

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

Unaudited Quarterly Financial Report
31 December 2020

(Note: This Unaudited Quarterly Financial Report is supplemented by the Corporate and Business Update released on the same day, on 22 February 2021.)

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
		QUARTER ENDED	QUARTER ENDED	PERIOD ENDED	PERIOD ENDED
	Note	31.12.2020	31.12.2019	31.12.2020	31.12.2019
		RM'000	RM'000	RM'000	RM'000
Revenue		190,285	271,846	335,778	431,145
Cost of sales		(86,927)	(99,130)	(156,414)	(163,569)
GROSS PROFIT		103,358	172,716	179,364	267,576
Other income	27	29	959	6,362	1,302
Administrative expenses		(39,048)	(21,709)	(50,863)	(40,205)
Other expenses		(45,240)	(51,063)	(89,541)	(79,318)
Finance costs		(11,077)	(9,569)	(19,781)	(19,299)
Share of results of an associate		(108)	(83)	(859)	(161)
PROFIT BEFORE TAXATION	28	7,914	91,251	24,682	129,895
Taxation	29	4,103	(40,003)	(2,633)	(62,419)
PROFIT AFTER TAXATION		12,017	51,248	22,049	67,476
PROFIT AFTER TAXATION ATTRIBUTABLE TO:					
- Owners of the Company		12,017	51,248	22,049	67,476
EARNINGS PER SHARE (SEN)					
Basic	26	0.74	3.23	1.37	4.25
Diluted	26	0.67	3.23	1.31	4.25
Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA")		63,178	142,318	128,465	219,368

Note:

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

(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))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	PERIOD ENDED	PERIOD ENDED
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
PROFIT AFTER TAXATION	12,017	51,248	22,049	67,476
Other comprehensive expenses:				
Items that may be subsequently reclassified to profit or loss:				
- Foreign currency translation *	(36,390)	(22,719)	(70,947)	(14,885)
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE QUARTER/PERIOD	(24,373)	28,529	(48,898)	52,591
TOTAL COMPREHENSIVE (EXPENSES)/INCOME ATTRIBUTABLE TO:				
- Owners of the Company	(24,373)	28,529	(48,898)	52,591

* 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.

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 31.12.2020 RM'000	AUDITED AS AT 30.06.2020 RM'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		1,248,213	1,364,618
Equipment		612,308	587,378
Right-of-use assets		9,360	12,404
Other receivables		4,748	7,123
Investment in an associate		4,797	5,403
Restricted cash and bank balances		106,851	95,795
		<u>1,986,277</u>	<u>2,072,721</u>
CURRENT ASSETS			
Inventories		61,272	68,080
Trade receivables		58,324	11,441
Other receivables, deposits and prepayments		197,754	175,244
Other investment		196,316	-
Amount owing by a joint venture		312	481
Amount owing by an associate		5	62
Cash and bank balances		106,387	80,996
Tax recoverable		8,520	17,127
		<u>628,890</u>	<u>353,431</u>
TOTAL ASSETS		<u>2,615,167</u>	<u>2,426,152</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	827,751	764,965
Other reserves		33,103	98,230
Retained earnings		380,161	358,112
		<u>1,241,015</u>	<u>1,221,307</u>
NON-CURRENT LIABILITIES			
Other payables		15,428	23,850
Borrowings	30	9,937	14,401
Convertible Redeemable Preference Shares ("CRPS") – Liability Component		128,598	-
Contingent consideration		-	2,363
Deferred tax liabilities		478,434	485,791
Provision for decommissioning costs		287,631	276,228
		<u>920,028</u>	<u>802,633</u>

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.

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

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

	Note	UNAUDITED AS AT 31.12.2020 RM'000	AUDITED AS AT 30.06.2020 RM'000
CURRENT LIABILITIES			
Trade payables		5,635	4,797
Other payables and accruals		437,035	275,684
Borrowings	30	9,069	59,864
Amount owing to a joint venture		318	318
Provision for decommissioning costs		-	58,717
Provision for taxation		1,848	2,613
Redeemable Convertible Preference Shares		219	219
		<hr/> 454,124	<hr/> 402,212
TOTAL LIABILITIES		<hr/> 1,374,152	<hr/> 1,204,845
TOTAL EQUITY AND LIABILITIES		<hr/> 2,615,167	<hr/> 2,426,152
 NET ASSETS PER SHARE (RM)		 <hr/> 0.72	 <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.

