

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

Unaudited Quarterly Financial Report
30 September 2020

(Note: This Unaudited Quarterly Financial Report is supplemented by the Corporate and Business Update released on the same day, on 27 November 2020.)

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	INDIVIDUAL QUARTER QUARTER ENDED 30.09.2020 RM'000	INDIVIDUAL QUARTER QUARTER ENDED 30.09.2019 RM'000	CUMULATIVE QUARTER PERIOD ENDED 30.09.2020 RM'000	CUMULATIVE QUARTER PERIOD ENDED 30.09.2019 RM'000
Revenue		145,493	159,299	145,493	159,299
Cost of sales		(69,487)	(64,439)	(69,487)	(64,439)
GROSS PROFIT		76,006	94,860	76,006	94,860
Other income	26	6,333	1,074	6,333	1,074
Administrative expenses		(11,815)	(18,496)	(11,815)	(18,496)
Other expenses		(44,301)	(28,986)	(44,301)	(28,986)
Finance costs		(8,704)	(9,730)	(8,704)	(9,730)
Share of results of an associate		(751)	(78)	(751)	(78)
PROFIT BEFORE TAXATION	27	16,768	38,644	16,768	38,644
Taxation	28	(6,736)	(22,416)	(6,736)	(22,416)
PROFIT AFTER TAXATION		10,032	16,228	10,032	16,228
PROFIT AFTER TAXATION ATTRIBUTABLE TO:					
- Owners of the Company		10,032	16,228	10,032	16,228
EARNINGS PER SHARE (SEN)					
Basic	25	0.63	1.02	0.63	1.02
Diluted	25	0.63	1.02	0.63	1.02
Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA")		65,287	77,050	65,287	77,050

Note:

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

65,287 77,050 65,287 77,050

(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 2020 and the accompanying explanatory notes attached to the financial statements.

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
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QUARTERLY REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER QUARTER ENDED 30.09.2020 RM'000	QUARTER QUARTER ENDED 30.09.2019 RM'000	CUMULATIVE QUARTER PERIOD ENDED 30.09.2020 RM'000	PERIOD ENDED 30.09.2019 RM'000
PROFIT AFTER TAXATION	10,032	16,228	10,032	16,228
Other comprehensive (expenses)/income: Items that may be subsequently reclassified to profit or loss:				
- Foreign currency translation *	(34,557)	7,834	(34,557)	7,834
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE QUARTER/PERIOD	(24,525)	24,062	(24,525)	24,062
TOTAL COMPREHENSIVE (EXPENSES)/INCOME ATTRIBUTABLE TO:				
- Owners of the Company	(24,525)	24,062	(24,525)	24,062

* 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 2020 and the accompanying explanatory notes attached to the financial statements.

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QUARTERLY REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 30.09.2020 RM'000	AUDITED AS AT 30.06.2020 RM'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		1,304,718	1,364,618
Equipment		639,660	587,378
Right-of-use assets		11,177	12,404
Other receivables		5,854	7,123
Investment in an associate		4,697	5,403
Restricted cash and bank balances		97,152	95,795
		2,063,258	2,072,721
CURRENT ASSETS			
Inventories		73,348	68,080
Trade receivables		12,817	11,441
Other receivables, deposits and prepayments		240,224	175,244
Amount owing by a joint venture		476	481
Amount owing by an associate		5	62
Cash and bank balances		100,040	80,996
Tax recoverable		2,126	17,127
		429,036	353,431
TOTAL ASSETS		2,492,294	2,426,152
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	764,965	764,965
Other reserves		63,673	98,230
Retained earnings		368,144	358,112
		1,196,782	1,221,307
NON-CURRENT LIABILITIES			
Other payables		19,616	23,850
Borrowings	29	12,212	14,401
Contingent consideration		-	2,363
Deferred tax liabilities		463,550	485,791
Provision for decommissioning costs		279,914	276,228
		775,292	802,633

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 2020 and the accompanying explanatory notes attached to the financial statements.

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QUARTERLY REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020

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

	Note	UNAUDITED AS AT 30.09.2020 RM'000	AUDITED AS AT 30.06.2020 RM'000
CURRENT LIABILITIES			
Trade payables		3,851	4,797
Other payables and accruals		446,922	275,684
Borrowings	29	10,142	59,864
Amount owing to a joint venture		318	318
Provision for decommissioning costs		56,989	58,717
Provision for taxation		1,779	2,613
Redeemable Convertible Preference Shares		219	219
		<hr/> 520,220	<hr/> 402,212
TOTAL LIABILITIES		<hr/> 1,295,512	<hr/> 1,204,845
TOTAL EQUITY AND LIABILITIES		<hr/> 2,492,294	<hr/> 2,426,152
 NET ASSETS PER SHARE (RM)		 <hr/> 0.75	 <hr/> 0.77

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 2020 and the accompanying explanatory notes attached to the financial statements.

