

**HIBISCUS PETROLEUM BERHAD**  
(Registration Number: 200701040290 (798322-P))  
(Incorporated in Malaysia)

**Unaudited Quarterly Financial Report**  
**30 June 2020**

*(Note: This Unaudited Quarterly Financial Report is supplemented by the Corporate and Business Update released on the same day, on 24 August 2020.)*

**HIBISCUS PETROLEUM BERHAD**  
**(Registration Number: 200701040290 (798322-P))**  
**(Incorporated in Malaysia)**  
**QUARTERLY REPORT FOR THE QUARTER ENDED 30 JUNE 2020**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS**

	Note	INDIVIDUAL QUARTER QUARTER ENDED 30.06.2020 RM'000	INDIVIDUAL QUARTER QUARTER ENDED 30.06.2019 RM'000	CUMULATIVE QUARTER YEAR ENDED 30.06.2020 RM'000	CUMULATIVE QUARTER YEAR ENDED 30.06.2019 RM'000
Revenue		39,495	237,069	646,504	988,303
Cost of sales		(21,317)	(88,242)	(248,807)	(325,813)
<b>GROSS PROFIT</b>		<b>18,178</b>	<b>148,827</b>	<b>397,697</b>	<b>662,490</b>
Other income	26	14,019	4,038	6,396	3,950
Administrative expenses		(132,886)	(23,730)	(190,419)	(111,534)
Other expenses		(40,796)	(26,550)	(145,018)	(120,664)
Finance costs		(12,710)	(10,124)	(42,982)	(42,421)
Share of results of an associate		(116)	(99)	(385)	(354)
<b>(LOSS)/PROFIT BEFORE TAXATION</b>	27	<b>(154,311)</b>	<b>92,362</b>	<b>25,289</b>	<b>391,467</b>
Taxation	28	9,116	(67,639)	(74,543)	(161,457)
<b>(LOSS)/PROFIT AFTER TAXATION</b>		<b>(145,195)</b>	<b>24,723</b>	<b>(49,254)</b>	<b>230,010</b>
<b>(LOSS)/PROFIT AFTER TAXATION ATTRIBUTABLE TO:</b>					
- Owners of the Company		(145,195)	24,723	(49,254)	230,010
<b>(LOSS)/EARNINGS PER SHARE (SEN)</b>					
Basic	25	(9.14)	1.56	(3.10)	14.48
Diluted	25	(9.14)	1.55	(3.10)	14.48

Note:

**(Loss)/Earnings Before Interest,  
Taxes, Depreciation  
and Amortisation  
(("LBITDA")/"EBITDA")**

(100,805)	127,058	213,289	549,364
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(Please refer to Part A, Note 11 and Part B, Notes 15 and 16 of this Quarterly Report for further details.)

*The Unaudited Condensed Consolidated Statements of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the financial statements.*

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER QUARTER ENDED 30.06.2020 RM'000	QUARTER QUARTER ENDED 30.06.2019 RM'000	CUMULATIVE QUARTER YEAR ENDED 30.06.2020 RM'000	YEAR ENDED 30.06.2019 RM'000
<b>(LOSS)/PROFIT AFTER TAXATION</b>	(145,195)	24,723	(49,254)	230,010
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss:				
- Foreign currency translation *	528	11,440	33,029	11,732
<b>TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE QUARTER/YEAR</b>	<b>(144,667)</b>	<b>36,163</b>	<b>(16,225)</b>	<b>241,742</b>
<b>TOTAL COMPREHENSIVE (EXPENSES)/INCOME ATTRIBUTABLE TO:</b>				
- Owners of the Company	(144,667)	36,163	(16,225)	241,742

\* 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 2019 and the accompanying explanatory notes attached to the financial statements.*

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**QUARTERLY REPORT FOR THE QUARTER ENDED 30 JUNE 2020**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	UNAUDITED AS AT 30.06.2020 RM'000	AUDITED AS AT 30.06.2019 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets		1,364,618	1,530,075
Equipment		587,378	380,228
Right-of-use assets		12,404	-
Other receivables		7,123	-
Investment in an associate		5,403	5,745
Restricted cash and bank balances		95,795	66,828
		2,072,721	1,982,876
<b>CURRENT ASSETS</b>			
Inventories		68,080	21,378
Trade receivables		11,441	64,869
Other receivables, deposits and prepayments		175,244	116,825
Amount owing by a joint venture		481	475
Amount owing by an associate		62	-
Cash and bank balances		80,996	206,709
Tax recoverable		17,127	-
		353,431	410,256
		2,426,152	2,393,132
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	10	764,965	764,965
Other reserves		98,230	65,201
Retained earnings		358,112	407,366
		1,221,307	1,237,532
<b>NON-CURRENT LIABILITIES</b>			
Other payables		23,850	106,874
Borrowings	29	14,401	3,791
Contingent consideration		2,363	2,063
Deferred tax liabilities		485,791	395,316
Provision for decommissioning costs		276,228	251,290
		802,633	759,334

*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 2019 and the accompanying explanatory notes attached to the financial statements.*

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

	Note	UNAUDITED AS AT 30.06.2020 RM'000	AUDITED AS AT 30.06.2019 RM'000
<b>CURRENT LIABILITIES</b>			
Trade payables		4,797	8,721
Other payables and accruals		275,684	221,891
Borrowings	29	59,864	1,041
Deferred consideration		-	19,184
Amount owing to a joint venture		318	318
Amount owing to an associate		-	17
Provision for decommissioning costs		58,717	65,314
Provision for taxation		2,613	79,561
Redeemable Convertible Preference Shares		219	219
		402,212	396,266
<b>TOTAL LIABILITIES</b>		1,204,845	1,155,600
<b>TOTAL EQUITY AND LIABILITIES</b>		2,426,152	2,393,132
<b>NET ASSETS PER SHARE (RM)</b>		0.77	0.78

*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 2019 and the accompanying explanatory notes attached to the financial statements.*

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	<----- NON-DISTRIBUTABLE ----->				
	SHARE CAPITAL RM'000	OTHER RESERVES RM'000	FOREIGN EXCHANGE RESERVE RM'000	RETAINED EARNINGS RM'000	TOTAL RM'000
<b>12 months to 30.06.2020</b>					
As at 01.07.2019	764,965	389	64,812	407,366	1,237,532
Loss after taxation	-	-	-	(49,254)	(49,254)
Other comprehensive income, net of tax: - Foreign currency translation	-	-	33,029	-	33,029
Total comprehensive income/(expenses) for the year	-	-	33,029	(49,254)	(16,225)
As at 30.06.2020	764,965	389	97,841	358,112	1,221,307
<b>12 months to 30.06.2019</b>					
As at 01.07.2018	764,965	389	53,080	177,356	995,790
Profit after taxation	-	-	-	230,010	230,010
Other comprehensive income, net of tax: - Foreign currency translation	-	-	11,732	-	11,732
Total comprehensive income for the year	-	-	11,732	230,010	241,742
As at 30.06.2019	764,965	389	64,812	407,366	1,237,532

*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 2019 and the accompanying explanatory notes attached to the financial statements.*

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>YEAR ENDED 30.06.2020</b>
	<b>RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Profit before taxation	25,289
Adjustments for:	
Impairment of intangible assets	187,699
Depreciation and amortisation of equipment, intangible assets and right-of-use assets	145,018
Finance costs	42,982
Impairment of equipment	8,632
Impairment of other receivables	3,496
Share of results of an associate	385
Write-off of fixed assets	77
Gain on lease termination	(357)
Interest income	(871)
Unrealised gain on foreign exchange	(1,033)
Reversal of unrecovered recoverable costs	(78,182)
Operating profit before working capital changes	333,135
Inventories	(45,132)
Trade receivables	54,599
Other receivables, deposits and prepayments	(47,671)
Trade payables	(4,171)
Other payables and accruals	10,693
Amount owing by an associate	(60)
Amount owing to an associate	(17)
<b>Cash generated from operating activities</b>	301,376
Tax paid	(95,231)
Movement in restricted cash and bank balances **	(29,686)
<b>Net cash generated from operating activities</b>	176,459
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of equipment	(252,872)
Acquisition of intangible assets	(70,554)
Payment of deferred consideration	(21,066)
Interest received	871
<b>Net cash used in investing activities</b>	(343,621)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Net drawdown of term loan	46,435
Net repayment of lease liabilities	(7,682)
<b>Net cash generated from financing activities</b>	38,753
<b>Net decrease in cash and cash equivalents</b>	(128,409)
<b>Effects of foreign exchange rate changes</b>	(993)
<b>Cash and cash equivalents at beginning of the financial year</b>	206,709
<b>Cash and cash equivalents at end of the financial year</b>	77,307
Cash and bank balances in the consolidated statements of financial position are as follows:	
<u>Non-current</u>	
Restricted cash and bank balances **	95,795
<u>Current</u>	
Cash and bank balances	80,996
Less: Restricted cash and bank balances ***	(3,689)
Cash and cash equivalents	77,307