HIBISCUS PETROLEUM BERHAD
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(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	←----- NON-DISTRIBUTABLE -----→					
	SHARE CAPITAL RM'000	CRPS – EQUITY COMPONENT RM'000	OTHER RESERVES RM'000	FOREIGN EXCHANGE RESERVE RM'000	RETAINED EARNINGS RM'000	TOTAL RM'000
6 months to 31.12.2020						
As at 01.07.2020	764,965	-	389	97,841	358,112	1,221,307
Profit after taxation	-	-	-	-	22,049	22,049
Other comprehensive expenses, net of tax:						
- Foreign currency translation	-	-	-	(70,947)	-	(70,947)
Issuance of CRPS	-	8,515	-	-	-	8,515
Conversion of CRPS	62,786	(2,695)	-	-	-	60,091
Total comprehensive income/(expenses) for the period	62,786	5,820	-	(70,947)	22,049	19,708
As at 31.12.2020	<u>827,751</u>	<u>5,820</u>	<u>389</u>	<u>26,894</u>	<u>380,161</u>	<u>1,241,015</u>
6 months to 31.12.2019						
As at 01.07.2019	764,965	-	389	64,812	407,366	1,237,532
Profit after taxation	-	-	-	-	67,476	67,476
Other comprehensive expenses, net of tax:						
- Foreign currency translation	-	-	-	(14,885)	-	(14,885)
Total comprehensive (expenses)/income for the period	-	-	-	(14,885)	67,476	52,591
As at 31.12.2019	<u>764,965</u>	<u>-</u>	<u>389</u>	<u>49,927</u>	<u>474,842</u>	<u>1,290,123</u>

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.

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

PERIOD ENDED 31.12.2020 (RM'000)

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	24,682
Adjustments for:	
Depreciation and amortisation of equipment, intangible assets and right-of-use assets	84,002
Finance costs	19,781
Unrealised loss on foreign exchange	4,759
Loss on disposal of equipment	2,183
Share of results of an associate	859
Interest income	(587)
Reversal of contingent consideration	(2,339)
Operating profit before working capital changes	133,340
Inventories	2,836
Trade receivables	(47,282)
Other receivables, deposits and prepayments	(37,538)
Trade payables	1,152
Other payables and accruals	108,373
Amount owing by a joint venture	158
Amount owing by an associate	59
Cash generated from operating activities	161,098
Tax refund	24,634
Movement in restricted cash and bank balances **	(17,446)
Net cash generated from operating activities	168,286

CASH FLOWS FROM INVESTING ACTIVITIES

Other investment	(196,316)
Purchase of equipment	(96,508)
Acquisition of intangible assets	(6,996)
Proceeds from disposal of equipment	353
Interest received	587
Net cash used in investing activities	(298,880)

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of term loan	(49,358)
Net repayment of lease liabilities	(6,753)
Proceeds from issuance of CRPS	203,611
Net cash generated from financing activities	147,500
Net increase in cash and cash equivalents	16,906
Effects of foreign exchange rate changes	8,458
Cash and cash equivalents at beginning of the financial period	77,307
Cash and cash equivalents at end of the financial period	102,671

Cash and bank balances in the consolidated statements of financial position are as follows:

<u>Non-current</u>	
Restricted cash and bank balances **	106,851
<u>Current</u>	
Cash and bank balances	106,387
Less: Restricted cash and bank balances ***	(3,716)
Cash and cash equivalents	102,671

** *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 amount as at 31 December 2020 is RM3.174 million. The balance of RM0.002 million represents minimum funds required to be kept in an Islamic trust account maintained with a licensed bank by an independent custodian in connection with the Private Placement of CRPS (please refer to Note 4(i) of this Quarterly Report).*

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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QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

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 137	<i>Onerous Contracts – Cost of Fulfilling a Contract</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.

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(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

4 SIGNIFICANT/UNUSUAL ITEMS

Save as disclosed below, there were no other significant or unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial period ended 31 December 2020 ("**Current Period**"):

(i) Fund raising via Private Placement of Islamic 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 2,000,000,000 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**").

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 the 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 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**"). The 203,604,500 CRPS-T2 was listed on the Main Market of Bursa Securities with effect from 23 November 2020.

The maturity date of the CRPS is on 18 November 2022.

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.

HIBISCUS PETROLEUM BERHAD
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(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

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, 8 October 2020 and 15 February 2021 for further details.

