computed based on the unit of production method is lower by RM5.8 million in the current quarter due to lower level of production.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

(i) Proposed Acquisition of 50% Participating Interests under the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract

On 12 October 2016, the Company announced that its indirect wholly-owned subsidiary, SEA Hibiscus, had entered into a conditional sale and purchase agreement with Sabah Shell Petroleum Company Limited and Shell Sabah Selatan Sdn Bhd (collectively the "**Sellers**") to acquire the Sellers' 50% participating interests in the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract entered into between Petroliam Nasional Berhad ("**PETRONAS**"), the Sellers and PETRONAS Carigali Sdn Bhd ("**PCSB**") ("**PSC**"); and the joint operating agreement between the Sellers and PCSB in relation to the PSC ("**SJOA**") (collectively the "**Interest**") for a total consideration of USD25 million ("**Proposed Acquisition**").

The responsibilities of SEA Hibiscus as the operator of the PSC and under the SJOA are the management of the operations of:

(i) production of petroleum from 4 existing oil fields, namely St Joseph, South Furious, SF30 and Barton; and

(ii) existing pipeline infrastructure, the Labuan Crude Oil Terminal, and all other equipment and assets relating to the PSC.

The Proposed Acquisition is subject to and conditional upon approvals being obtained from the following:

(i) Sellers' receipt of PCSB's waiver of pre-emption rights and unconditional consent under the SJOA to the assignment of the entire Interest to SEA Hibiscus or upon fulfilment of conditions reasonably acceptable to SEA Hibiscus and/or the Sellers, as the affected party;

(ii) Sellers' receipt of PETRONAS's unconditional approval under the PSC to the assignment of the entire Interest to SEA Hibiscus or upon fulfilment of conditions reasonably acceptable to SEA Hibiscus and/or the Sellers, as the affected party;

(iii) the receipt of all consents of other relevant parties, if any; and

(iv) the due execution by the parties of the completion documents.

The Proposed Acquisition is not subject to the Company's shareholders' approval.

Please refer to our announcements dated 12 October 2016 and 26 October 2016.

18 PROSPECTS OF THE GROUP

Anasuria Cluster

Currently, the financial results of the Group are underpinned by the operational performance of the Anasuria asset. Several key factors are particularly relevant. These are:

- Oil price of the Brent crude oil benchmark at approximately the time of a scheduled offtake from the Anasuria FPSO;

- Gas prices for the respective fields 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.

- Exchange rates, more specifically that of the RM and the:
  - USD, as our revenues are secured in USD and the valuation of the Anasuria asset is held in USD; and
  - Great Britain Pound ("**GBP**"), as the majority of our operating costs for the Anasuria asset, currently our sole revenue generating asset, are incurred in GBP.

- Performance of the Anasuria asset, more specifically:
  - Production performance of the wells; and
  - Facilities availability.

- Management of operational expenses for the Anasuria asset.

As joint operator of the Anasuria Cluster, the Group continuously focuses on optimising asset performance but it is equally important to note (from the information provided above) that the performance is impacted daily by external macroeconomic factors over which we exert minimal control. For the financial quarter ended 31 March 2017, the following were achieved or utilized in the preparation of this Quarterly Report:

	Units	**Achieved for the financial quarter ended 31 March 2017**
Average daily oil production rate	Barrel ("**bbl**")/day	2,617
Average daily gas export rate @	bbl of oil equivalent ("**boe**")/day	257
Average oil equivalent production rate	boe/day	2,873
Total oil sold	bbl	273,419
Total gas exported (sold)	Million standard cubic feet ("**mmscf**")	138
Average realised oil price	USD/bbl	52.95
Average gas price	USD/million British thermal units ("**mmbtu**")	2.11 ∞/4.94 #
Average operating costs ("**OPEX**") per boe	USD/boe	15.12
Average uptime/availability of Anasuria facilities	%	76

@ *Conversion rate of 6,000 standard cubic feet ("**scf**")/boe.*

∞ *For Cook field.*

For Guillemot A, Teal and Teal South fields.

