HIBISCUS PETROLEUM BERHAD

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

Unaudited Quarterly Financial Report
30 September 2016

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30.09.2016 RM'000	QUARTER ENDED 30.09.2015 RM'000	PERIOD ENDED 30.09.2016 RM'000	PERIOD ENDED 30.09.2015 RM'000
Revenue		54,745	245	54,745	245
Cost of sales		(24,224)	-	(24,224)	-
GROSS PROFIT		30,521	245	30,521	245
Other income		11,090	23,998	11,090	23,998
Administrative expenses		(10,009)	(13,364)	(10,009)	(13,364)
Other expenses		(17,577)	(3,453)	(17,577)	(3,453)
Finance costs		(6,567)	(25)	(6,567)	(25)
Share of results of an associate		23	(102)	23	(102)
Share of results of joint ventures		-	(2,540)	-	(2,540)
PROFIT BEFORE TAXATION	25	7,481	4,759	7,481	4,759
Taxation	26	72,802	(10)	72,802	(10)
PROFIT AFTER TAXATION		80,283	4,749	80,283	4,749
PROFIT AFTER TAXATION ATTRIBUTABLE TO:					
Owners of the Company		80,283	4,749	80,283	4,749
EARNINGS PER SHARE (SEN)					
Basic	24	5.91	0.49	5.91	0.49
Diluted	24	5.91	0.49	5.91	0.49

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 30.09.2016 RM'000	QUARTER ENDED 30.09.2015 RM'000	PERIOD ENDED 30.09.2016 RM'000	PERIOD ENDED 30.09.2015 RM'000
PROFIT AFTER TAXATION	80,283	4,749	80,283	4,749
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss:				
- Foreign currency translation*	17,545	47,333	17,545	47,333
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER/PERIOD	97,828	52,082	97,828	52,082
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	97,828	52,082	97,828	52,082

* *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 30.09.2016 RM'000	AUDITED AS AT 30.06.2016 RM'000
ASSETS			
NON-CURRENT ASSETS			
Investment in an associate		3,131	1,940
Intangible assets		1,024,528	997,146
Equipment		212,958	211,452
		1,240,617	1,210,538
CURRENT ASSETS			
Trade receivables		53,969	1,985
Other receivables, deposits and prepayments		20,631	21,502
Inventories		4,441	5,542
Amounts owing by joint ventures		134	121
Amount owing by an associate		776	733
Cash and bank balances		17,114	28,746
		97,065	58,629
TOTAL ASSETS		1,337,682	1,269,167
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	14,025	13,126
Other reserves		735,965	703,037
Accumulated losses		(51,621)	(131,904)
		698,369	584,259
NON-CURRENT LIABILITIES			
Deferred consideration		28,094	26,549
Contingent consideration		1,570	1,484
Deferred tax liabilities		326,716	390,866
Provision for decommissioning costs		122,062	115,352
		478,442	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 30.09.2016 RM'000	AUDITED AS AT 30.06.2016 RM'000
CURRENT LIABILITIES			
Trade payables		243	60
Other payables and accruals		95,813	88,775
Deferred consideration		59,055	55,809
Amount owing to a joint venture		325	315
Amount owing to an associate		5,176	5,449
Provision for taxation		40	30
Redeemable Convertible Preference Shares		219	219
		160,871	150,657
TOTAL LIABILITIES		639,313	684,908
TOTAL EQUITY AND LIABILITIES		1,337,682	1,269,167
NET ASSETS PER SHARE (RM)		0.50	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**
3 months to 30.09.2016						
As at 01.07.2016	13,126	634,585	389	68,063	(131,904)	584,259
Issuance of shares	899	15,383	-	-	-	16,282
Profit after taxation	-	-	-	-	80,283	80,283
Other comprehensive income, net of tax: - Foreign currency translation	-	-	-	17,545	-	17,545
Total comprehensive income for the period	-	-	-	17,545	80,283	97,828
As at 30.09.2016	14,025	649,968	389	85,608	(51,621)	698,369
3 months to 30.09.2015						
As at 01.07.2015	9,278	535,731	241	38,431	(71,944)	511,737
Issuance of shares	530	37,145	-	-	-	37,675
Share-based payment	-	-	37	-	-	37
Change in composition of a a joint venture	-	-	2,426	-	-	2,426
Profit after taxation	-	-	-	-	4,749	4,749
Other comprehensive income, net of tax: - Foreign currency translation	-	-	-	47,333	-	47,333
Total comprehensive income for the period	-	-	-	47,333	4,749	52,082
As at 30.09.2015	9,808	572,876	2,704	85,764	(67,195)	603,957