(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 (“**OGA**”) in July 2019. The three licences are License No. P2535 (Block 21/24d), License No. P2518 (Block 15/17a) and License No. P2532 (Blocks 21/19c and 21/20c).

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

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.

Pursuant to the OGA's offer for award received by Anasuria Hibiscus UK, the OGA had on 19 January 2021 advised that License No. P2535 and License No. P2518 were fully executed. The OGA had further advised on 2 February 2021 that License No. P2532 was fully executed. The license terms commenced from 1 December 2020 for a period of 4 years (Field Development Plan ("FDP") phase) with a subsequent term (production phase) to begin for a period of 18 years from the completion of the FDP phase.

a) License No. P2535 (Block 21/24d)

The block which has an area size of 57.86 square kilometres, 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.

The block will be held by Anasuria Hibiscus UK (70%) and Zennor Petroleum Limited (30%).

The Teal West discovery is expected to be a potential tieback candidate to the Anasuria floating production storage and offloading vessel in which Anasuria Hibiscus UK has significant interests.

Anasuria Hibiscus UK is to prepare an FDP for the Teal West discovery for OGA's approval by end 2022, as part of the terms of the agreement.

b) License No. P2518 (Block 15/17a)

This block of 9 square kilometres is located 8 kilometres from the Marigold field and shall be held wholly by Anasuria Hibiscus UK. It contains part of the Kildrummy discovery plus a minor part of the Beaumaris discovery and the Udney prospect.

It is hoped that the Kildrummy discovery may become a potential tieback candidate to infrastructure implemented as part of the Marigold development.

As part of the terms of the license, Anasuria Hibiscus UK is to provide a technical update to the OGA by December 2022, pursuant to carrying out seismic interpretation work.

c) License No. P2532 (Blocks 21/19c and 21/20c)

These blocks are contiguous with the Cook field.

The blocks that were awarded reflect a similar equity holding as that of the Cook field i.e. 19.325% for Anasuria Hibiscus UK, 61.35% for Ithaca Energy UK Limited, and 19.325% for Ping Petroleum UK Limited.

Please refer to our announcements dated 3 September 2020, 20 January 2021 and 3 February 2021 for further details.

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(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

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 Period.

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 Period 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 Period.

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 Period.

10 DEBT AND EQUITY SECURITIES

The movements in the issued share capital of the Company during the Current Period were as follows:

	PERIOD ENDED 31.12.2020	
	Number of shares	Share capital RM'000
ORDINARY SHARES		
As at 01.07.2020	1,588,228,791	764,965
Conversion of CRPS	134,264,329	62,786
As at 31.12.2020	<u>1,722,493,120</u>	<u>827,751</u>

During the Current Period, there were conversions of 64,446,884 units of CRPS-T2 into 134,264,329 ordinary shares at a conversion price of RM0.48 per CRPS-T2.

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(Registration Number: 200701040290 (798322-P))
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QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

10 DEBT AND EQUITY SECURITIES (CONT'D)

(i) Private Placement of CRPS

During the financial quarter ended 31 December 2020 (“**Current Quarter**”), the Company issued 203,611,100 (i.e. 6,600 CRPS-T1 and 203,604,500 CRP-T2) CRPS amounting to RM203,611,100 at an issue price of RM1.00 per CRPS.

Details of the CRPS are as follows:

- (a) The CRPS are classified as a compound financial instrument, where the instrument contains both liability and equity components.

The Company has a financial liability arising from its obligation to repay the premium and principal (“**Redemption Price**”) to holders of the CRPS which are not converted (whether mandatory or optional). The Company may redeem the CRPS, either at the end of the 18th month from CRPS-T1’s issue date on 17 May 2022, or at the maturity date of the CRPS on 18 November 2022, subject to compliance with Companies Act 2016. The fair value of the liability component is arrived at by discounting the Redemption Price over the tenure of the CRPS at a discount rate based on the benchmark rate of debt instruments which have a similar profile as the CRPS.

The total equity component is determined based on the proceeds from the issuance of the CRPS, net of the liability component of the CRPS.

- (b) The conversion price of the CPRS is fixed at a premium of up to 10% over the 5-day volume weighted average market price up to and including the market day immediately before the price-fixing date.

The conversion prices for CRPS-T1 and CRPS-T2 were fixed at RM0.66 and RM0.48 respectively.