\*\* *Anasuria Hibiscus UK Limited ("Anasuria Hibiscus UK") is required to provide security for its proportionate obligations for the estimated cost of decommissioning the facilities of the Anasuria Cluster by periodically placing monies in a trust commencing 18 months from the completion date of the sale and purchase agreement for the acquisition of the Anasuria Cluster, until such time that the security has been fully provided for. Such decommissioning activities are expected to be carried out at the end of life of the Anasuria Cluster and therefore, these monies in the trust are classified as non-current assets. Comparatives have been reclassified to conform with the presentation in the financial year ended 30 June 2020.*

\*\*\* *SEA Hibiscus Sdn Bhd ("SEA Hibiscus") is required to place deposit with a financial institution as security for banking facilities obtained.*

*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 2019 and the accompanying explanatory notes attached to the financial statements.*

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**PART A – EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING  
STANDARD 134**

**1 BASIS OF PREPARATION**

This unaudited Quarterly Report has been prepared in accordance with the reporting requirements as set out in the Malaysian Financial Reporting Standard (“**MFRS**”) 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“**MASB**”) and Paragraph 9.22 of the Main Market Listing Requirements (“**MMLR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”), and should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2019 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 2019.

**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 2019.

**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 2019:

MFRS 16	<i>Leases</i>
IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to MFRS 128	<i>Long-term interests in Associate or Joint Venture</i>
Annual Improvements to MFRSs 2015-2017 Cycle	<i>MFRS 3 Business Combinations, MFRS 11 Joint Arrangements, MFRS 112 Income Taxes</i>

The adoption of the above amendments did not have any material impact on the current financial quarter or any prior financial period and is not likely to affect future financial periods, except for the adoption of the new accounting policy detailed below:

**2.1.1 MFRS 16 Leases**

The Group has adopted MFRS 16 in the current financial year ended 30 June 2020 (“**Current Year**”), where MFRS 16 supersedes MFRS 117 *Leases* and the related interpretations. Under MFRS 16, a lease is a contract (or part of contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 eliminates the classification of leases by the lessee as either finance leases or operating leases.



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**2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**2.1 Adoption of Amendments to Standards and IC Interpretations (Cont'd)**

**2.1.1 MFRS 16 Leases (cont'd)**

MFRS 16 requires the lessee to recognise in the statement of financial position, a 'right-of-use' of the underlying asset and a lease liability reflecting future lease payment for most leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in the statement of profit or loss.

On the date of initial application, the Group applied the simplified transition approach and did not restate comparative amounts for the period prior to first adoption. Right-of-use assets were measured on transition as if the new rules had always been applied.

The adoption of MFRS 16 impacts the Group's financial performance in the Current Year as below:

- (a) On the statements of profit or loss, expenses which previously included operating lease rentals within EBITDA, were replaced by interest expense on lease liabilities (included within 'finance costs') and amortisation of the right-of-use assets (included within 'other expenses').
- (b) On the statement of cash flows, operating lease rental outflows previously recorded within 'cash flows from operating activities' were reclassified to 'cash flows from financing activities' for repayment of the principal and interest of lease liabilities.

**2.2 Early adoption of Amendment to Standard**

Effective for financial periods beginning on or after 1 June 2020

The Group has early adopted the following amendment for the first time for the financial year beginning on 1 July 2019:

MFRS 16                                      *Covid-19-Related Rent Concessions*

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

**2.3 Standards issued but not yet effective**

<b>Description</b>	<b>Effective for financial periods beginning on or after</b>
The Conceptual Framework for Financial Reporting (Revised 2018)	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020

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**2.3 Standards issued but not yet effective (Cont'd)**

Description		Effective for financial periods beginning on or after
Amendments to MFRS 101	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2022
Annual Improvements to MFRSs 2018-2020	<i>MFRS 9 Financial Instruments, Illustrative Examples accompanying MFRS 16 Leases</i>	1 January 2022
Amendments to MFRS 3	<i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022

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

**3 SEASONAL OR CYCLICAL FACTORS**

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

**4 SIGNIFICANT/UNUSUAL ITEMS**

Save as disclosed below, there were no other significant or unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the Current Year:

- (i) Acquisition of a 100% interest in North Sea Blocks 15/18d and 15/19b ("License No. P2366") in the United Kingdom ("UK") North Sea by Anasuria Hibiscus UK, an indirect wholly-owned subsidiary of Hibiscus Petroleum Berhad ("Hibiscus Petroleum" or "the Company"), for a total cash consideration of up to United States Dollar ("USD") 5.0 million.

The Company had on 17 July 2019 announced that, its indirect wholly-owned subsidiary, Anasuria Hibiscus UK, entered into a conditional non-binding term sheet with United Oil & Gas PLC ("**United**") and Swift Exploration Limited ("**Swift**") (collectively referred as "**Sellers**") to acquire a 100% interest in License No. P2366 for a total cash consideration of USD5.0 million ("**P2366 Acquisition**"). United and Swift each hold 95% and 5% participating interest respectively.

License No. P2366 is located offshore in the UK sector of the North Sea, approximately 250 km northeast of Aberdeen, and includes the Crown discovery, which based on information provided by United, consists of gross contingent oil resources ("**2C Resources**") of 8 million barrels of oil and 6 billion cubic feet of associated gas.

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

The agreed payment terms for the P2366 Acquisition commenced with a non-refundable payment of USD1.0 million to the Sellers upon completion of the Sales and Purchase Agreement (“SPA”). Subject to further milestones being achieved post SPA completion, an additional sum of up to USD3.0 million would be paid before the end of 2020. A further USD1.0 million would be paid once the field is on production. In the unlikely event that Anasuria Hibiscus UK decided not to make the post-completion payments, License No. P2366 would return to the Sellers.

Subsequently, the Company had on 7 October 2019 announced that Anasuria Hibiscus UK entered into a conditional SPA to acquire License No. P2366 from United and Swift. As part of further negotiations with the Sellers post execution of the earlier conditional non-binding term sheet and conduct of technical due diligence, the payment terms of the proposed acquisition of License No. P2366 commenced with a non-refundable payment of USD0.1 million to the Sellers (unless the default was not due to Anasuria Hibiscus UK) with a further payment of USD0.9 million being made upon completion of the SPA.

Pursuant to the above, on 12 December 2019, the Company had announced that Anasuria Hibiscus UK has completed the P2366 Acquisition. Completion of the acquisition occurred pursuant to the receipt of approval from the UK’s Oil and Gas Authority (“OGA”) for the assignment of License No. P2366 to Anasuria Hibiscus UK as operator on 4 December 2019. In accordance with the terms of the conditional SPA, a further USD0.9 million was paid.

Subject to further milestones being achieved post SPA completion, an additional sum of USD3.0 million would be paid within 7 business days of the actual date of approval of the Marigold Field Development Plan (“FDP”) which could potentially include the development of the Crown discovery as part of the overall Marigold development (“FDP Approval”), by the relevant UK regulatory authority. Based on current internal forecasts, this is expected to be received by the end of 2020. In the case that the FDP Approval is not achieved, or if the Marigold FDP submitted does not include the development of the Crown discovery, Anasuria Hibiscus UK may, at its discretion, proceed either with the USD3.0 million payment or, transfer License No. P2366 back to the Sellers without any further payment obligation.

In addition, in the case that the Crown discovery is brought into production under the FDP Approval or separate approval of an independent field development plan, up to USD1.0 million will be paid through an overriding royalty scheme once the Crown discovery has commenced production.

Please refer to our announcements dated 17 July 2019, 7 October 2019 and 12 December 2019 for further details.