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QUARTERLY REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020

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
3 months to 30.09.2020					
As at 01.07.2020	764,965	389	97,841	358,112	1,221,307
Profit after taxation	-	-	-	10,032	10,032
Other comprehensive expenses, net of tax: - Foreign currency translation	-	-	(34,557)	-	(34,557)
Total comprehensive (expenses)/income for the quarter	-	-	(34,557)	10,032	(24,525)
As at 30.09.2020	764,965	389	63,284	368,144	1,196,782
3 months to 30.09.2019					
As at 01.07.2019	764,965	389	64,812	407,366	1,237,532
Profit after taxation	-	-	-	16,228	16,228
Other comprehensive income, net of tax: - Foreign currency translation	-	-	7,834	-	7,834
Total comprehensive income for the quarter	-	-	7,834	16,228	24,062
As at 30.09.2019	764,965	389	72,646	423,594	1,261,594

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 2020 and the accompanying explanatory notes attached to the financial statements.

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QUARTERLY REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	QUARTER ENDED 30.09.2020
	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	16,768
Adjustments for:	
Depreciation and amortisation of equipment, intangible assets and right-of-use assets	39,815
Finance costs	8,704
Share of results of an associate	751
Interest income	(104)
Unrealised loss on foreign exchange	4,098
Reversal of contingent consideration	(2,368)
Operating profit before working capital changes	67,664
Inventories	(7,325)
Trade receivables	(1,124)
Other receivables, deposits and prepayments	(69,791)
Trade payables	(811)
Other payables and accruals	173,324
Amount owing by an associate	59
Cash generated from operating activities	161,996
Tax paid	(890)
Movement in restricted cash and bank balances **	(4,332)
Net cash generated from operating activities	156,774
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(84,878)
Acquisition of intangible assets	(2,798)
Interest received	104
Net cash used in investing activities	(87,572)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of term loan	(49,358)
Net repayment of lease liabilities	(3,317)
Net cash used in financing activities	(52,675)
Net increase in cash and cash equivalents	16,527
Effects of foreign exchange rate changes	2,502
Cash and cash equivalents at beginning of the financial quarter	77,307
Cash and cash equivalents at end of the financial quarter	96,336
Cash and bank balances in the consolidated statements of financial position are as follows:	
<u>Non-current</u>	
Restricted cash and bank balances **	97,152
<u>Current</u>	
Cash and bank balances	100,040
Less: Restricted cash and bank balances ***	(3,704)
Cash and cash equivalents	96,336

** *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.*

*** *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 2020 and the accompanying explanatory notes attached to the financial statements.

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

1 BASIS OF PREPARATION

This unaudited Quarterly Report has been prepared in accordance with the reporting requirements as set out in the Malaysian Financial Reporting Standard (“**MFRS**”) 134: *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board (“**MASB**”) and Paragraph 9.22 of the Main Market Listing Requirements (“**MMLR**”) of Bursa Malaysia Securities Berhad (“**Bursa Securities**”), and should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2020 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 2020.

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 2020.

2.1 Adoption of Amendments to Standards

The Group has applied the following amendments for the first time for the financial year beginning on 1 July 2020:

The Conceptual Framework for Financial Reporting (Revised 2018)

Amendments to MFRS 101 and MFRS 108	<i>Definition of Material</i>
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Amendments to MFRS 3	<i>Definition of a Business</i>
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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.

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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 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
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
Amendments to MFRS 101	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023

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 assessing the impact of the adoption of these standards and amendments to existing standards.

3 SEASONAL OR CYCLICAL FACTORS

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

4 SIGNIFICANT/UNUSUAL ITEMS

Save as disclosed below, there were no other significant or unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter ended 30 September 2020 ("**Current Quarter**"):

(i) Fund raising via Private Placement of Convertible Redeemable Preference Shares ("**CRPS**")

On 9 September 2020, Hong Leong Investment Bank Berhad ("**HLIB**") and CIMB Investment Bank Berhad ("**CIMB**"), on behalf of the Board of Directors of the Company ("**Board**"), announced that the Company proposed to undertake the following proposals:

- a) Proposed allotment and issuance of up to 2,000,000 new CRPS by way of private placement exercise to raise up to RM2.00 billion ("**Private Placement of CRPS**"); and,
- b) The proposed amendments to the Constitution of the Company to facilitate the issuance of the CRPS ("**Amendments**").

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4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

The CRPS are for placement to Malaysian and foreign investors who fall within the ambit of Schedules 6 and 7 of the Capital Markets and Services Act 2007, with placees being identified as each tranche is issued.

The net proceeds (after deducting all costs and expenses relating to the issuance of CRPS) raised from the issuance of the CRPS are to be utilised in relation to acquisitions and/or investments in producing assets (whether directly or indirectly, through entities holding such assets or otherwise) that meet specific qualifying parameters, including payment of associated transaction costs, transition costs and deposits for such assets.

The following in relation to the Private Placement of CRPS have been obtained:

- a) Approval from Bursa Securities, subject to certain conditions vide its letter dated 22 September 2020 for the:
 - Admission to the Official List and the listing of up to 2,000,000,000 CRPS on the Main Market of Bursa Securities to be issued pursuant to the Private Placement of CRPS; and,
 - Listing of up to 3,030,303,030 new ordinary shares of the Company on the Main Market of Bursa Securities to be issued pursuant to the conversion of the CRPS.
- b) Clearance/endorsement of the Shariah Advisory Council of the Securities Commission Malaysia vide its letter dated 12 October 2020, that the salient terms of the CRPS to be issued pursuant to the Private Placement of CRPS are in compliance with Shariah requirements;
- c) Approval from the shareholders of the Company at the Extraordinary General Meeting on 3 November 2020 for the Private Placement of CRPS and related resolutions as well as Amendments; and,
- d) Necessary consent of the holders of the existing Redeemable Convertible Preference Shares of the Company.