- (c) The transaction costs for the issuance of 203,611,100 CRPS of approximately RM5.9 million comprise placement fees, professional fees, regulatory fees and other expenses, and have been allocated to the liability component and the equity component in proportion to their initial carrying amounts amounting to RM5.6 million and RM0.3 million respectively.

(ii) Warrants C

The Warrants C were issued by the Company on 20 March 2018 and are due to expire at 5.00 p.m. on Friday, 19 March 2021. Warrants C which are not exercised by the expiry date will lapse and become null and void and shall cease to be exercisable at 5.00 p.m. on Thursday, 18 March 2021. Accordingly, the Warrants C will be removed from the Official List of Bursa Securities with effect from 9.00 a.m. on Monday, 22 March 2021.

There was no exercise of Warrants C during the Current Period and therefore, no shares were listed from the exercise of Warrants C.

Same as disclosed above, there were no other issuances, cancellations, repurchases, resale, exercise of debt and equity securities during the Current Period.

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(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

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 Period are 4.1391 and 4.0316 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 Period are 4.1391 and 4.0316 respectively.</p> |
| (iii) | Bass Strait Cluster | <p>Group's operations in the VIC/L31 Production License ("VIC/L31") for the West Seahorse field, other exploration prospects in Australia within the VIC/P57 Exploration Permit ("VIC/P57"), VIC/P74, 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 Period are 3.0206 and 3.1080 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.*

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

11 OPERATING SEGMENTS (CONT'D)

	North Sabah	Anasuria Hibiscus	Bass Strait Cluster	Investment holding and group activities	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31.12.2020					
Non-current assets	666,320	1,261,171	51,547	7,239	1,986,277
Included in the segment assets is:					
Investment in an associate	-	-	4,797	-	4,797
Additions to non-current assets	89,926	28,020 [^]	1,519	729	120,194
Period ended 31.12.2020					
Project management, technical and other service fees	-	-	-	1,953	1,953
Sales of crude oil and gas	240,618	92,827	-	-	333,445
Interest income	-	-	-	380	380
Revenue	240,618	92,827	-	2,333	335,778
Depreciation and amortisation	(50,440)	(32,949)	-	(613)	(84,002)
Profit/(loss) from operations	62,052	(9,495)	3,497	(11,095)	44,959
Loss on disposal of equipment	-	-	-	(2,183)	(2,183)
Share of results of an associate	-	-	(859)	-	(859)
Reversal of contingent consideration	-	2,339	-	-	2,339
Finance costs	(9,466)	(8,764)	-	(1,551)	(19,781)
Interest income	56	151	-	-	207
Taxation	(14,230)	11,465	-	132	(2,633)
Profit after taxation ("PAT")/ (Loss after taxation ("LAT"))	38,412	(4,304)	2,638	(14,697)	22,049
EBITDA/(Loss Before Interest, Taxes, Depreciation and Amortisation ("LBITDA"))	112,548	25,944	2,638	(12,665)	128,465

[^] Additions to non-current assets for Anasuria Hibiscus included RM5.5 million invested for Block 15/13a (Marigold) and Block 15/13b (Sunflower).

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

11 OPERATING SEGMENTS (CONT'D)

	North Sabah	Anasuria Hibiscus	Bass Strait Cluster	Investment holding and group activities	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31.12.2019					
Non-current assets	594,851	1,296,805	230,488	26,310	2,148,454
Included in the segment assets is:					
Investment in an associate	-	-	5,494	-	5,494
Additions to non-current assets	142,970	92,313 ^{^^}	317	6,881	242,481
Period ended 31.12.2019					
Project management, technical and other services fees	-	-	-	2,004	2,004
Sales of crude oil and gas	284,865	144,246	-	-	429,111
Interest income	-	-	-	30	30
Revenue	284,865	144,246	-	2,034	431,145
Depreciation and amortisation	(39,796)	(28,750)	-	(1,628)	(70,174)
Profit/(loss) from operations	116,444	40,921	(432)	(8,033)	148,900
Share of results of an associate	-	-	(161)	-	(161)
Finance costs	(10,609)	(8,305)	-	(385)	(19,299)
Interest income	164	290	1	-	455
Taxation	(52,882)	(9,537)	-	-	(62,419)
PAT/(LAT)	53,117	23,369	(592)	(8,418)	67,476
EBITDA/(LBITDA)	156,404	69,961	(592)	(6,405)	219,368

^{^^} Additions to non-current assets for Anasuria Hibiscus included RM4.5 million invested for Block 15/13a (Marigold) and Block 15/13b (Sunflower).