*Note: Anasuria Hibiscus UK holds 50% operated interest in the UK Continental Shelf Petroleum Production License No. P198 Block 15/13a and Block 15/13b containing the Marigold and Sunflower fields respectively, in addition to 50% joint-operating interests in the License No. P013 consisting of the Teal, Teal South and Guillemot A fields, as well as 19.3% non-operating interest in the License No. P185 licence consisting of the Cook field. The Teal, Teal South, Guillemot A and Cook fields which produce oil and gas to the Anasuria floating production storage and offloading vessel (“Anasuria FPSO”) facility are collectively known as the Anasuria Cluster. The Anasuria Cluster is located offshore in the UK sector of North Sea. Please also refer to Part A, Note 11 of this Quarterly Report.*

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

(ii) Option to participate in the VIC/P74 Exploration Permit (“VIC/P74”) in Australia.

The Group’s associate, 3D Oil Limited (“**3D Oil**”), a company listed on the Australian Stock Exchange, was awarded the VIC/P74 permit in the offshore Gippsland Basin by the National Offshore Petroleum Titles Administrator (“**NOPTA**”). The 1,006 km<sup>2</sup> permit is located on the southern side of the Gippsland Basin, adjacent to the Kingfish oilfield.

Under the terms of a pre-bid agreement, the Group had thirty days to elect to enter into a joint venture with 3D Oil for up to a 50% non-operated interest in VIC/P74 on a ground floor basis.

Hibiscus Petroleum’s wholly-owned subsidiary, Oceania Hibiscus Sdn Bhd holds 11.68% equity interest in 3D Oil.

Subsequently, on 3 October 2019, the Company announced that Carnarvon Hibiscus Pty Ltd (“**Carnarvon Hibiscus**”), an indirect wholly-owned subsidiary of Hibiscus Petroleum, had exercised its option to farm into VIC/P74 (the “**Permit**”) by acquiring a 50% interest in the Permit (“**Interest**”) from 3D Oil. Subsequent to the above, Carnarvon Hibiscus entered into an Assignment Agreement with 3D Oil on 8 May 2020 and the transfer of interest contemplated thereunder was approved and registered by NOPTA on 6 July 2020. Carnarvon Hibiscus and 3D Oil have now executed an Instrument of Transfer, a Joint Operating Agreement (“**JOA**”) and a Deed of Cross Charge for the Permit and have submitted them to NOPTA for approval and registration.

Under the JOA, it is agreed that 3D Oil shall remain as the operator of the Permit through the primary first 3 years of the prospect generation phase (“**First Phase**”). This work programme consists primarily of purchasing reprocessed 3D seismic data to progress geological and geophysical studies in order to finetune resource assessments and enable due prospect ranking. It has also been agreed between the parties that (a) if it is required that a well or wells be drilled after the First Phase, Carnarvon Hibiscus shall be the operator of the Permit but 3D Oil shall continue to be the operator for geological and geophysical operations, but (b) if there is a farm-in for a substantial interest in the Permit that will require drilling a well or wells by the farmee, the farmee will become the operator instead for all operations.

Please refer to our announcements dated 26 July 2019 and 3 October 2019 for further details.

#### **5 MATERIAL CHANGES IN ESTIMATES**

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

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

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

**7 CHANGES IN THE COMPOSITION OF THE GROUP**

Save as disclosed below, there were no other changes in the composition of the Group during the Current Year.

On 14 April 2020, the Company's wholly-owned subsidiary, Atlantic Hibiscus Sdn Bhd became the sole shareholder of Hibiscus Energy UK Limited (Company No. 12554647) ("**Hibiscus Energy UK**") a company incorporated under the laws of England and Wales, with an issued and paid-up share capital of 1 ordinary share of Great Britain Pound ("**GBP**")1.00.

**8 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

**9 DIVIDENDS PAID/PAYABLE**

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

**10 DEBT AND EQUITY SECURITIES**

Save as disclosed below, there were no issuances, cancellations, repurchases, resale, exercise of Warrants C, debt and equity securities during the Current Year.

	<b>YEAR ENDED 30.06.2020</b>	
	<b>Number of shares</b>	<b>Share capital RM'000</b>
ORDINARY SHARES		
As at 30.06.2020/01.07.2019	1,588,228,791	764,965

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**11 OPERATING SEGMENTS**

Operating results are segmented in respect of the Group's business activities. The Group currently has activities in the following principal areas <sup>^</sup>:

- |       |   |   |
|-------|---|---|
| (i)   | North Sabah                             | <p>Group's investment in 50% participating interests in the 2011 North Sabah Enhanced Oil Recovery ("EOR") Production Sharing Contract ("PSC"), which includes the management of the operations relating to the production of petroleum from four existing oil fields, namely St Joseph, South Furious, South Furious 30 and Barton and existing pipeline infrastructure, the Labuan Crude Oil Terminal ("LCOT"), and all other equipment and assets relating to the PSC.</p> <p>The functional currency of this segment is the USD. The average and closing rates adopted for conversion to RM in the Current Year are 4.2131 and 4.2863 respectively.</p>   |
| (ii)  | Anasuria Hibiscus                       | <p>Group's investments and operations in the UK, consisting of (i) the Anasuria Cluster, a producing asset, (ii) Marigold and Sunflower fields, a development asset, and (iii) License No. P2366, all located offshore in the UK Continental Shelf.</p> <p>Anasuria Cluster:</p> <ul style="list-style-type: none"> <li>• Group's 50% interest in the License No. P013 containing the Guillemot A, Teal and Teal South producing fields, 19.3% participating interests in the License No. P185 containing the Cook producing field, 50% interests in the Anasuria FPSO and 50% interests in the Anasuria Operating Company Limited ("AOCL"). The Group jointly operates the producing fields under License No. P013 and the Anasuria FPSO via AOCL.</li> </ul> <p>Marigold and Sunflower fields:</p> <ul style="list-style-type: none"> <li>• Group's 50% interest in two blocks under License No. P198; (i) Block 15/13a, containing the Marigold discovered oilfield, and (ii) Block 15/13b, containing the Sunflower discovered oilfield. This includes the management of operations to develop these fields towards production.</li> </ul> <p>License No. P2366:</p> <ul style="list-style-type: none"> <li>• Group's 100% interest in License No. P2366.</li> </ul> <p>The functional currency of the segment is the USD. The average and closing rates adopted for conversion to RM in the Current Year are 4.2131 and 4.2863 respectively.</p> |
| (iii) | 3D Oil, VIC/L31 & VIC/P57               | <p>Group's operations in the VIC/L31 Production License ("VIC/L31") for the West Seahorse field and other exploration prospects in Australia within the VIC/P57 Exploration Permit ("VIC/P57"), and investment in 3D Oil.</p> <p>The functional currency of the segment is the Australian Dollar ("AUD"). The average and closing rates adopted for conversion to RM in the Current Year are 2.8254 and 2.9480 respectively.</p>  |
| (iv)  | Investment holding and group activities | <p>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.</p>   |

<sup>^</sup> The Directors have fully impaired the Group's respective investments in (i) Lime Petroleum Plc ("Lime") and its concession companies ("Lime Group") and (ii) HiRex Petroleum Sdn. Bhd. ("HIREX"). Therefore, both the Lime Group and HIREX are no longer relevant for inclusion in this section. For the avoidance of doubt, the rights and legal position of the Group are fully reserved in respect of each of the Lime Group (including, without limitation, the Group's legal actions in Singapore and Norway against various parties in relation to the Lime Group) and HIREX. Both Lime and HIREX are in the process of being wound up.