The placement of the first tranche of the Private Placement of CRPS ("**CRPS-T1**") was completed on 18 November 2020 with the allotment and issuance of 6,600 CRPS-T1 solely to Dr Kenneth Gerard Pereira. CRPS-T1 will not be listed.

On 19 November 2020, the Company had further allotted and issued in aggregate 203,604,500 CRPS pursuant to the second tranche of the Private Placement of CRPS ("**CRPS-T2**"). CRPS-T2 was completed on 23 November 2020 following the listing of and quotation for the 203,604,500 CRPS-T2 on the Main Market of Bursa Securities on 23 November 2020.

The maturity date of the CRPS is on the second anniversary of CRPS-T1's issue date (i.e. 18 November 2020).

Please refer to our announcements dated 9 September 2020, 10 September 2020, 15 September 2020, 23 September 2020, 8 October 2020, 12 October 2020, 3 November 2020, 9 November 2020, 12 November 2020, 20 November 2020 and 23 November 2020 for further details.

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

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

Hibiscus Petroleum’s wholly-owned subsidiary, Oceania Hibiscus Sdn. Bhd. holds a 11.68% equity interest in 3D Oil Limited (“**3D Oil**”), a company listed on the Australian Stock Exchange.

On 26 July 2019, 3D Oil was awarded the VIC/P74 permit in the offshore Gippsland Basin by the National Offshore Petroleum Titles Administrator (“**NOPTA**”). The 1,006 km² 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.

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 (collectively the “**Instruments**”) 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.

NOPTA’s approval was obtained on 7 October 2020, and the Instruments were registered on the same date, thereby facilitating the completion of Carnarvon Hibiscus’s acquisition of a 50% interest in the Permit.

Please refer to our announcements dated 26 July 2019, 3 October 2019 and 8 October 2020 for further details.

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

(iii) 32nd United Kingdom (“UK”) Offshore Licensing Round Awards

On 3 September 2020, the Group announced that Anasuria Hibiscus UK was offered the award of three licences, as part of the 32nd UK Offshore Licensing Round (“**Licensing Round**”) launched by the UK’s Oil and Gas Authority in July 2019.

The Licensing Round offered blocks in mature, producing areas close to existing infrastructure, under flexible terms of the Innovate Licence which enables companies like Anasuria Hibiscus UK to define a licence duration and phasing that would result in the execution of an optimal work programme.

The licences that have been offered to Anasuria Hibiscus UK for award are as follows:

a) Block 21/24d

The block contains the Teal West discovery, which is contiguous to the Teal field and is located approximately 4 kilometres from the Teal manifold of the Anasuria Cluster.

A 70% interest in Block 21/24d has been offered for award to Anasuria Hibiscus UK with the remaining 30% to be held by Zennor Petroleum Limited.

b) Blocks 21/19c and 21/20c

These blocks are contiguous with the Cook field.

The blocks offered for award will reflect a similar equity holding as that of the Cook field i.e. Anasuria Hibiscus UK has been offered 19.325%, Ithaca Energy UK Limited has been offered 61.35%, and Ping Petroleum UK Limited has been offered 19.325% in each of both the blocks.

c) Block 15/17a

This block is located 8 kilometres from the Marigold field. This block contains part of the Kildrummy discovery plus a minor part of the Beaumaris discovery and the Udny prospect. The licence offered for award to Anasuria Hibiscus UK is on a 100% basis.

Further documentation will need to be completed prior to formalisation of the awards and relevant disclosures will be made in due course.

Please refer to our announcement dated 3 September 2020 for further details.

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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 Quarter.

6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER

Save as disclosed in Part A, Note 4 of this Quarterly Report, there were no material events subsequent to the end of the Current Quarter up to the date of this Quarterly Report.

7 CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the Current Quarter.

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 Quarter.

10 DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale, exercise of Warrants C, debt and equity securities during the Current Quarter.

	QUARTER ENDED 30.09.2020	
	Number of shares	Share capital RM'000
ORDINARY SHARES		
As at 30.09.2020/01.07.2020	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 ^:

- | | | |
|-------|---|---|
| (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 USD. The average and closing rates adopted for conversion to RM in the Current Quarter are 4.1900 and 4.1601 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"> • Group's investment in 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% interest in the Anasuria floating production storage and offloading vessel ("Anasuria FPSO") and 50% interest in the Anasuria Operating Company Limited ("AOCL"). The Group jointly operates the producing fields under License No. P013 and the Anasuria FPSO via AOCL. <p>Marigold and Sunflower fields:</p> <ul style="list-style-type: none"> • Group's investment in 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. <p>License No. P2366:</p> <ul style="list-style-type: none"> • Group's investment in 100% interest in License No. P2366. <p>The functional currency of the segment is USD. The average and closing rates adopted for conversion to RM in the Current Quarter are 4.1900 and 4.1601 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 Australian Dollar ("AUD"). The average and closing rates adopted for conversion to RM in the Current Quarter are 3.0292 and 2.9709 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> |