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

	QUARTER ENDED 30.09.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	7,481
Adjustments for:	
Depreciation and amortisation of equipment and intangible assets	17,183
Interest income	(47)
Unrealised gain on foreign exchange	(11,114)
Finance costs	6,567
Reversal of impairment of investment in an associate	(754)
Impairment of receivables	160
Share of results of an associate	(23)
Operating profit before working capital changes	19,453
Trade receivables	(51,384)
Other receivables, deposits and prepayments	2,758
Trade payables	185
Other payables and accruals	4,016
Inventories	1,265
Amounts owing by joint ventures	(169)
Amount owing to a joint venture	9
Amount owing to an associate	(584)
Net cash used in operating activities	(24,451)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(3)
Interest received	47
Net cash outflow arising from business combination	(4,316)
Net cash used in investing activities	(4,272)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net proceeds from issuance of ordinary shares	16,420
Net cash generated from financing activities	16,420
Net decrease in cash and cash equivalents	(12,303)
Effects of foreign exchange rate changes	671
Cash and cash equivalents at beginning of the financial quarter	28,746
Cash and cash equivalents at end of the financial quarter	17,114

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 January 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 quarter ended 30 September 2016:

(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**").

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

(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 (ii) 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 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 quarter ended 30 September 2016.

6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER

Save as disclosed above and in Part B, Note 17 of this Quarterly Report, there were no other material events subsequent to the end of the financial quarter ended 30 September 2016 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 quarter ended 30 September 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 quarter ended 30 September 2016.

10 BORROWINGS, DEBT AND EQUITY SECURITIES

The movements in the issued and paid-up ordinary share capital of the Company during the financial quarter ended 30 September 2016 were as follows:

			PERIOD ENDED 30.09.2016
ORDINARY SHARES	**Par value RM**	**Number of shares**	**Share capital RM'000**
As at 01.07.2016	0.01	1,312,638,991	13,126
Placement Shares	0.01	48,900,000	489
New Placement Shares	0.01	41,000,000	410
As at 30.09.2016	0.01	1,402,538,991	14,025

Placement Shares

During the financial quarter ended 30 September 2016, the Company issued 48,900,000 Placement Shares, raising a total of RM8,802,000 on 13 July 2016 at RM0.180 per share.

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

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

New Placement Shares

During the financial quarter ended 30 September 2016, the Company issued 41,000,000 New Placement Shares, raising a total of RM7,995,000 on 19 September 2016 at RM0.195 per share.

Please refer to Part A, Item 4 (ii) and Part B, Item 17 (i) 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 quarter ended 30 September 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 *[(1)]*	Group's investments and operations in the exploration assets of the Lime Petroleum Plc ("**Lime Plc**") and its concession companies ("**Lime Group**"), located in the Middle East and Norway.
(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**").
(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 ("**UK**") Central North Sea.
(v)	HIREX *[(2)]*	Planned investments in exploration assets within the Asia Pacific region. Activities are located in Malaysia.

(1) *Lime Plc, a company in which the Group has a 35% shareholding interest, is in the process of being wound up. The rights and legal position of the Group are fully reserved. The Group has initiated legal actions in Norway and Singapore against various parties, in relation to the Lime Group. Those actions are currently ongoing, as reflected in the Company's announcements.*

During the financial year ended 30 June 2016, the Directors fully impaired the Group's investment in the Lime Group.

(2) *During the financial year ended 30 June 2016, the Directors fully impaired the Group's investment in HiRex Petroleum Sdn. Bhd. ("**HIREX**") as HIREX is not evaluating any prospect in the foreseeable future.*

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 30.09.2016							
Non-current assets	425	-	294,114	946,078	-	-	1,240,617
Included in the segments assets is:							
Investment in an associate	-	-	3,131	-	-	-	3,131
Additions to non-current assets	3	-	-	-	-	-	3
Period ended 30.09.2016							
Project management, technical and other service fees	1,004	-	-	-	-	-	1,004
Interest income	46	-	1	-	-	-	47
Sales of crude oil and gas	-	-	-	53,694	-	-	53,694
Revenue	1,050	-	1	53,694	-	-	54,745
Depreciation	(289)	-	(3,246)	(13,648)	-	-	(17,183)
(Loss)/profit from operations	(1,725)	-	1,687	13,469	-	-	13,431
Reversal of impairment of investment in an associate	-	-	754	-	-	-	754
Impairment of receivables	(160)	-	-	-	-	-	(160)
Share of results	-	-	23	-	-	-	23
Finance costs	(23)	-	(3,008)	(5,124)	-	1,588	(6,567)
Interest income	1,588	-	-	-	-	(1,588)	-
Taxation	(9)	-	(3,033)	75,844	-	-	72,802
(Loss)/profit after taxation	(329)	-	(3,577)	84,189	-	-	80,283