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**11 OPERATING SEGMENTS (CONT'D)**

	North Sabah	Anasuria Hibiscus	3D Oil, VIC/P57 & VIC/L31	Investment holding and group activities	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>As at 30.06.2020</u></b>					
Non-current assets	669,436	1,345,953	48,264	9,068	2,072,721
Included in the segment assets is:					
Investment in an associate	-	-	5,403	-	5,403
Additions to non-current assets	218,534	137,517 <sup>^^</sup>	580	8,391	365,022
<b><u>Year ended 30.06.2020</u></b>					
Project management, technical and other service fees	-	-	-	3,949	3,949
Sales of crude oil and gas	441,738	200,775	-	-	642,513
Interest income	-	-	-	42	42
Revenue	441,738	200,775	-	3,991	646,504
Depreciation and amortisation	(78,929)	(62,858)	-	(3,231)	(145,018)
Profit/(loss) from operations	163,193	45,594	(1,303)	(18,012)	189,472
Impairment of intangible assets	-	(4,213)	(183,486)	-	(187,699)
Impairment of equipment	-	-	-	(8,632)	(8,632)
Impairment of other receivables	-	-	-	(3,496)	(3,496)
Share of results of an associate	-	-	(385)	-	(385)
Reversal of unrecovered recoverable costs	78,182	-	-	-	78,182
Finance costs	(25,531)	(16,752)	-	(699)	(42,982)
Interest income	283	545	1	-	829
Taxation	(68,206)	(6,337)	-	-	(74,543)
Profit after taxation ("PAT")/ (Loss after taxation ("LAT"))	147,921	18,837	(185,173)	(30,839)	(49,254)
EBITDA/(LBITDA)	320,587	104,784	(185,173)	(26,909)	213,289

<sup>^^</sup> Additions to non-current assets for Anasuria Hibiscus included RM11.6 million invested during the Current Year for Block 15/13a (Marigold) and Block 15/13b (Sunflower).

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**11 OPERATING SEGMENTS (CONT'D)**

	North Sabah	Anasuria Hibiscus	3D Oil, VIC/P57 & VIC/L31	Investment holding and group activities	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As at 30.06.2019</b>					
Non-current assets	499,046	1,229,124	234,852	19,854	1,982,876
Included in the segment assets is:					
Investment in an associate	-	-	5,745	-	5,745
Additions to non-current assets	115,155	363,022 <sup>^^</sup>	1,707	5,742	485,626
<b>Year ended 30.06.2019</b>					
Project management, technical and other services fees	-	-	-	4,633	4,633
Sales of crude oil and gas	586,828	396,311	-	-	983,139
Interest income	-	-	-	531	531
Revenue	586,828	396,311	-	5,164	988,303
Depreciation and amortisation	(49,943)	(62,882)	-	(2,651)	(115,476)
Profit/(loss) from operations	244,367	215,391	(2,261)	(27,942)	429,555
Reversal of impairment of investment in an associate	-	-	1,335	-	1,335
Reversal of impairment of other receivables	-	3,011	-	-	3,011
Share of results of an associate	-	-	(354)	-	(354)
Finance costs	(27,249)	(14,357)	-	(815)	(42,421)
Interest income	289	47	5	-	341
Taxation	(89,306)	(72,151)	-	-	(161,457)
PAT/(LAT)	128,101	131,941	(1,275)	(28,757)	230,010
EBITDA/(LBITDA)	294,599	281,331	(1,275)	(25,291)	549,364

<sup>^^</sup> Additions to non-current assets for Anasuria Hibiscus included RM165.3 million invested during the financial year ended 30 June 2019 for Block 15/13a (Marigold) and Block 15/13b (Sunflower).



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**12 SIGNIFICANT RELATED PARTY TRANSACTIONS**

Related party transactions within the Group are as follows:

	INDIVIDUAL QUARTER QUARTER ENDED 30.06.2020 RM'000	QUARTER QUARTER ENDED 30.06.2019 RM'000	CUMULATIVE QUARTER YEAR ENDED 30.06.2020 RM'000	YEAR ENDED 30.06.2019 RM'000
Project management, technical and other services fees earned from a related party				
- Ping Petroleum UK Limited	973	1,069	3,949	4,542
Joint Operating Agreement indirect overheads recovery from an associate				
- 3D Oil	-	10	3	23
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	-	30	4	33
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	(20)	(158)	(151)	(595)

**13 MATERIAL COMMITMENTS**

Save as disclosed below, the Group is not aware of any material capital commitments incurred or known to be incurred by the Group which, upon becoming enforceable, may have a material impact on the profit or loss account, or net assets value of the Group as at 30 June 2020:

	RM'000
Approved and contracted for:	
Group's capital commitments	92,051
Share of a joint operation's capital commitments	9,946
Total capital commitments approved and contracted for	101,997
Share of a joint operation's other material commitments	38,078
	140,075
Approved but not contracted for:	
Group's capital commitments	28,339
Share of a joint operation's capital commitments	692
Total capital commitments approved but not contracted for	29,031
Share of a joint operation's other material commitments	3,147
	32,178

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**PART B – EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MMLR OF BURSA SECURITIES**

**14 AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

There was no audit qualification to the auditors’ report on the latest audited financial statements.

**15 PERFORMANCE REVIEW**

OPERATING SEGMENTS	Current Year Period	Current Year Quarter	Immediate Preceding Quarter	Current Year Quarter vs Immediate Preceding Quarter
	30.06.2020	30.06.2020	31.03.2020	
	RM'000	RM'000	RM'000	(Change in %)
<b>North Sabah</b>				
Revenue	441,738	36,744	120,129	(69)
EBITDA	<b>320,587</b>	<b>98,861</b>	<b>65,322</b>	<b>51</b>
PBT	216,127	67,205	42,923	57
Taxation	(68,206)	2,990	(18,314)	-
PAT	147,921	70,195	24,609	185
<b>Anasuria Hibiscus</b>				
Revenue	200,775	1,777	54,752	(97)
EBITDA/(LBITDA)	<b>104,784</b>	<b>(5,951)</b>	<b>40,774</b>	-
PBT/(LBT)	25,174	(26,994)	19,262	-
Taxation	(6,337)	6,126	(2,926)	-
PAT/(LAT)	18,837	(20,868)	16,336	-
<b>3D Oil, VIC/L31 &amp; VIC/P57</b>				
Revenue	-	-	-	-
LBITDA	<b>(185,173)</b>	<b>(178,993)</b>	<b>(5,588)</b>	<b>(3,103)</b>
LBT	(185,173)	(178,993)	(5,588)	(3,103)
Taxation	-	-	-	-
LAT	(185,173)	(178,993)	(5,588)	(3,103)
<b>Investment holding and group activities</b>				
Revenue	3,991	974	983	(1)
LBITDA	<b>(26,909)</b>	<b>(14,722)</b>	<b>(5,782)</b>	<b>(155)</b>
LBT	(30,839)	(15,529)	(6,892)	(125)
Taxation	-	-	-	-
LAT	(30,839)	(15,529)	(6,892)	(125)
<b>Group</b>				
Revenue	646,504	39,495	175,864	(78)
EBITDA/(LBITDA)	<b>213,289</b>	<b>(100,805)</b>	<b>94,726</b>	-
PBT/(LBT)	25,289	(154,311)	49,705	-
Taxation	(74,543)	9,116	(21,240)	-
(LAT)/PAT	(49,254)	(145,195)	28,465	-

**15 PERFORMANCE REVIEW (CONT'D)**

**15.1 Material factors affecting financial year-to-date and current quarter results**

**(A) Statements of Profit or Loss**

*(Note: Commentary is based on the segments classified in Part A, Note 11 of this Quarterly Report.)*

**(i) North Sabah**

• **Financial year-to-date results**

The Company's indirect wholly-owned subsidiary, SEA Hibiscus, holds 50% participating interests in the 2011 North Sabah EOR PSC.

In the Current Year, the North Sabah segment recorded revenue of RM441.7 million. Gross profit and EBITDA attained were RM268.8 million and RM320.6 million respectively. Gross profit margin and EBITDA margin over revenue were relatively high at 60.9% and 72.6% respectively.

The healthy gross profit margin was largely driven by a low average operating costs ("**OPEX**") per barrel ("**bbl**"). Both the average net oil production rate and average uptime achieved in the Current Year were high, at 6,222 bbl per day and 96% respectively.

1,866,819 bbls of crude oil were sold at an average realised oil price of USD56.52 per bbl. Average OPEX per bbl was USD12.55. The OPEX per bbl included amounts incurred for planned maintenance activities performed on the offshore platforms at South Furious, Barton and St Joseph. Such activities which included topside maintenance, well maintenance/intervention and pipeline inspection were mostly completed during the financial quarter ended 30 September 2019.