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

12 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions within the Group are as follows:

	INDIVIDUAL QUARTER QUARTER ENDED 31.12.2020 RM'000	QUARTER QUARTER ENDED 31.12.2019 RM'000	CUMULATIVE QUARTER PERIOD ENDED 31.12.2020 RM'000	PERIOD ENDED 31.12.2019 RM'000
Project management, technical and other services fees earned from a related party				
- Ping Petroleum UK Limited	935	943	1,880	2,004
Joint Operating Agreement indirect overheads recovery from an associate				
- 3D Oil	-	-	-	3
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	-	1	1	3
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	1,450	(1)	1,450	(131)

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 31 December 2020:

	RM'000
Approved and contracted for:	
Group's capital commitments	2,854
Share of a joint operation's capital commitments	13,251
Total capital commitments approved and contracted for	16,105
Share of a joint operation's other material commitments	32,229
	48,334
Approved but not contracted for:	
Group's capital commitments	44,477
Share of a joint operation's capital commitments	531
Total capital commitments approved but not contracted for	45,008
Share of a joint operation's other material commitments	2,896
	47,904

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

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
	31.12.2020	31.12.2020	30.09.2020	
	RM'000	RM'000	RM'000	(Change in %)
North Sabah				
Revenue	240,618	142,653	97,965	46
EBITDA	112,548	66,384	46,164	44
PBT	52,642	33,241	19,401	71
Taxation	(14,230)	(6,862)	(7,368)	7
PAT	38,412	26,379	12,033	119
Anasuria Hibiscus				
Revenue	92,827	46,245	46,582	(1)
EBITDA	25,944	4,575	21,369	(79)
LBT	(15,769)	(15,713)	(56)	(27,959)
Taxation	11,465	10,833	632	1,614
(LAT)/PAT	(4,304)	(4,880)	576	-
Bass Strait Cluster				
Revenue	-	-	-	-
EBITDA	2,638	2,254	384	487
PBT	2,638	2,254	384	487
Taxation	-	-	-	-
PAT	2,638	2,254	384	487
Investment holding and group activities				
Revenue	2,333	1,387	946	47
LBITDA	(12,665)	(10,035)	(2,630)	(282)
LBT	(14,829)	(11,868)	(2,961)	(301)
Taxation	132	132	-	-
LAT	(14,697)	(11,736)	(2,961)	(296)
Group				
Revenue	335,778	190,285	145,493	31
EBITDA	128,465	63,178	65,287	(3)
PBT	24,682	7,914	16,768	(53)
Taxation	(2,633)	4,103	(6,736)	-
PAT	22,049	12,017	10,032	20

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 Period, the North Sabah segment recorded revenue of RM240.6 million. Gross profit and EBITDA attained were RM123.3 million and RM112.5 million respectively.

1,463,327 bbls of crude oil were sold at an average realised oil price of USD39.73 per bbl. Despite the relatively low average realised oil price, both the gross profit margin and EBITDA margin over revenue were at healthy levels, at 51.2% and 46.8% respectively.

The healthy gross profit margin was largely driven by a low average operating costs ("OPEX") per barrel ("bbl") of USD15.16. Lower OPEX levels were mainly due to cost optimisation initiatives undertaken to mitigate adverse financial impact arising from a lower oil price environment. The OPEX per bbl has included amounts incurred for planned maintenance activities performed at the offshore platforms at St Joseph, South Furious and Barton during the Current Period.

Both average uptime and the average net oil production rate achieved in the Current Period were high, at 89% and 6,393 bbl per day respectively.

Segment PBT was RM52.6 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 RM47.8 million; and,
- Unwinding of discount on provision for decommissioning costs of RM3.7 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 Period were RM14.2 million, which resulted in an effective tax rate over PBT of 27.0%. The effective tax rate is lower than the PITA rate as it included a reversal of an overprovision of tax for calendar year 2019 amounting to RM5.8 million. The overprovision amount was finalised upon submission of the tax returns to the Inland Revenue Board during the Current Quarter.

15 PERFORMANCE REVIEW (CONT'D)

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

- **Current quarter results**

SEA Hibiscus generated RM142.7 million revenue in the Current Quarter. 870,874 bbls of crude oil in three offtakes were sold at an average realised oil price of USD39.91 per bbl.