18 PROSPECTS OF THE GROUP (CONT'D)

As of 31 March 2017, our wholly-owned subsidiary, Anasuria Hibiscus UK Limited has been involved in the joint operations of the Anasuria asset for circa twelve months. Over the twelve-month period, several milestones have been achieved in areas under our joint operational control which are reflected in the performance indicators shown below:

	Units	March to June 2016	July to September 2016	October to December 2016	January to March 2017
Average daily oil production rate	bbl/day	2,971	3,032	3,934	2,617
Average daily gas export rate @	boe/day	236	374	474	257
Average daily oil equivalent production rate	boe/day	3,206	3,406	4,408	2,873
Average realised oil price	USD/bbl	40.14	45.21	41.70	52.95
Average gas price	USD/ mmbtu	1.19 ∞/3.08 #	1.33 ∞/3.30 #	1.73 ∞/4.16 #	2.11 ∞/4.94 #
Average OPEX per boe	USD/boe	23.13	18.39	12.97	15.12
Average uptime/ availability of Anasuria facilities	%	88	82	98	76

@ *Conversion rate of 6,000 scf/boe.*
∞ *For Cook field.*
For Guillemot A, Teal and Teal South fields.

The crude oil price realised by the Company for oil produced and sold during the current quarter ended 31 March 2017 was much improved compared to previous financial quarters at USD52.95 per bbl. Planned and unplanned shutdown of the facilities resulted in a reduced level of uptime of the Anasuria facilities with a consequential impact on the average daily oil production rate that was achieved. In addition, in February 2017, an increase in the gas-oil ratio ("**GOR**") readings taken at one of our main producer wells was observed and flow was temporarily reduced to minimize unnecessary loss of reservoir pressure and prevent any detrimental impact on long term recovery from the specific field.

Both these issues were resolved and full production was restored towards the end of the current quarter.

Even though there have been sporadic drops in operational performance, overall performance through the twelve-month period (since we assumed joint operatorship of the asset) has been very encouraging. To build more resilience into our overall production system, we intend to re-start production from Guillemot P1 well, which was closed in early last year by the previous operator due to high hydrogen sulphide ("**H2S**") production. Specifically, we plan to produce the well with increased levels of chemical injection at the Anasuria FPSO to control H2S level being produced by the well.

Over the longer term, we are also going to introduce gas lift to Guillemot P5 well to increase oil production levels from this well.

The financial impact of these initiatives will likely be observed at the end of calendar year 2017.

18 PROSPECTS OF THE GROUP (CONT'D)

Furthermore, in respect of the Anasuria Cluster, we had identified several projects for execution during the period commencing mid-2017 and continuing until mid-2018. These projects are on track and will enhance production volumes by bringing on-stream petroleum resources that have already been discovered. Recognizing the fact that we are building up our project execution experience in the UK sector of the North Sea, we shall initially commence undertaking activities that are low in terms of technical complexity and business risk exposure. We are also currently putting in place the necessary financing to ensure that we are able to undertake these projects in a timely fashion.

Finally, when we executed the transaction documents relating to the acquisition of the Anasuria assets, a certain quantum of the purchase consideration amounting to USD22.5 million was deferred and scheduled for settlement as follows:

Deferred Payment tranche	Quantum (USD million)	Timing	Status	Notes
1	7.5	10 March 2016	Paid	Was rescheduled to 10 March 2017 by the Vendors in February 2016
2	7.5	10 March 2017	Paid	
3	7.5	10 September 2017		

The Company can confirm that both Payments 1 and 2 have been settled in full (on schedule).

North Sabah

The recent disclosure by the Group that its wholly owned subsidiary, SEA Hibiscus had on 12 October 2016 executed conditional transaction documents to acquire a 50% participating interest in the 2011 North Sabah Enhanced Oil Recovery Production Sharing Contract also bodes well for the future. An overview of this asset is tabulated below.

	Units	Total
Average daily production 2015 +	Thousand stock tank bbls per day ("**kstb/d**")	18
Remaining reserves (2P) ++	Million stock tank barrels ("**MMstb**")	62
Contingent resources (2C) ++	MMstb	79
Platforms/Structures		19
Wells		135
OPEX per bbl +++	RM/bbl	55.10

+ *Source: Sellers' information.*

++ *Figures derived by independent technical valuer, RISC Operations Pty Ltd, based on 100% interest in the PSC, as of 1 January 2016.*

+++ *From Q2 2016 Sabah Operations Committee Meeting slidepack.*

This asset has the potential to:

- Increase the oil production output of the Group by a factor of up to three times;
- Provide the Group with a second revenue stream, independent of the Anasuria Cluster; and
- Allow the Group strengthen its technical and operational capabilities.

It is important to note that this transaction is conditional upon approvals by joint venture partners, the Malaysian regulator and a successful transfer of operating responsibilities.

18 PROSPECTS OF THE GROUP (CONT'D)

Australia

The fact that the Group has only limited access to capital means that investment related activities are prioritized, with those projects that deliver larger economic benefits being implemented ahead of those which promise lower levels of return.