The Group completed the acquisition of 50% participating interests under the 2011 North Sabah EOR PSC ("**North Sabah Acquisition**") on 31 March 2018 ("**Completion Date**"). As part of the terms provided under the North Sabah Acquisition, recoverable costs incurred by the sellers as part of their executed work program but not yet recovered ("**unrecovered recoverable costs**") as of the Completion Date are payable subject to oil prices reaching certain thresholds in calendar years 2018 to 2020. At Completion Date, the Group had provided for the amounts based on the assumption that the estimated future oil prices would meet the thresholds for the respective calendar years. To-date, SEA Hibiscus has paid the sellers the unrecovered recoverable costs for calendar years 2018 and 2019. Following an assessment on the back of the recent drop in oil prices, SEA Hibiscus has concluded that it is remote that the oil price threshold set for calendar year 2020 ("**CY2020**") will be met. As a result, during the current financial quarter ended 30 June 2020 ("**Current Quarter**"), the net present value of the amount accrued as at 30 June 2020 amounting to RM78.2 million has been reversed.

**15 PERFORMANCE REVIEW (CONT'D)**

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

Segment PBT was RM216.1 million. It was derived mainly after deducting the following items from EBITDA, all of which are non-cash in nature:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM77.2 million;
- Unwinding of discount on deferred consideration and non-current payables of RM12.9 million; and,
- Unwinding of discount on provision for decommissioning costs of RM8.1 million.

The tax regime under which Malaysian oil and gas activities are governed, and is thus applicable to SEA Hibiscus, is the Petroleum (Income Tax) Act 1967 ("**PITA**"). The provisions of PITA are applied to net taxable petroleum income at the rate of 38.0%. Total net tax expenses in the Current Year amounted to RM68.2 million.

- **Current quarter results**

The North Sabah segment recorded revenue and gross profit of RM36.7 million and RM16.0 million respectively in the Current Quarter. Gross profit margin achieved was 43.6%.

During the Current Quarter, the segment sold 249,387 bbls of crude oil at an average realised oil price of USD31.79 per bbl.

Both the average net oil production rate and average uptime in the Current Quarter were relatively high, at 6,949 bbl per day and 95% respectively. This, coupled with a lower level of maintenance activities resulted in a low average OPEX per bbl of USD10.27.

The gross profit margin remained reasonably high despite the relatively low average realised oil price due to the careful management of costs.

EBITDA for the Current Quarter amounted to RM98.9 million. In addition to the favourable operational performance, EBITDA was positively impacted by the reversal of the accruals for CY2020's portion of unrecovered recoverable costs of RM78.2 million during the Current Quarter.

**15 PERFORMANCE REVIEW (CONT'D)**

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

In the Current Quarter, the segment recorded a PBT of RM67.2 million. This was arrived at after the deductions of the following non-cash items from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM22.5 million;
- Unwinding of discount on deferred consideration and non-current payables of RM3.0 million; and,
- Unwinding of discount on provision for decommissioning costs of RM2.1 million.

The segment recognised a net tax credit in the Current Quarter amounting to RM3.0 million following a re-assessment of the full financial year income tax obligations. The tax adjustment in the Current Quarter when accumulated with the accruals made in the first three financial quarters of the Current Year represents the best estimate of total tax obligations for SEA Hibiscus for the Current Year.

**(ii) Anasuria Hibiscus**

• **Financial year-to-date results**

In the Current Year, the Anasuria Hibiscus segment recorded revenue and gross profit of RM200.8 million and RM124.9 million respectively.

There were three crude oil offtakes in the Current Year, in which 760,654 bbls of crude oil were sold at an average realised oil price of USD59.33 per bbl.

The average daily oil equivalent production rate in the Current Year was 2,898 bbl of oil equivalent (“boe”) per day while average uptime was 85%. Average OPEX per boe recorded for the Current Year was USD19.26. The relatively high OPEX per boe was largely caused by the planned shutdown of the Anasuria FPSO for maintenance activities (“**2019 Offshore Turnaround**”) which commenced at the end of June 2019 and duly completed in the financial quarter ended 30 September 2019. The FPSO facilities were completely shut down for this maintenance exercise.

EBITDA generated during the Current Year amounted to RM104.8 million, i.e. a 52.2% margin over revenue.

Up to the Current Quarter, the Group had capitalised RM4.2 million (equivalent to USD1.0 million) of its investment in License No. P2366, representing the amount paid by the Group in connection with the P2366 Acquisition thus far. Following an assessment of the investment, a provision for impairment for this amount had been recognised as at 30 June 2020.

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**15 PERFORMANCE REVIEW (CONT'D)**

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

Segment PBT was RM25.2 million after deducting the following non-cash items from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM62.5 million; and,
- Unwinding of discount on provision for decommissioning costs of RM15.6 million.

The tax regime which applies to exploration for, and production of, oil and gas in the UK, and is thus applicable to Anasuria Hibiscus UK, currently comprises of ring fence corporation tax and a supplementary charge. The current rates of tax for ring fence corporation tax and supplementary charge are set at 30.0% and 10.0% respectively. The segment recorded a net tax charge in the Current Year amounting to RM6.3 million, representing an effective tax rate over PBT of 25.2%. This was lower than the statutory rates stated, mainly due to additional allowances in relation to capital expenditure incurred, as provided under the supplementary charge tax regime.

- **Current quarter results**

Revenue recognised in the Current Quarter was derived solely from the sale of gas, as there was no crude oil sale during the Current Quarter. The crude oil offtake was deferred to early July 2020, when Anasuria Hibiscus UK sold 250,337 bbls of crude oil.

The Anasuria Hibiscus segment recorded LBITDA of RM6.0 million in the Current Quarter.

LBT stood at RM27.0 million after deducting the following non-cash items from LBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM16.6 million;
- Provision for impairment of investment in License No. P2366 of RM4.2 million; and,
- Unwinding of discount on provision for decommissioning costs of RM4.0 million.

Subsequent to a re-assessment of income tax obligations on actual Current Year's taxable income, the segment recorded a net tax credit in the Current Quarter amounting to RM6.1 million.

**15 PERFORMANCE REVIEW (CONT'D)**

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

The segment performed reasonably well operation-wise in the Current Quarter. The average uptime and average daily oil equivalent production rate achieved was 89% and 2,861 boe per day respectively. The average OPEX per boe was USD14.29. Consistent with the financial quarter ended 31 March 2020 (“**Preceding Quarter**”), a combination of a reduction in cost of oilfield services due to the lower oil price environment, a deferral of maintenance activities to mitigate COVID-19 risks as well as an overall optimisation in the timing of maintenance activities for CY2020 has contributed towards a reduction in OPEX per boe.

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

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

The segment recorded LAT of RM185.2 million in the Current Year.

During the Current Quarter, the Group had assessed the recoverable amounts of the intangible assets relating to both VIC/P57 and VIC/L31. Key assumptions, including forecasts of Brent oil prices and plans for exploration and development activities were updated for consideration. Following the assessments, the Group recognised a provision for impairment totalling RM183.5 million (RM107.7 million for VIC/P57 and RM75.8 million for VIC/L31).

In addition, the USD had appreciated against the segment’s functional currency, the AUD, during the Current Year. The period-end retranslation of the segment’s USD-denominated payables resulted in unrealised foreign exchange losses amounting to RM0.7 million. A large portion of such USD-denominated payables are to inter-companies, and as a result, there was no adverse impact to the Group.

There were also costs incurred for professional fees, project management fees, administrative expenses and share of results of the associate.

- **Current quarter results**

During the Current Quarter, the segment recorded LAT of RM179.0 million.

This was driven by the total provision for impairment made as at 30 June 2020 for both VIC/P57 and VIC/L31 amounting to RM183.5 million.

This was partly off-set by a positive foreign exchange impact of RM3.9 million which arose from the appreciation of the USD against the AUD (compared to 31 March 2020), impacting the quarter-end revaluation of USD-denominated inter-company payables.

**15 PERFORMANCE REVIEW (CONT'D)**

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

At the end of each reporting quarter, an impairment assessment is performed for the Group's investment in its associate, 3D Oil, by comparing the higher of the fair value less cost to sell ("FVLCTS") and value in use against the carrying value of the investment as at the end of the previous reporting quarter. The recoverable amount is based on FVLCTS. As 3D Oil shares are publicly traded on the Australian Stock Exchange, the market price of the shares was used in determining the FVLCTS. The resulting adjustment in the Current Quarter was a reversal of impairment amounting to RM0.8 million.

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

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

LAT for the Current Year amounted to RM30.8 million.