The North Sabah asset performed well operationally during the Current Quarter. Average OPEX per bbl recorded was USD13.32. Average uptime recorded was 92% while the average net oil production rate was 6,534 bbl per day.

EBITDA attained was RM66.4 million while EBITDA margin over revenue remains reasonable at 46.5% despite relatively low average realised oil price due to the careful management of costs and favourable operational performance.

In the Current Quarter, the segment recorded a PBT of RM33.2 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 RM27.0 million; and,
- Unwinding of discount on provision for decommissioning costs of RM2.0 million.

Total net tax expenses in the Current Quarter were RM6.9 million. The resulting effective tax rate over PBT was 20.6%, which was lower than the PITA rate of 38.0%. During the Current Quarter, SEA Hibiscus reversed an overprovision of tax for calendar year 2019 amounting to RM5.8 million.

(ii) Anasuria Hibiscus

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

The Anasuria Hibiscus segment sold 502,625 bbls of crude oil in two offtakes in the Current Period. Average oil price realised was USD41.50 per bbl. Total revenue generated was RM92.8 million.

Gross profit and EBITDA attained were RM53.7 million (57.9% margin over revenue) and RM25.9 million (27.9% margin over revenue) respectively.

Average OPEX per bbl of oil equivalent (“boe”) recorded for the Current Period was USD19.78. The average daily oil equivalent production rate was 3,097 boe per day while average uptime was 94%.

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

15 PERFORMANCE REVIEW (CONT'D)

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

Segment LBT was RM15.8 million after deducting the following non-cash items from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM32.8 million; and,
- Unwinding of discount on provision for decommissioning costs of RM8.6 million.

Anasuria Hibiscus UK recorded a LBT for the Current Period and was not in a taxable position. As a result, the segment recorded a net tax credit in the Current Period amounting to RM11.5 million.

- **Current quarter results**

In the Current Quarter, from this segment of our business, 252,289 bbls of crude oil were sold at an average realised oil price of USD40.85 per bbl.

Total revenue achieved was RM46.2 million, whilst gross profit was RM25.7 million (55.7% margin over revenue).

The Anasuria asset achieved average uptime of 95% and average daily oil equivalent production rate of 3,109 boe per day. Average OPEX per boe recorded was USD22.00. During the Current Quarter, costs were incurred for scale squeeze operations at the GUA-P3 well and maintenance of certain equipment on the Anasuria FPSO.

The Anasuria Hibiscus segment achieved an EBITDA of RM4.6 million (9.9% margin over revenue) in the Current Quarter. EBITDA has been adversely affected by the period-end retranslation of the segment's GBP-denominated balances which resulted in unrealised foreign exchange losses of RM7.0 million. In addition, one-off provisions made for year-end related activities also reduced the EBITDA for the Current Quarter.

Segment LBT was RM15.7 million. It was arrived at after deducting the following non-cash items from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM15.5 million; and,
- Unwinding of discount on provision for decommissioning costs of RM4.4 million.

The segment recorded a net tax credit in the Current Quarter amounting to RM10.8 million. Anasuria Hibiscus UK recorded a LBT and was not in a taxable position.

15 PERFORMANCE REVIEW (CONT'D)

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

(iii) Bass Strait Cluster

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

The segment recorded PAT of RM2.6 million in the Current Period.

The AUD, being the segment's functional currency, had appreciated against the USD during the Current Period when compared to 30 June 2020. The period-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.

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

- **Current quarter results**

In the Current Quarter, the segment recorded a PAT of RM2.3 million.

This was mainly due to a favourable foreign exchange impact which arose from the appreciation of the AUD against the USD, impacting the quarter-end revaluation of USD-denominated inter-company payables.

(iv) Investment holding and group activities

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

LAT for the Current Period amounted to RM14.7 million.

Expenses relating to business development and fund-raising activities amounted to RM6.2 million.

In addition, the Group had concluded the disposal of the Britannia Rig ("**Rig**") to a third party subsequent to the end of the Current Quarter. A loss on disposal was recognised for this transaction amounting to RM2.2 million.

In the Current Period, upon the issuance of CRPS-T1 and CRPS-T2 in November 2020, the Group had commenced the accretion of finance costs on the CRPS amounting to RM1.5 million. The finance costs consist of the premium applied on the issue price of the CRPS and the unwinding of discount on the liability component of the CRPS, after deducting transaction costs.