Given the expected capital requirements for low risk identified projects within the Anasuria Cluster, and potentially, further capital requirements for execution of projects in North Sabah (subject to Malaysian regulatory approvals), management may defer seeking a Final Investment Decision ("**FID**") for its development offshore Australia for a minimum of three years in favour of more attractive investment options within our portfolio of opportunities.

Oil Prices

The proposed listing of Saudi Aramco is expected to be a catalyst of maintaining oil price stability, and thus result in a positive impact on our overall financial performance and ultimately, our cash balances. Additionally, decisions to be made at the forthcoming meeting of the Organization of Petroleum Exporting Countries ("**OPEC**") to be held on 25 May 2017 in Vienna regarding levels of production quotas to be borne by member countries and others will also impact crude oil price stability going forward. It is hoped that decisions made will result in a rebalancing of supply and demand forward curves which will bode well for our Company.

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 period ended 31 March 2017.

21 PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities during the financial period ended 31 March 2017.

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, Note 11 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/period.

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 31.03.2017 RM'000	QUARTER ENDED 31.03.2016 RM'000	PERIOD ENDED 31.03.2017 RM'000	PERIOD ENDED 31.03.2016 RM'000
Profit/(loss) after taxation attributable to owners of the Company (RM'000)	(A)	6,485	80,505	97,443	(78,912)
Weighted average number of shares in issue ('000)	(B)	1,443,844	1,099,105	1,408,515	1,022,867
Basic earnings/(loss) per share (sen)	(A/B)	0.45	7.32	6.92	(7.71)
Diluted earnings/(loss) per share (sen)		0.45	7.32	6.92	(7.71)

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/period.

25 PROFIT/(LOSS) BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.03.2017 RM'000	QUARTER ENDED 31.03.2016 RM'000	PERIOD ENDED 31.03.2017 RM'000	PERIOD ENDED 31.03.2016 RM'000
Profit/(loss) before taxation is arrived at after charging/(crediting):				
Depreciation and amortisation of equipment and intangible assets	15,675	5,805	54,312	12,840
Interest income	(5)	(37)	(15)	(113)
Unrealised (gain)/loss on foreign exchange **	(5,471)	13,325	(8,991)	(4,139)
Realised gain on foreign exchange **	(317)	(398)	(17,963)	(6,483)
Finance costs	5,990	1,827	18,847	2,033
Share of loss of an associate	305	3,830	352	4,035
Negative goodwill from business combination	-	(135,343)	-	(135,343)
Impairment of receivables	1,144	-	4,804	-
Reversal of impairment of investment in an associate	(153)	(2,953)	(1,677)	(1,009)
Impairment of intangible assets	-	(2,848)	-	81,683

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

25 PROFIT/(LOSS) BEFORE TAXATION (CONT'D)

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 period ended 31 March 2017.

26 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.03.2017 RM'000	QUARTER ENDED 31.03.2016 RM'000	PERIOD ENDED 31.03.2017 RM'000	PERIOD ENDED 31.03.2016 RM'000
Income taxation	(17,590)	(9)	(28,021)	(28)
Deferred taxation	7,284	675	91,160	675
	(10,306)	666	63,139	647

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 profit or loss. Deferred tax liabilities relating to fair value of the identifiable assets and liabilities of the Anasuria Cluster recognised as at 30 June 2016 were 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 UK as at 30 June 2016 to compute deferred tax liabilities for the financial year ended 30 June 2016.

The UK's Finance Bill 2016 ("Finance Bill 2016") published on 24 March 2016 stated a downward revision of the rate of the Supplementary Charge. Following agreement by both the UK's House of Commons and House of Lords on the text of Finance Bill 2016, it received Royal Assent on 15 September 2016. The Finance Bill 2016 is therefore now an Act of Parliament.

The impact caused by the reduction in the rate of the Supplementary Charge on the deferred tax liabilities relating to fair value of the identifiable assets and liabilities of the Anasuria Cluster recognised as at 30 June 2016 amounting to RM78.4 million has been recognised as a tax credit in the current financial period.

27 REALISED AND UNREALISED ACCUMULATED LOSSES

	UNAUDITED AS AT 31.03.2017 RM'000	AUDITED AS AT 30.06.2016 RM'000
Analysis of accumulated losses:		
Realised	32,038	(4,810)
Unrealised	(328,931)	(387,564)
	(296,893)	(392,374)
Less: Consolidation adjustments	262,432	260,470
	(34,461)	(131,904)

By Order of the Board of Directors
Hibiscus Petroleum Berhad
24 May 2017