As at 30 June 2020, the Group had further impaired the Britannia Rig ("Rig") by RM8.6 million. After due consideration and assessment, the Group concluded that there will be no anticipated utilisation of the Rig within the Group's planned production related activities for the foreseeable future. Hence, the Group entered into an agreement with a third party to dispose the Rig, which was concluded after the end of the Current Year. The recoverable amount as at 30 June 2020 was based on the agreed sales value. At the date of this Quarterly Report, the receipt of the sales proceeds is pending.

Expenses recognised during the Current Year relate largely to corporate overheads, business development expenses, legal-related charges, maintenance fees for the Rig, unrealised foreign exchange losses (due to appreciation of the USD adversely impacting the period-end revaluation of USD-denominated inter-company payables) and depreciation expense.

- **Current quarter results**

Segment LAT in the Current Quarter was RM15.5 million. This was largely caused by the additional provision for impairment made for the Rig of RM8.6 million.

Major components of expenses recorded were corporate overheads, maintenance fees for the Rig, depreciation expense, legal-related charges and business development expenses.



**15 PERFORMANCE REVIEW (CONT'D)**

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

**(B) Statements of Financial Position**

**(i) Non-current Assets**

The Group's non-current assets as at 30 June 2020 amounted to RM2,072.7 million compared to RM1,982.9 million as at 30 June 2019.

The increase was mainly driven by capital expenditure invested for both the North Sabah and Anasuria assets during the Current Year.

RM154.1 million was incurred in North Sabah, largely for the South Furious 30 Infill Drilling and the St Joseph Infill Drilling projects which amounted to RM60.4 million and RM41.3 million respectively. In addition, Petroliaam Nasional Berhad ("**PETRONAS**") had on 17 October 2019 approved the South Furious 30 Water Flood Phase 1 project development plan which entails the drilling and completion of one infill water injection well intended for reservoir re-pressurization to scope out the effectiveness of water injection pressure support to help further define the full field water injection project. Topside modification entailed deck strengthening and extension works. Following the completion of the drilling of the water injector in November 2019, topside modification work commenced in the Preceding Quarter. Total capital expenditure incurred in the Current Year amounted to RM25.0 million.

Capital expenditure programs invested in the Anasuria asset during the Current Year included RM61.3 million for the drilling of a side-track from the GUA-P1 oil producing well on the Guillemot A field. A further RM25.5 million was invested for the Cook Water Injection project. Anasuria Hibiscus UK also invested approximately RM11.6 million for the on-going field development plan phase of the Marigold and Sunflower fields.

In addition to the above, Anasuria Hibiscus UK had paid an amount equivalent to RM26.1 million in the Current Year for its proportionate obligations for the estimated cost of decommissioning the facilities of the Anasuria Cluster into a trust. As such decommissioning activities are expected to be carried out at the end of life of the Anasuria Cluster, these monies in the trust are classified as non-current assets.

The additions were partly off-set by provisions for impairment recognised for the following oil and gas assets:

- VIC/L31 and VIC/P57 in Australia amounting to RM107.7 million and RM75.8 million respectively;
- The Rig of RM8.6 million; and,
- License No. P2366 in the UK amounting to RM4.2 million.

**15 PERFORMANCE REVIEW (CONT'D)**

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

**(ii) Current Assets**

The Group's current assets amounted to RM353.4 million as at 30 June 2020, a decrease of RM56.9 million from RM410.3 million as at 30 June 2019.

This was largely due to the lower cash and bank balances of RM125.7 million compared to 30 June 2019. Net cash inflow from operations in both the Anasuria Hibiscus and North Sabah segments during the Current Year were utilised to finance obligations arising from the investments in capital expenditures in excess of RM200.0 million. In addition, the following notable payments were made during the Current Year:

- RM95.2 million for taxation liabilities across both the North Sabah and Anasuria assets;
- RM66.6 million for the 2019 calendar year's portion of decommissioning liabilities related to the North Sabah asset in December 2019;
- RM26.1 million for Anasuria Hibiscus UK's proportionate obligations for the estimated cost of decommissioning the facilities of the Anasuria Cluster into a trust; and,
- RM21.1 million (USD5.0 million) for the second and final tranche of deferred consideration relating to the North Sabah Acquisition in March 2020, per the agreed schedule.

This was partly off-set higher net operational-related receivables in SEA Hibiscus by approximately RM62.2 million, mainly driven by higher amount to be reimbursed by the joint venture partner, which was outstanding as at 30 June 2020.

**(iii) Total Liabilities**

Total liabilities increased from RM1,155.6 million as at 30 June 2019 to RM1,204.8 million as at 30 June 2020.

Higher deferred tax liabilities balance as at 30 June 2020 by RM90.5 million was mainly due to additional deferred tax liabilities recognised on capital expenditures invested for both the North Sabah and Anasuria assets.

During the Current Year, the Group had drawn down a term loan to aid its working capital requirements. The amount outstanding as at 30 June 2020 amounted to RM49.2 million. The term loan has been fully repaid in July 2020, per the agreed terms.

**15 PERFORMANCE REVIEW (CONT'D)**

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

In addition, as at 30 June 2020, outstanding operations-related payables and accruals for the North Sabah asset increased by approximately RM35.5 million compared to 30 June 2019. The increase was mainly caused by amounts incurred for the St Joseph Infill Drilling, the South Furious 30 Infill Drilling and the South Furious 30 Water Flood Phase 1 projects.

These were partially off-set by the reversal of the accruals for CY2020's portion of unrecovered recoverable costs of RM78.2 million relating to the North Sabah Acquisition.

**(iv) Total Equity**

Total equity as at 30 June 2020 has decreased marginally by RM16.2 million when compared to 30 June 2019. This was attributable to the provisions for impairment for oil and gas assets recognised in the Current Year amounting to RM196.3 million. It was largely off-set by net earnings generated from both the Anasuria and North Sabah assets.

**(C) Statement of Cash Flows**

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

Net cash generated from operating activities for the Current Year was RM176.5 million. It comprised mainly of net cash received from operations at the North Sabah and Anasuria assets, partly off-set by group-wide operating overheads and payment of taxation obligations incurred for both assets.

**(ii) Cash flow used in investing activities**

The Group's net cash used in investing activities during the Current Year amounted to RM343.6 million.

Amounts invested in capital expenditures by SEA Hibiscus and Anasuria Hibiscus UK during the Current Year amounted to RM154.1 million and RM106.8 million respectively.

In addition to the above, RM21.1 million was paid for the second and final tranche of deferred consideration relating to the North Sabah Acquisition in March 2020, per the agreed schedule.

**(iii) Cash flow used in financing activities**

Net cash generated from financing activities during the Current Year was RM38.8 million, arising from the drawdown of a term loan in January 2020. It was partly off-set by payments of finance lease obligations.

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

*(Note: Commentary is based on the segments classified in Part A, Note 11 of this Quarterly Report.)*

**Statements of Profit or Loss**

**(i) North Sabah**

The North Sabah segment recorded an EBITDA of RM98.9 million in the Current Quarter as compared to RM65.3 million in the Preceding Quarter.

SEA Hibiscus sold 249,387 bbls of crude oil in one cargo during the Current Quarter as compared to 611,367 bbls from two cargoes in the Preceding Quarter. Average realised oil price achieved in the Current Quarter was USD31.79 per bbl whilst USD47.72 per bbl was achieved in the Preceding Quarter. Accordingly, the segment generated RM36.7 million revenue and RM16.0 million gross profit in the Current Quarter, lower than that in the Preceding Quarter, where revenue and gross profit were RM120.1 million and RM71.3 million respectively.

The segment demonstrated improved operational performance in the Current Quarter compared to the Preceding Quarter. The average uptime of the North Sabah production facilities of 95%, achieved during the Current Quarter, was higher when compared to the Preceding Quarter's 89%. This was mainly attributed to the repair work on the South Furious risers which took place early in the Preceding Quarter and better South Furious wells performance in the Current Quarter. The average net oil production rate increased during the Current Quarter (6,949 bbl per day) when compared to the Preceding Quarter (6,436 bbl per day).

Average OPEX per bbl has decreased from USD13.05 in the Preceding Quarter to USD10.27 in the Current Quarter due to higher production and lower OPEX in the Current Quarter.