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 30.09.2015						
Non-current assets	1,667	295,370	251,413	6,126	-	554,576
Included in the segments assets are:						
Investment in an associate	-	-	4,926	-	-	4,926
Investment in joint ventures	-	295,370	-	6,126	-	301,496
Additions to non-current assets	22	-	22,156	-	-	22,178
Period ended 30.09.2015						
Project management, technical and other services fees	176	-	-	-	-	176
Interest income	8	-	61	-	-	69
Revenue	184	-	61	-	-	245
Depreciation	(345)	-	(3,108)	-	-	(3,453)
Profit/(loss) from operations	22,089	-	(13,839)	-	-	8,250
Impairment of investment in an associate	-	-	(824)	-	-	(824)
Share of results	-	(1,808)	(102)	(732)	-	(2,642)
Finance costs	(25)	-	(1,414)	-	1,414	(25)
Interest income	1,414	-	-	-	(1,414)	-
Taxation	(10)	-	-	-	-	(10)
Profit/(loss) after taxation	23,468	(1,808)	(16,179)	(732)	-	4,749

12 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions within the Group are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2016 RM'000	QUARTER ENDED 30.09.2015 RM'000	PERIOD ENDED 30.09.2016 RM'000	PERIOD ENDED 30.09.2015 RM'000
Project management, technical and other services fees earned from joint ventures				
- Lime	-	91	-	91
- HIREX	4	84	4	84
Project management, technical and other services fees earned from a joint operation				
- Anasuria Operating Company Limited ("**AOCL**")	1,000	-	1,000	-
Joint Operating Agreement indirect overheads recovery from an associate				
- 3D Oil	-	189	-	189
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	6	225	6	225
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	(14)	(72)	(14)	(72)
Cash advances from a Director	-	(1,000)	-	(1,000)
Consultancy services provided by a related party	(57)	-	(57)	-

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 September 2016:

	RM'000
Approved and contracted for:	
Group's material commitments	45,841
Share of a joint operation's material commitments #	43,242
	89,083

*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 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

The Group recorded an increase of RM2.7 million in profit before taxation in the current financial quarter ("**current quarter**") as compared to a profit before taxation of RM4.8 million in the corresponding three-month period ended 30 September 2015 ("**corresponding quarter**").

The profit before taxation in the current quarter is primarily due to the sale of oil and gas products from the Anasuria Cluster, which generated revenue and gross profit of RM53.7 million and RM28.5 million respectively. The Group completed the acquisition of a 50% interest in the Anasuria Cluster on 10 March 2016, and thus, such contribution for the sale of oil and gas products was not present in the corresponding quarter.

The Group had written off 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 a result, the share of losses in these investments recorded in the corresponding quarter of RM2.5 million did not recur.

In addition, during the current quarter, there was reversal of impairment of the carrying value of VIC/P57 amounting to RM1.8 million.

These were partially off-set by the following costs relating to the Anasuria Cluster:

- Depreciation and amortisation – RM13.6 million; and
- Accretion of finance costs for deferred consideration and decommissioning costs – RM5.1 million.

There was a lower net positive impact in foreign exchange arising from a weaker United States Dollar ("**USD**") against the Ringgit ("**RM**") amounting to RM13.1 million in the current quarter, which negatively impacted the Group's available USD-denominated balances and funds.

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

During the current quarter, the Group recorded a profit before taxation of RM7.5 million, a decrease of RM15.7 million as compared to a profit before taxation of RM23.2 million in the preceding three-month period ended 30 June 2016 ("**preceding quarter**").

In the preceding quarter, the Group recognised negative goodwill of RM228.8 million upon completion of the acquisition of a 50% interest in the Anasuria Cluster.

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

In addition, the Group had during the preceding 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 RM62.7 million due to improvement in the oil price outlook.

These were partially off-set by:

- The following impairments in joint ventures in the preceding quarter which did not recur in the current quarter:
    - Without prejudice to the Group's legal position and rights (all of which are fully reserved), the Group recognised an impairment of RM225.4 million following an assessment of the carrying value of investment in the Lime Group; and
    - Impairment of the Group's investment in HIREX amounting to RM4.6 million as HIREX is not evaluating any prospect in the foreseeable future;
- Write-off of business development expenditure in the preceding quarter amounting to RM31.1 million;
- One-off costs to move the Britannia Rig amounting to RM3.1 million incurred in the preceding quarter; and
- Net positive impact in foreign exchange arising from the stronger Australian Dollar ("**AUD**") against the RM between the current quarter and the preceding quarter, which positively impacted the Group's available AUD-denominated balances and intercompany securities amounting to RM10.2 million.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

(i) Proposed Private Placement

The Company had on 9 August 2016 announced that it proposes to undertake the 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.

As at the date of this Quarterly Report, the Company has issued 41,000,000 New Placement Shares, raising a total of RM7,995,000.

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

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

(ii) 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;
  - 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; and
  - AUD, as the valuations of our Australian assets are held in AUD.