Major components of other expenses recognised during the Current Period relate largely to corporate overheads, maintenance fees for the Rig, professional and consultancy fees and depreciation expense.

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

15 PERFORMANCE REVIEW (CONT'D)

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

- **Current quarter results**

Segment LAT in the Current Quarter was RM11.7 million.

Total amount incurred for business development and fund-raising activities during the Current Quarter amounted to RM2.9 million, while a loss on disposal of RM2.2 million was recognised on the disposal of the Rig.

In addition to the abovementioned items, other expenses recognised relate largely to corporate overheads, accretion of finance costs relating to the CRPS (liability component), maintenance fees for the Britannia Rig, professional and consultancy fees and depreciation expense.

(B) Statements of Financial Position

(i) Non-current Assets

The Group's non-current assets as at 31 December 2020 amounted to RM1,986.3 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 RM117.6 million. The USD had depreciated against MYR as at 31 December 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 Period, the Group recorded depreciation and amortisation of equipment, intangible assets and right-of-use assets of RM84.0 million.

The above was largely off-set by capital expenditure invested by the Group during the Current Period. In North Sabah, RM91.1 million was incurred 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 RM10.8 million (RM5.5 million for the Marigold and Sunflower fields and for RM5.3 million for the Anasuria Cluster).

(ii) Current Assets

As at 31 December 2020, the Group's current assets amounted to RM628.9 million, representing an increase of RM275.5 million from RM353.4 million as at 30 June 2020.

Included in current assets as at 31 December 2020 is other investment amounting to RM196.3 million. The balance consists of the net proceeds from the issuance of the CRPS (both CRPS-T1 and CRPS-T2) in November 2020 (after deducting all related expenses) and income earned from investing the net proceeds into permitted investments, amounting to RM196.0 million and RM0.3 million respectively. (Note that this amount can only 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), as also defined in Note 18(ii) of this Quarterly Report.) This balance did not exist as at 30 June 2020.

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

15 PERFORMANCE REVIEW (CONT'D)

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

Trade receivables balance increased by RM46.9 million to RM58.3 million compared to RM11.4 million as at 30 June 2020. Proceeds from the crude oil offtake at the end of December 2020 from the North Sabah asset (amounting to approximately RM45.5 million) had not been received as at 31 December 2020.

In addition, cash and bank balances increased by RM25.4 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 Period.

(iii) Total Liabilities

Total liabilities increased from RM1,204.8 million as at 30 June 2020 to RM1,374.2 million as at 31 December 2020.

In November 2020, the Group recognised the liability component of the CRPS upon the issuance of the first two tranches of the CRPS in the same month. The balance as at 31 December 2020 amounted to RM128.6 million.

Outstanding payables for the North Sabah asset as at 31 December 2020 increased by approximately RM125.8 million compared to 30 June 2020. The increase was mainly due to amounts incurred for planned maintenance activities at the offshore platforms and for the St Joseph Minor and Major Sands Redevelopment project.

The above items which increased the Group's total liabilities as at 31 December 2020 when compared to 30 June 2020 were partially off-set by a reduction in the current portion of the decommissioning liability in SEA Hibiscus, which was duly paid per the agreed schedule in December 2020. The amount paid was RM58.5 million.

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 was fully repaid in July 2020, per the agreed terms.

(iv) Total Equity

Total equity as at 31 December 2020 increased by RM19.7 million when compared to 30 June 2020.

Share capital increased by RM62.8 million from RM765.0 million as at 30 June 2020 to RM827.8 million as at 31 December 2020 due to the conversion of 64,446,884 units of CRPS into 134,264,329 ordinary shares at a conversion price of RM0.48 during the Current Quarter.

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

15 PERFORMANCE REVIEW (CONT'D)

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

Net earnings generated by the Group during the Current Quarter, mainly driven by both the North Sabah and Anasuria assets amounted to RM22.0 million.

In addition, the Company has recognised the equity component of the CRPS upon the issuance of the CRPS in November 2020, which amounted to RM5.8 million as at 31 December 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 31 December 2020, the Group had recognised the resulting unrealised adverse foreign exchange differences from this revaluation amounting to RM70.9 million due to the depreciation of USD compared to 30 June 2020, which had partially off-set the earlier mentioned increases in the total equity balance.

(C) Statement of Cash Flows

(i) Cash flow from operating activities

The Group's net cash generated from operating activities for the Current Period was RM168.3 million.