^ 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
<u>As at 30.09.2020</u>					
Non-current assets	707,165	1,298,626	47,897	9,570	2,063,258
Included in the segment assets is:					
Investment in an associate	-	-	4,697	-	4,697
Additions to non-current assets	80,962	9,632 ^{^^}	6	765	91,365
<u>Quarter ended 30.09.2020</u>					
Project management, technical and other service fees	-	-	-	945	945
Sales of crude oil and gas	97,965	46,582	-	-	144,547
Interest income	-	-	-	1	1
Revenue	97,965	46,582	-	946	145,493
Depreciation and amortisation	(22,123)	(17,386)	-	(306)	(39,815)
Profit/(loss) from operations	24,013	1,540	1,135	(2,936)	23,752
Share of results of an associate	-	-	(751)	-	(751)
Reversal of contingent consideration	-	2,368	-	-	2,368
Finance costs	(4,640)	(4,039)	-	(25)	(8,704)
Interest income	28	75	-	-	103
Taxation	(7,368)	632	-	-	(6,736)
Profit after taxation (" PAT ")/ (Loss after taxation (" LAT "))	12,033	576	384	(2,961)	10,032
EBITDA/(Loss Before Interest, Taxes, Depreciation and Amortisation (" LBITDA "))	46,164	21,369	384	(2,630)	65,287

^{^^} Additions to non-current assets for Anasuria Hibiscus included RM2.8 million invested during the Current Quarter 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
As at 30.09.2019					
Non-current assets	583,354	1,234,713	227,452	25,518	2,071,037
Included in the segment assets is:					
Investment in an associate	-	-	5,547	-	5,547
Additions to non-current assets	88,092	69,022 ^{^^}	200	2,101	159,415
Quarter ended 30.09.2019					
Project management, technical and other services fees	-	-	-	1,061	1,061
Sales of crude oil and gas	88,943	69,275	-	-	158,218
Interest income	-	-	-	20	20
Revenue	88,943	69,275	-	1,081	159,299
Depreciation and amortisation	(14,948)	(12,940)	-	(788)	(28,676)
Profit/(loss) from operations	31,519	21,985	(1,451)	(3,836)	48,217
Share of results of an associate	-	-	(78)	-	(78)
Finance costs	(5,295)	(4,236)	-	(199)	(9,730)
Interest income	79	155	1	-	235
Taxation	(17,959)	(4,457)	-	-	(22,416)
PAT/(LAT)	8,344	13,447	(1,528)	(4,035)	16,228
EBITDA/(LBITDA)	46,546	35,080	(1,528)	(3,048)	77,050

^{^^} Additions to non-current assets for Anasuria Hibiscus included RM2.4 million invested during the Current Quarter 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 30.09.2020 RM'000	QUARTER ENDED 30.09.2019 RM'000	CUMULATIVE QUARTER PERIOD ENDED 30.09.2020 RM'000	PERIOD ENDED 30.09.2019 RM'000
Project management, technical and other services fees earned from a related party				
- Ping Petroleum UK Limited	945	1,061	945	1,061
Joint Operating Agreement indirect overheads recovery from an associate				
- 3D Oil	-	3	-	3
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	1	2	1	2
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	-	(130)	-	(130)

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 September 2020:

	RM'000
Approved and contracted for:	
Group's capital commitments	29,698
Share of a joint operation's capital commitments	13,301
Total capital commitments approved and contracted for	42,999
Share of a joint operation's other material commitments	19,946
	62,945
Approved but not contracted for:	
Group's capital commitments	792
Share of a joint operation's capital commitments	2,340
Total capital commitments approved but not contracted for	3,132
Share of a joint operation's other material commitments	3,155
	6,287

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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 Quarter	Immediate Preceding Quarter	Current Year Quarter vs Immediate Preceding Quarter (Change in %)
	30.09.2020	30.06.2020	
	RM'000	RM'000	
North Sabah			
Revenue	97,965	36,744	167
EBITDA	46,164	98,861	(53)
PBT	19,401	67,205	(71)
Taxation	(7,368)	2,990	-
PAT	12,033	70,195	(83)
Anasuria Hibiscus			
Revenue	46,582	1,777	2,521
EBITDA/(LBITDA)	21,369	(5,951)	-
LBT	(56)	(26,994)	100
Taxation	632	6,126	(90)
PAT/(LAT)	576	(20,868)	-
3D Oil, VIC/L31 & VIC/P57			
Revenue	-	-	-
EBITDA/(LBITDA)	384	(178,993)	-
PBT/(LBT)	384	(178,993)	-
Taxation	-	-	-
PAT/(LAT)	384	(178,993)	-
Investment holding and group activities			
Revenue	946	974	(3)
LBITDA	(2,630)	(14,722)	82
LBT	(2,961)	(15,529)	81
Taxation	-	-	-
LAT	(2,961)	(15,529)	81
Group			
Revenue	145,493	39,495	268
EBITDA/(LBITDA)	65,287	(100,805)	-
PBT/(LBT)	16,768	(154,311)	-
Taxation	(6,736)	9,116	-
PAT/(LAT)	10,032	(145,195)	-

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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

• **Current quarter results**

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

In the Current Quarter, SEA Hibiscus generated RM98.0 million revenue. 592,453 barrels of crude oil in two offtakes were sold at an average realised oil price of USD39.46 per barrel ("**bbl**"). Average operating costs ("**OPEX**") per bbl was USD17.08. The OPEX per bbl included amounts incurred for planned maintenance activities performed at the offshore platforms at St Joseph, South Furious and Barton. Such activities which included topside maintenance, well maintenance/intervention and pipeline inspection were mostly completed during the Current Quarter.