- 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 exogenous macroeconomic factors over which we exert minimal control. For the financial quarter ended 30 September 2016, the following were achieved or utilized in the preparation of this Quarterly Report:

	Units	**Achieved for the financial quarter ended 30 September 2016**
Oil production rate	Barrel ("**bbl**")/day	3,032
Gas export rate (1)	bbl of oil equivalent ("**boe**")/day	374
Oil equivalent production rate	boe/day	3,406
Total oil sold	bbl	271,576
Total gas exported (sold)	Million standard cubic feet ("**mmscf**")	206
Average oil price	USD/bbl	45.21
Average gas price	USD/one million British thermal units ("**mmbtu**")	1.33/3.30 (2)
OPEX per boe	USD/ boe	18.39
Average uptime / availability of Anasuria facilities	%	82

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

(2) *USD1.33/mmbtu for Cook field and USD3.30/mmbtu for Guillemot A, Teal and Teal South fields.*

18 PROSPECTS OF THE GROUP (CONT'D)

As of 30 September 2016, our wholly-owned subsidiary, Anasuria Hibiscus UK Limited has been involved in the joint operations of the Anasuria asset for circa six months. Whilst oil prices have been moderately volatile in recent months, overall, the Brent crude oil benchmark has maintained a value above our unit operating costs since the completion of the asset acquisition transaction (10 March 2016). This trend has had a positive impact to our cash balances and we expect our operating margins to improve going forward as oil prices strengthen and our operating experience in respect of the Anasuria asset increases. It is this operating experience that permits us to maintain a relatively high level of facilities uptime and manage asset level unit operating costs. In the mid-term, we continue to expect oil prices to maintain an uptrend as 'rebalancing', the tangible result of capital expenditure reductions made by virtually the entire global oil and gas exploration and production sector begins to take effect.

Finally, in respect of the Anasuria Cluster, we have identified several projects for execution during the period commencing mid-2017 and continuing until mid-2018. These projects 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.

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 (3)	Thousand stock tank bbls per day ("**kstb/d**")	18
Remaining reserves (2P) (4)	Million stock tank barrels ("**MMstb**")	62
Contingent resources (2C) (4)	MMstb	79
Platforms/Structures		19
Wells		135
OPEX per bbl (5)	RM/bbl	55.10

(3) *Source: Sellers' information.*

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

(5) *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 but the Group is hopeful of fulfilling the various conditions in due course.

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 quarter ended 30 September 2016.

21 PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There was no purchase or disposal of quoted securities during the financial quarter ended 30 September 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, Note 11 of this Quarterly Report.

24 EARNINGS PER SHARE

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

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30.09.2016 RM'000	QUARTER ENDED 30.09.2015 RM'000	PERIOD ENDED 30.09.2016 RM'000	PERIOD ENDED 30.09.2015 RM'000
Profit after taxation attributable to owners of the Company (RM'000)	(A)	80,283	4,749	80,283	4,749
Weighted average number of shares in issue ('000)	(B)	1,359,145	964,228	1,359,145	964,228
Basic earnings per share (sen)	(A/B)	5.91	0.49	5.91	0.49
Diluted earnings per share (sen)		5.91	0.49	5.91	0.49

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

25 PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2016 RM'000	QUARTER ENDED 30.09.2015 RM'000	PERIOD ENDED 30.09.2016 RM'000	PERIOD ENDED 30.09.2015 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Depreciation and amortisation of equipment and intangible assets	17,183	3,453	17,183	3,453
Interest income	(47)	(70)	(47)	(70)
Unrealised gain on foreign exchange	(11,114)	(23,786)	(11,114)	(23,786)
Realised loss/(gain) on foreign exchange	394	(23)	394	(23)
Finance costs	6,567	25	6,567	25
Share of loss of an associate	(23)	102	(23)	102
Share of losses of joint ventures	-	2,540	-	2,540

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 quarter ended 30 September 2016.

26 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2016 RM'000	QUARTER ENDED 30.09.2015 RM'000	PERIOD ENDED 30.09.2016 RM'000	PERIOD ENDED 30.09.2015 RM'000
Income taxation	(3,042)	(10)	(3,042)	(10)
Deferred taxation	75,844	-	75,844	-
	72,802	(10)	72,802	(10)

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.

26 TAXATION (CONT'D)

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 quarter.

27 REALISED AND UNREALISED ACCUMULATED LOSSES

	UNAUDITED AS AT 30.09.2016 RM'000	**AUDITED AS AT 30.06.2016 RM'000**
Analysis of accumulated losses:		
Realised	2,819	(4,810)
Unrealised	(315,602)	(387,564)
	(312,783)	(392,374)
Less: Consolidation adjustments	261,162	260,470
	(51,621)	(131,904)

By Order of the Board of Directors
Hibiscus Petroleum Berhad
25 November 2016