During the Current Quarter, the net present value of the accruals for CY2020's portion of unrecovered recoverable costs amounting to RM78.2 million have been reversed. Following an assessment on the back of the recent drop in oil prices, the Group concluded that it is remote that the oil price threshold set for CY2020 will be met. As a result of the gain recognised from this reversal, EBITDA in the Current Quarter was higher by RM33.6 million when compared to the Preceding Quarter, despite lower average realised oil price achieved and lower number of bbls of crude oil sold.

The higher production rate in the Current Quarter has resulted in higher amortisation of intangible assets and depreciation of oil and gas assets by RM7.1 million.

A net tax credit of RM3.0 million was recognised in the Current Quarter compared to a net tax expense on RM18.3 million in the Preceding Quarter.

**(ii) Anasuria Hibiscus**

The Anasuria Hibiscus segment recorded a LBITDA and a LBT of RM6.0 million and RM27.0 million respectively in the Current Quarter as compared to that achieved in the Preceding Quarter, i.e. an EBITDA of RM40.8 million and a PBT of RM19.3 million.

Anasuria Hibiscus UK sold 238,605 bbls of crude oil at an average realised oil price of USD50.59 per bbl in the Preceding Quarter. However, no crude oil sales were recorded in the Current Quarter.

A net tax credit of RM6.1 million was recognised in the Current Quarter as compared to a net tax expense of RM2.9 million in the Preceding Quarter. The net tax credit in the Current Quarter arose subsequent to a re-assessment of income tax obligations on actual Current Year's taxable income, including the impact of the deferral of the crude oil offtake to July 2020.

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

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

During the Current Quarter, the segment recorded a LAT of RM179.0 million as compared to a LAT of RM5.6 million in the Preceding Quarter.

Higher LAT in the Current Quarter was due to the provision for impairment made as at 30 June 2020 for both VIC/P57 and VIC/L31 amounting to RM183.5 million.

It was partially off-set by the following:

- Higher net positive unrealised foreign exchange differences between the Current Quarter and the Preceding Quarter of RM8.3 million, caused by the impact of the fluctuations of the USD against the AUD on quarter-end revaluations of USD-denominated inter-company payables; and,
- Net gain between the Current Quarter and the Preceding Quarter arising from impairment assessments performed in the respective quarters for the Group's investment in its associate, 3D Oil, amounting to RM1.6 million.

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

This segment recorded a LAT in the Current Quarter of RM15.5 million, which was RM8.6 million higher than the LAT of RM6.9 million in the Preceding Quarter.

This was caused by the additional provision for impairment made for the Rig of RM8.6 million in the Current Quarter. The updated recoverable amount was based on the agreed sales value agreed with third party after the end of the Current Quarter.

**17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED**

There were no corporate proposals announced but not completed as at the date of this Quarterly Report.

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

**(i) Warrants C**

As of 24 August 2020, the Company had received proceeds of RM100 from the exercise of Warrants C. As the proceeds received were of a relatively small amount, the Company has no intention to utilise this amount for any specific purpose at this time.

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**19 PROSPECTS OF THE GROUP**

Our business performance is underpinned by several factors:

1. Price of the Brent crude oil benchmark at approximately the time of a scheduled offtake from the Anasuria FPSO and LCOT. The graph below illustrates the oil price trends for the Brent crude oil benchmark for the period July 2019 to end-July 2020:



As shown above, there was a material decrease in the oil price between March 2020 to May 2020. It was primarily due to a substantial reduction in demand caused by measures taken globally to combat the COVID-19 pandemic. These include global restrictions on movement and travel with severe limitations being placed on the conduct of economic activity. Since June 2020, with OPEC+ production cuts in place and demand increasing as countries reduce restrictions enacted to combat the spread of COVID-19, Brent oil prices have stabilised above USD40.00 per bbl.

2. Any premium or discount that we may receive on the price of the Brent crude oil benchmark for our specific cargo in the Anasuria Cluster and in North Sabah depending on market conditions at the relevant time.
3. Gas prices for the respective fields in the Anasuria Cluster only, as follows:
  - Cook field – at the landing point of the Fulmar Gas Line at the St Fergus Terminal for a price that is calculated as 40% of the Heren National Balancing Point index (“**Heren Index**”) and in accordance with the terms set out in the Cook gas sale and purchase agreement; and,
  - Guillemot A, Teal and Teal South fields – at the point where the gas leaves the fields and enters the SEGAL System for a price of 85% of Heren Index and in accordance with the terms set out in the Anasuria gas sale and purchase agreement.

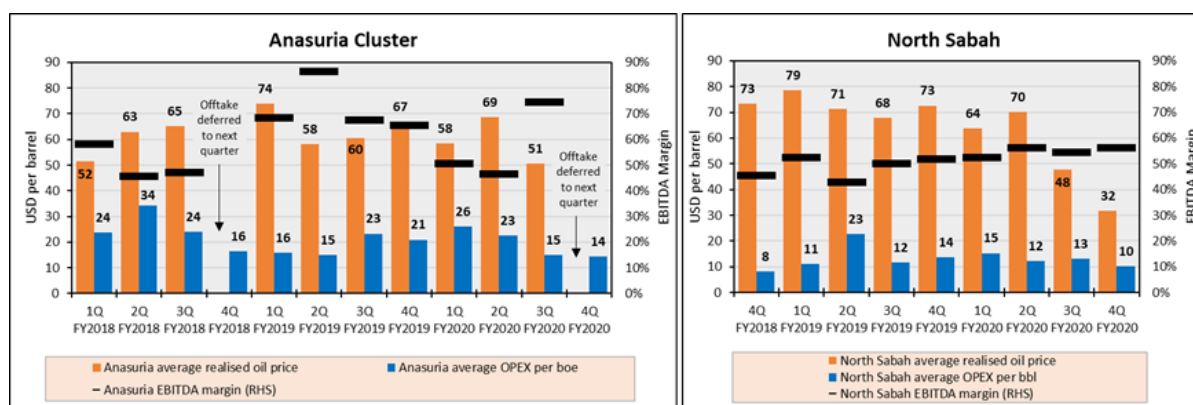
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**19 PROSPECTS OF THE GROUP (CONT'D)**

4. Movement of foreign exchange rates, mainly:
  - USD vs RM:
    - as our revenues from the Anasuria and North Sabah assets are secured in USD;
    - as the base currency used for the Anasuria and North Sabah assets valuations is in USD; and,
    - as the majority of our operating costs in North Sabah are incurred in RM.
  - GBP vs USD:
    - as the majority of our operating costs for the Anasuria asset are incurred in GBP.
5. Operational performance of the Anasuria and North Sabah assets, more specifically:
  - Production performance of the wells; and,
  - Facilities availability.
6. Management of operational expenses for the Anasuria and North Sabah assets and general corporate overheads.

As joint operator of the Anasuria Cluster and the operator of the North Sabah oilfields, the Group continuously focuses on optimising asset performance, but it is equally important to note (from the information provided above) that our performance is impacted daily by external macroeconomic factors over which we exert minimal control.

The Group has seen oil prices at various price levels, on some occasions lower and other times, higher than at the current time, but the Group has managed to remain profitable throughout these fluctuations. This is primarily because our average unit production costs (“UPC”) for both the Anasuria and North Sabah assets have been below the average realised oil price at the relevant times, as shown in the charts below. The careful management of costs to maintain low operational expenditure and the successful execution of production enhancement projects are, therefore, key towards achieving low unit production costs and the delivery of a continued healthy EBITDA.



*Note: North Sabah's EBITDA margins in 4Q of the financial year ended 30 June 2018 and 4Q of the Current Year exclude the impact of negative goodwill of RM93.8 million and reversal of unrecovered recoverable costs of RM78.2 million respectively.*

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

As stated in the Preceding Quarter, Hibiscus Petroleum activated various plans to mitigate the effects of low oil prices over the CY2020 period. Via the deferral of non-critical OPEX activities and prudent management of general and administrative expenses, reductions in UPC at both the Anasuria and North Sabah assets have been implemented successfully for CY2020. The average UPC achieved by the Anasuria and North Sabah assets in the Current Quarter were below the respective targets of USD18.50 per boe and USD15.00 per bbl respectively.

No major capital expenditure is planned for the Anasuria Cluster in CY2020, while the North Sabah asset team has commenced their CY2020 drilling campaign with the St Joseph Minor and Major Sands Redevelopment project. Development capital expenditure for this campaign was optimised to ensure clear economic viability even with prevailing low crude prices.