EBITDA attained was RM46.2 million while EBITDA margin over revenue remains reasonable at 47.1% despite relatively low average realised oil price due to the careful management of costs. Average net oil production rate and average uptime in the Current Quarter were at 6,251 bbl per day and 86% respectively.

In the Current Quarter, the segment recorded a PBT of RM19.4 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 RM20.8 million; and,
- Unwinding of discount on provision for decommissioning costs of RM1.8 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 Quarter were RM6.7 million (resulting in an effective tax rate over PBT of 38.0%).

15 PERFORMANCE REVIEW (CONT'D)

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

(ii) Anasuria Hibiscus

• **Current quarter results**

In the Current Quarter, from this segment of our business, we sold 250,337 bbls of crude oil at an average realised oil price of USD41.99 per bbl. Total revenue achieved was RM46.6 million, whilst gross profit was RM28.0 million.

The Anasuria asset achieved average uptime of 94% and average daily oil equivalent production rate of 3,084 boe per day. Average OPEX per boe recorded was USD17.53, while gross profit margin was 60.1%.

OPEX per boe recorded was relatively low. It was a result of both an increase in production due to higher uptime as well as lower OPEX incurred in the Current Quarter. The lower OPEX is driven by a combination of reduction in costs due to the lower oil price environment, deferral of activities to mitigate COVID-19 risks as well as the optimisation in timing of one-off activities in calendar year 2020.

The Anasuria Hibiscus segment achieved an EBITDA of RM21.4 million (45.9% margin over revenue) in the Current Quarter.

Segment LBT was RM0.1 million after deducting the following non-cash items from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM17.3 million; and,
- Unwinding of discount on provision for decommissioning costs of RM4.3 million.

Anasuria Hibiscus UK recorded a LBT for the Current Quarter and was not in a taxable position. As a result, the segment recorded a net tax credit in the Current Quarter amounting to RM0.6 million.

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

• **Current quarter results**

In the Current Quarter, the segment recorded a PAT of RM0.4 million.

AUD, being the segment's functional currency, had appreciated against the USD during the Current Quarter when compared to 30 June 2020. The quarter-end retranslation of the segment's USD-denominated payables resulted in unrealised foreign exchange gains, which was the main reason for the PAT. A significant portion of such USD-denominated payables are to inter-companies.

15 PERFORMANCE REVIEW (CONT'D)

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

(iv) Investment holding and group activities

- **Current quarter results**

Segment LAT in the Current Quarter was RM3.0 million.

Expenses recognised relate largely to corporate overheads, business development expenses, maintenance fees for the Britannia Rig, professional fees and depreciation of computer equipment, partially off-set by unrealised foreign exchange gains (due to depreciation of USD impacting the quarter-end revaluation of USD-denominated inter-company payables).

(B) Statements of Financial Position

(i) Non-current Assets

Non-current assets as at 30 September 2020 amounted to RM2,063.3 million compared to RM2,072.7 million as at 30 June 2020.

The decrease was mainly driven by net unrealised foreign exchange losses amounting to RM56.3 million. USD had depreciated against MYR as at 30 September 2020 when compared to 30 June 2020, which adversely affected the quarter-end retranslation of the Group's USD-denominated non-current assets.

In addition, during the Current Quarter, the Group recorded depreciation and amortisation of equipment, intangible assets and right-of-use assets of RM39.8 million.

The above was largely off-set by capital expenditure invested during the Current Quarter. RM82.1 million was incurred in North Sabah, mainly for the St Joseph Minor and Major Sands Redevelopment project. This project entails the drilling of three infill wells targeting the Minor Sands and one infill well targeting the Major Sands. Capital expenditure programs invested by Anasuria Hibiscus UK amounted to RM5.4 million (RM2.8 million for the Marigold and Sunflower fields and for RM2.6 million for the Anasuria Cluster).

(ii) Current Assets

The Group's current assets amounted to RM429.0 million as at 30 September 2020, an increase of RM75.6 million from RM353.4 million as at 30 June 2020.

Net operational-related receivables in SEA Hibiscus and Anasuria Hibiscus UK increased by approximately RM61.6 million and RM3.3 million respectively, mainly driven by higher amounts to be reimbursed by the respective joint venture partners for the different assets operated in each entity, which were outstanding as at 30 September 2020.

Cash and bank balances increased by RM19.0 million when compared to 30 June 2020, largely due to the collection of proceeds from crude oil offtakes in both the North Sabah and Anasuria Hibiscus segments during the Current Quarter.

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15 PERFORMANCE REVIEW (CONT'D)

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

(iii) Total Liabilities

Total liabilities increased from RM1,204.8 million as at 30 June 2020 to RM1,295.5 million as at 30 September 2020.

As at the end of the Current Quarter, outstanding payables for the North Sabah asset increased by approximately RM160.7 million compared to 30 June 2020. The increase was mainly due to amounts incurred for the St Joseph Minor and Major Sands Redevelopment project and for planned maintenance activities at the offshore platforms.

During the financial year ended 30 June 2020, 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.

(iv) Total Equity

Total equity as at 30 September 2020 has decreased marginally by RM24.5 million when compared to 30 June 2020.

The Group is required to revalue the assets and liabilities of subsidiaries whose functional currencies are denominated in currencies other than MYR at each reporting date. The resulting unrealised foreign exchange differences will be posted to other reserve. As at 30 September 2020, the Group had recognised the resulting unrealised adverse foreign exchange differences from this revaluation amounting to RM34.6 million due to the depreciation of USD compared to 30 June 2020.

It was partly off-set by net earnings generated from both the North Sabah and Anasuria assets.

(C) Statement of Cash Flows

(i) Cash flow from operating activities

The Group's net cash generated from operating activities for the Current Quarter was RM156.8 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.

(ii) Cash flow used in investing activities

Net cash used in investing activities during the Current Quarter amounted to RM87.6 million. Amounts invested in capital expenditures by SEA Hibiscus and Anasuria Hibiscus UK during the Current Quarter amounted to RM82.1 million and RM5.4 million respectively.

(iii) Cash flow used in financing activities

The net cash used in financing activities were due to the full repayment of a term loan in July 2020 and 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

In the Current Quarter, the North Sabah segment recorded revenue of RM98.0 million as compared to RM36.7 million in the Preceding Quarter. SEA Hibiscus sold 592,453 bbls of crude oil in two cargoes during the Current Quarter as compared to 249,387 bbls from one cargo in the Preceding Quarter. Average realised oil price achieved in the Current Quarter was USD39.46 per bbl whilst USD31.79 per bbl was achieved in the Preceding Quarter. As a result, revenue generated in the Current Quarter was more than double that recognised in the Preceding Quarter (an increase of RM61.3 million). Gross profit margin over revenue improved from 43.6% in the Preceding Quarter to 48.0% in the Current Quarter.

Average uptime in the North Sabah production facilities in the Current Quarter was 86% compared to 94% in the Preceding Quarter. The lower average uptime in the Current Quarter was due to shutdown for planned maintenance activities, performed at the offshore platforms at St Joseph, South Furious and Barton and infill drilling activities. Consequently, average net oil production decreased by approximately 10% (from 6,949 bbl per day in the Preceding Quarter to 6,251 bbl per day in the Current Quarter). These have all resulted in average OPEX per bbl increasing from USD10.27 in the Preceding Quarter to USD17.08 in the Current Quarter.

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. Up to 30 June 2020, 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 as at 30 June 2020, SEA Hibiscus concluded that it was remote that the oil price threshold set for calendar year 2020 ("**CY2020**") will be met. As a result, during the Preceding Quarter, the net present value of the amount accrued as at 30 June 2020 amounting to RM78.2 million has been reversed. This one-off adjustment in the Preceding Quarter was the main reason for EBITDA and PBT in the Preceding Quarter to exceed Current Quarter's EBITDA and PBT by RM52.7 million and RM47.8 million respectively.

Net tax expenses incurred in the Current Quarter were due to taxes levied on profits generated from operations. In the Preceding Quarter, the segment recognised a net tax credit amounting to RM3.0 million following a re-assessment of the income tax obligations for the full financial year ended 30 June 2020.

(ii) Anasuria Hibiscus

The Anasuria Hibiscus segment achieved an EBITDA of RM21.4 million in the Current Quarter as compared to that recorded in the Preceding Quarter, i.e. LBITDA of RM6.0 million.

Anasuria Hibiscus UK sold 250,337 bbls of crude oil at an average realised price of USD41.99 per bbl in the Current Quarter. However, no crude oil sales were recorded in the Preceding Quarter.

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

In the Preceding Quarter, a provision for impairment for the RM4.2 million (equivalent to USD1.0 million) invested in License No. P2366 was recognised. This did not recur in the Current Quarter.

A net tax credit of RM0.6 million was recognised in the Current Quarter. In the Preceding Quarter, a net tax credit of RM6.1 million was recognised, which arose subsequent to a re-assessment of income tax obligations on the actual full financial year ended 30 June 2020's taxable income, including the impact of the deferral of the crude oil offtake to July 2020.

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

During the Current Quarter, the segment recorded a PAT of RM0.4 million as compared to a LAT of RM179.0 million in the Preceding Quarter.

LAT in the Preceding 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. During the Preceding Quarter, the Group had assessed the recoverable amounts of the intangible assets relating to both VIC/P57 and VIC/L31. Following the assessments, the Group recognised provisions for impairment amounting to RM107.7 million for VIC/P57 and RM75.8 million for VIC/L31.

In the Current Quarter, unrealised foreign exchange gains caused by the impact of the fluctuations of USD against AUD on quarter-end revaluations of USD-denominated inter-company payables amounted to RM1.3 million. This was lower than the unrealised foreign exchange gains of RM3.9 million in the Preceding Quarter.