A total of 2,627,473 bbls of crude oil were sold in the Current Year. Two offtakes initially planned for the Current Quarter (one each in Anasuria Hibiscus UK and SEA Hibiscus) were deferred to the financial quarter ending 30 September 2020 in an attempt to realise higher oil prices. Crude oil production in the Current Quarter remained unaffected by the cost optimisation measures.

In the current environment of COVID-19 and low oil prices, the key focus of the Group is to mitigate risks posed by these events to ensure business continuity and safe operations.

**20 PROFIT FORECAST AND PROFIT GUARANTEE**

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

**21 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES**

There was no sale of unquoted investments and/or properties during the Current Year.

**22 PURCHASE OR DISPOSAL OF QUOTED SECURITIES**

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

**23 FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK**

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

**24 MATERIAL LITIGATION**

There was no material litigation as at the date of this Quarterly Report. For completeness, please also refer to Part A, Note 11 of this Quarterly Report.



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**25 (LOSS)/EARNINGS PER SHARE**

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

Diluted (loss)/earnings per share is determined by dividing the Group's (loss)/profit after taxation attributable to the owners of the Company by the weighted average number of ordinary shares in issue adjusted for the effects of all dilutive potential ordinary shares during the financial quarter/year.

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30.06.2020	QUARTER ENDED 30.06.2019	YEAR ENDED 30.06.2020	YEAR ENDED 30.06.2019
(Loss)/profit after taxation attributable to owners of the Company (RM'000)	(A)	(145,195)	24,723	(49,254)	230,010
Weighted average number of shares for basic earnings per share computation ('000)	(B)	1,588,229	1,588,229	1,588,229	1,588,229
Effects of dilution of Warrants C ('000)		-	9,120	-	-
Weighted average number of shares for diluted earnings per share computation ('000)	(C)	1,588,229	1,597,349	1,588,229	1,588,229
Basic (loss)/earnings per share (sen)	(A/B)	(9.14)	1.56	(3.10)	14.48
Diluted (loss)/earnings per share (sen)	(A/C)	(9.14)	1.55	(3.10)	14.48

**26 OTHER INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.06.2020	QUARTER ENDED 30.06.2019	YEAR ENDED 30.06.2020	YEAR ENDED 30.06.2019
	RM'000	RM'000	RM'000	RM'000
Sundry income	80	80	525	1,312
Interest income	173	104	829	341
Realised gain on foreign exchange #	5,367	3,854	3,652	2,297
Unrealised gain on foreign exchange #	8,042	-	1,033	-
Gain on lease termination	357	-	357	-
	14,019	4,038	6,396	3,950

# The realised/unrealised gain on foreign exchange is not derived from the trading of futures contracts nor futures foreign exchange trading.

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**27 (LOSS)/PROFIT BEFORE TAXATION**

	<b>INDIVIDUAL QUARTER QUARTER ENDED 30.06.2020 RM'000</b>	<b>QUARTER ENDED 30.06.2019 RM'000</b>	<b>CUMULATIVE QUARTER YEAR ENDED 30.06.2020 RM'000</b>	<b>YEAR ENDED 30.06.2019 RM'000</b>
(Loss)/profit before taxation is arrived at after charging/(crediting):				
Depreciation and amortisation of equipment, intangible assets and right-of-use assets	40,796	24,571	145,018	115,476
Impairment of intangible assets	187,699	-	187,699	-
Impairment of equipment	8,632	-	8,632	-
Impairment/(reversal of impairment) of other receivables	878	-	3,496	(3,011)
Write-off of fixed assets	56	-	77	-
Gain on lease termination	(357)	-	(357)	-
Reversal of unrecovered recoverable costs	(78,182)	-	(78,182)	-
Interest income	(174)	(172)	(871)	(872)
Finance costs	12,710	10,124	42,982	42,421
Share of results of an associate	116	99	385	354
Reversal of impairment of investment in an associate	(808)	-	-	(1,335)
Unrealised (gain)/loss on foreign exchange ##	(8,042)	1,978	(1,033)	5,188
Realised gain on foreign exchange ##	(5,367)	(3,854)	(3,652)	(2,297)

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

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

**28 TAXATION**

	<b>INDIVIDUAL QUARTER QUARTER ENDED 30.06.2020 RM'000</b>	<b>QUARTER ENDED 30.06.2019 RM'000</b>	<b>CUMULATIVE QUARTER YEAR ENDED 30.06.2020 RM'000</b>	<b>YEAR ENDED 30.06.2019 RM'000</b>
Income taxation	9,013	(40,796)	111	(119,989)
Deferred taxation	103	(26,843)	(74,654)	(41,468)
	<u>9,116</u>	<u>(67,639)</u>	<u>(74,543)</u>	<u>(161,457)</u>

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**28 TAXATION (CONT'D)**

Breakdown by operating segments:

OPERATING SEGMENTS	Individual Quarter		Cumulative Quarter	
	Quarter Ended	Quarter Ended	Year Ended	Year Ended
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
<b>North Sabah</b>				
Income taxation	6,453	(14,644)	1,182	(70,574)
Deferred taxation	(3,463)	(14,033)	(69,388)	(18,732)
<b>Total</b>	<b>2,990</b>	<b>(28,677)</b>	<b>(68,206)</b>	<b>(89,306)</b>
<b>Anasuria Hibiscus</b>				
Income taxation	2,560	(26,152)	(1,071)	(49,415)
Deferred taxation	3,566	(12,810)	(5,266)	(22,736)
<b>Total</b>	<b>6,126</b>	<b>(38,962)</b>	<b>(6,337)</b>	<b>(72,151)</b>
<b>3D Oil, VIC/L31 &amp; VIC/P57</b>				
Income taxation	-	-	-	-
Deferred taxation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Investment holding and group activities</b>				
Income taxation	-	-	-	-
Deferred taxation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Group</b>				
Income taxation	9,013	(40,796)	111	(119,989)
Deferred taxation	103	(26,843)	(74,654)	(41,468)
<b>Total</b>	<b>9,116</b>	<b>(67,639)</b>	<b>(74,543)</b>	<b>(161,457)</b>

**Income Taxation**

• North Sabah

The tax regime under which Malaysian oil and gas activities are governed, and is thus applicable to SEA Hibiscus, is PITA. The provisions of PITA are applied to net taxable petroleum income at the rate of 38.0%.

• Anasuria Hibiscus

The tax regime which applies to exploration for, and production of, oil and gas in the UK, and is thus applicable to Anasuria Hibiscus UK, currently comprises of ring fence corporation tax and a supplementary charge. The current rates of tax for ring fence corporation tax and supplementary charge are set at 30.0% and 10.0% respectively.

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**28 TAXATION (CONT'D)**

**Deferred taxation**

Deferred tax is recognised for all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities recognised upon completion of a business combination are in relation to temporary differences in the tax base of intangible assets (i.e. rights and concession) acquired and their accounting base. This balance is non-cash and will reverse in line with the depletion of the said intangible assets. The reversal of the deferred tax liabilities will result in a tax credit being recorded in the profit or loss account.

**29 BORROWINGS**

Details of borrowings as at 30 June 2020 were as follows:

	<b>As at 30.06.2020 RM'000</b>	<b>As at 30.06.2019 RM'000</b>
<b><u>Non-current</u></b>		
<b><u>Secured</u></b>		
Finance lease liabilities	-	3,791
Lease liabilities	14,401	-
	<hr/> 14,401	<hr/> 3,791
<b><u>Current</u></b>		
<b><u>Secured</u></b>		
Finance lease liabilities	-	1,041
Lease liabilities	10,667	-
<b><u>Unsecured</u></b>		
Term loan	49,197	-
	<hr/> 59,864	<hr/> 1,041
	<hr/> 74,265	<hr/> 4,832

In the Current Year, the Group drew down a term loan amounting to RM49.3 million for working capital requirements. The term loan has been fully repaid in July 2020, per the agreed terms.

Save for the term loan drawdown and recognition of lease liabilities arising from the adoption of MFRS 16, there were no other material changes to borrowings during the Current Year.

**By Order of the Board of Directors**  
**Hibiscus Petroleum Berhad**  
**24 August 2020**