(iv) Investment holding and group activities

This segment recorded a LAT in the Current Quarter of RM3.0 million, which was RM12.5 million lower than the LAT of RM15.5 million in the Preceding Quarter.

This was caused by the additional provision for impairment made for the Britannia Rig of RM8.6 million in the Preceding Quarter.

In addition, lower costs were incurred for payroll-related expenses.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

Save as disclosed in Part A, Note 4 of this Quarterly Report on the Private Placement of CRPS, there were no corporate proposals announced but not completed as at the date of this Quarterly Report.

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

(i) Warrants C

As of 27 November 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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18 STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL(S)
(CONT'D)

(ii) Private Placement of CRPS

The status of the utilisation of proceeds arising from the first and second tranches of the Private Placement of CRPS of approximately RM203.6 million raised as of 27 November 2020, being the date of this Quarterly Report, is as follows:

Purpose	Proposed utilisation of proceeds from the Private Placement of CRPS as of 27 November 2020 RM'000	Actual utilisation as of 27 November 2020 RM'000	Intended timeframe for utilisation from the date of completion of the Private Placement of CRPS	Percentage utilised (%)
(i) Permitted utilisation ^{Note 1}	195,940	0	Within 24 months from the receipt of the proceeds	0
(ii) Estimated expenses relating to the Private Placement of CRPS	7,671	7,671	Within 6 months from the receipt of the proceeds	100
Total	203,611	7,671		

Note1:

The net proceeds (after deducting all costs and expenses relating to the Private Placement of CRPS) to be raised from the issuance of the CRPS ("**Net Proceeds**") will be utilised in relation to acquisitions of and/or investments in producing oil and gas assets (whether directly or indirectly, through entities holding such assets or otherwise) ("**Acquisition(s)**") which will be Shariah compliant including all cost(s) related to the Acquisition(s) including purchase consideration, associated transaction costs and transition costs.

The qualifying parameters of such assets are as follows:

- (i) Payback period⁽¹⁾: ≤5 years
- (ii) Internal rate of return ("**IRR**")⁽²⁾: ≥12%
- (iii) Geographical location of the assets: South East Asia
- (iv) Maximum number of Acquisitions: 3

(1) *Payback period is the number of years required to achieve cash flow breakeven from the completion of the Acquisition, i.e. the number of years for the sum of the expected cash flows from the asset to equal to the total purchase consideration paid for the asset. This would be computed at the asset level based on Proved plus Probable ("2P") case production and cost profiles.*

(2) *IRR is the discount rate for which the net present value of the expected cash flows from asset is equal to zero. This takes into consideration the total purchase consideration paid for the asset and would be computed at the asset level based on 2P case production and cost profiles.*

(3) *The satisfaction of the qualifying parameters shall be determined by an established independent expert to be appointed by the Company to determine the satisfaction of qualifying parameters of such asset(s) prior to entering into the relevant binding primary definitive agreement for such Acquisitions.*

Any use of the Net Proceeds for transaction costs in relation to the Acquisitions and transition costs incurred up to the completion of the Acquisition shall not exceed 2.0% of the total consideration payable for the subject asset(s).

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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 October 2019 to end-October 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.

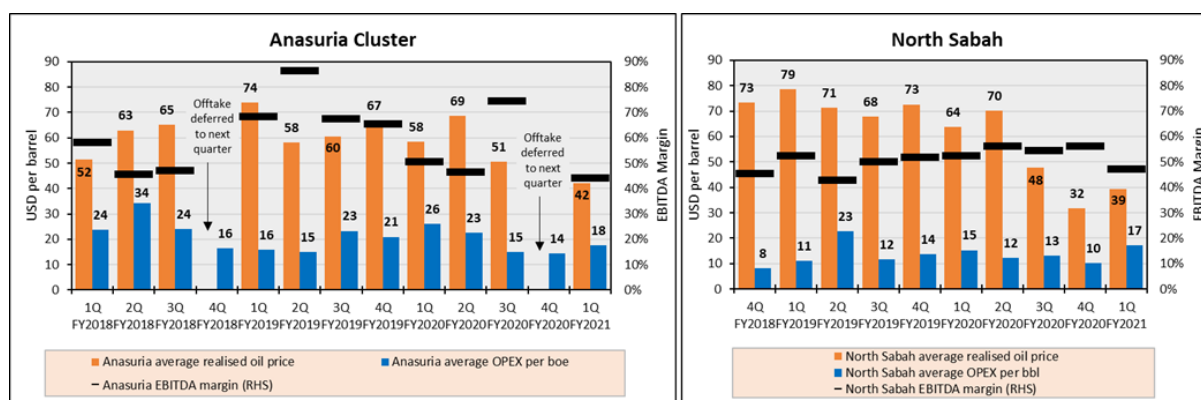
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19 PROSPECTS OF THE GROUP (CONT'D)

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 financial year ended 30 June 2020 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 earlier in CY2020, Hibiscus Petroleum activated various plans to mitigate the effects of low oil prices over the CY2020 period. These efforts have continued via the deferral of non-critical OPEX activities and prudent management of general and administrative expenses.

The North Sabah asset team successfully completed the St Joseph Minor and Major Sands Redevelopment project in the Current Quarter, resulting in an instantaneous incremental 2,200 bbls per day of crude oil production and an addition of approximately 4 million stock tank barrels of incremental life of field gross reserves. The four new infill wells led to daily gross production capacity in North Sabah exceeding 20,000 bbls per day in September 2020. Development capital expenditure for this campaign was optimised to ensure clear economic viability even with prevailing low crude prices. No major capital expenditure is planned for the Anasuria Cluster in CY2020.

A total of 842,790 bbls of crude oil were sold in the Current Quarter. Three offtakes were conducted in total; two in SEA Hibiscus and one in Anasuria Hibiscus UK. 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 Quarter.

22 PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

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 EARNINGS PER SHARE

The basic earnings per share is arrived at 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.

Diluted earnings per share is determined 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 adjusted for the effects of all dilutive potential ordinary shares during the financial quarter/period.

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED	QUARTER ENDED	PERIOD ENDED	PERIOD ENDED
		30.09.2020	30.09.2019	30.09.2020	30.09.2019
Profit after taxation attributable to owners of the Company (RM'000)	(A)	10,032	16,228	10,032	16,228
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)		-	-	-	-
Weighted average number of shares for diluted earnings per share computation ('000)	(C)	1,588,229	1,588,229	1,588,229	1,588,229
Basic earnings per share (sen)	(A/B)	0.63	1.02	0.63	1.02
Diluted earnings per share (sen)	(A/C)	0.63	1.02	0.63	1.02

26 OTHER INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	PERIOD ENDED	PERIOD ENDED
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Sundry income	6,230	108	6,230	108
Interest income	103	235	103	235
Unrealised gain on foreign exchange #	-	731	-	731
	6,333	1,074	6,333	1,074

The unrealised gain on foreign exchange has neither been not derived from the trading of futures contracts nor futures foreign exchange trading.

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27 PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER	QUARTER	CUMULATIVE QUARTER	PERIOD
	ENDED	ENDED	PERIOD	PERIOD
	30.09.2020	30.09.2019	ENDED	ENDED
	RM'000	RM'000	30.09.2020	30.09.2019
			RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Depreciation and amortisation of equipment, intangible assets and right-of-use assets	39,815	28,676	39,815	28,676
Reversal of contingent consideration	(2,368)	-	(2,368)	-
Interest income	(104)	(255)	(104)	(255)
Finance costs	8,704	9,730	8,704	9,730
Share of results of an associate	751	78	751	78
Unrealised loss/(gain) on foreign exchange ##	4,098	(731)	4,098	(731)
Realised loss on foreign exchange ##	388	310	388	310

The unrealised and realised gains/losses on foreign exchange have neither been 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 Quarter.

28 TAXATION

	INDIVIDUAL QUARTER	QUARTER	CUMULATIVE QUARTER	PERIOD
	ENDED	ENDED	PERIOD	PERIOD
	30.09.2020	30.09.2019	ENDED	ENDED
	RM'000	RM'000	30.09.2020	30.09.2019
			RM'000	RM'000
Income taxation	(14,731)	18,083	(14,731)	18,083
Deferred taxation	7,995	(40,499)	7,995	(40,499)
	<u>(6,736)</u>	<u>(22,416)</u>	<u>(6,736)</u>	<u>(22,416)</u>

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28 TAXATION (CONT'D)

Breakdown by operating segments:

OPERATING SEGMENTS	Individual Quarter		Cumulative Quarter	
	Quarter Ended	Quarter Ended	Period Ended	Period Ended
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
North Sabah				
Income taxation	(14,601)	20,925	(14,601)	20,925
Deferred taxation	7,233	(38,884)	7,233	(38,884)
Total	(7,368)	(17,959)	(7,368)	(17,959)
Anasuria Hibiscus				
Income taxation	(130)	(2,842)	(130)	(2,842)
Deferred taxation	762	(1,615)	762	(1,615)
Total	632	(4,457)	632	(4,457)
3D Oil, VIC/L31 & VIC/P57				
Income taxation	-	-	-	-
Deferred taxation	-	-	-	-
Total	-	-	-	-
Investment holding and group activities				
Income taxation	-	-	-	-
Deferred taxation	-	-	-	-
Total	-	-	-	-
Group				
Income taxation	(14,731)	18,083	(14,731)	18,083
Deferred taxation	7,995	(40,499)	7,995	(40,499)
Total	(6,736)	(22,416)	(6,736)	(22,416)

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 September 2020 were as follows:

	As at 30.09.2020 RM'000	As at 30.06.2020 RM'000
<u>Non-current</u>		
<u>Secured</u>		
Lease liabilities	12,212	14,401
<u>Current</u>		
<u>Secured</u>		
Lease liabilities	10,142	10,667
<u>Unsecured</u>		
Term loan	-	49,197
	<u>10,142</u>	<u>59,864</u>
	<u>22,354</u>	<u>74,265</u>

Save for the repayment of the term loan, there were no other material changes to borrowings during the Current Quarter.

By Order of the Board of Directors
Hibiscus Petroleum Berhad
27 November 2020