It comprised mainly of net cash received from operations at the North Sabah and Anasuria assets and refund received for overpayment of tax for the North Sabah asset.

(ii) Cash flow used in investing activities

Net cash used in investing activities during the Current Period amounted to RM298.9 million.

Total available funds relating the issuance of CRPS of RM196.3m were invested into permitted investments in the Current Period.

In addition, amounts invested in capital expenditures by SEA Hibiscus and Anasuria Hibiscus UK during the Current Period amounted to RM91.1 million and RM10.8 million respectively.

(iii) Cash flow generated from financing activities

The net cash generated from financing activities were due to gross proceeds from the issuance of CRPS of RM203.6 million in November 2020, offset by the full repayment of a term loan in July 2020 and payments of lease liabilities obligations.

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

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 RM66.4 million in the Current Quarter as compared to RM46.2 million in the Preceding Quarter.

In the Current Quarter, SEA Hibiscus sold 870,874 bbls of crude oil in three cargoes as compared to 592,453 bbls of crude oil from two cargoes in the Preceding Quarter. Average realised oil price achieved in the Current Quarter was USD39.91 per bbl whilst USD39.46 per bbl was achieved in the Preceding Quarter.

Revenue generated in the Current Quarter was RM142.7 million, which was RM44.7 million higher than that recognised in the Preceding Quarter of RM98.0 million. This was driven by a larger volume of crude oil that was sold.

Gross profit achieved by the segment in the Current Quarter of RM76.2 million exceeded that achieved in the Preceding Quarter of RM47.1 million by RM29.1 million. The gross profit margin of 53.4% in the Current Quarter was also higher than that achieved in the Preceding Quarter of 48.0%. This was mainly due to lower average OPEX per bbl in the Current Quarter of USD13.32 compared to USD17.08 in the Preceding Quarter. In the Preceding Quarter, the North Sabah asset performed planned maintenance activities at the offshore platforms at St Joseph, South Furious and Barton. Such activities included topside maintenance, well maintenance/intervention and pipeline inspection.

The North Sabah asset performed better operationally in the Current Quarter compared to the Preceding Quarter. In the Current Quarter, average uptime recorded was 92% while the average net oil production rate was 6,534 bbl per day compared 86% and 6,251 bbl per day respectively in the Preceding Quarter.

The effective tax rate in the Current Quarter of 20.6% was impacted by a reversal of an overprovision of tax for calendar year 2019 amounting to RM5.8 million. In the Preceding Quarter, the effective tax rate of 38.0% was consistent with the PITA rate.

(ii) Anasuria Hibiscus

Anasuria Hibiscus UK sold 252,289 bbls of crude oil at an average oil price of USD40.85 per bbl in the Current Quarter. In the Preceding Quarter, 250,337 bbls of crude oil were sold at an average realised price of USD41.99 per bbl. Revenue recorded in the Current Quarter amounted to RM46.2 million, a marginal decrease of RM0.4 million from RM46.6 million in the Preceding Quarter.

The Anasuria Hibiscus segment achieved gross profit of RM25.7 million in the Current Quarter as compared to that recorded in the Preceding Quarter, i.e. gross profit of RM28.0 million. Gross profit margin over revenue of 55.7% was lower compared to 48.0% in the Preceding Quarter. In the Current Quarter, the Anasuria asset performed scale squeeze operations at the GUA-P3 well and reinstatement of certain equipment on the Anasuria FPSO.

A net tax credit of was recognised in both the Current Quarter and the Preceding Quarter amounting to RM10.8 million and RM0.6 million respectively as Anasuria Hibiscus UK was not in a taxable position in both quarters.

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

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

(iii) Bass Strait Cluster

The segment recorded a PAT in the Current Quarter of RM2.3 million, which was RM1.9 million higher than the PAT of RM0.4 million in the Preceding Quarter.

PAT in both quarters were driven by unrealised foreign exchange gains which arose from the appreciation of the AUD against the USD, impacting the quarter-end revaluation of USD-denominated inter-company payables.

(iv) Investment holding and group activities

During the Current Quarter, the segment recorded a LAT of RM11.7 million as compared to a LAT of RM3.0 million in the Preceding Quarter.

Higher costs were incurred for payroll-related expenses during the Current Quarter amounting to RM5.1 million.

The segment recognised a loss on the disposal of the Rig of RM2.2 million in the Current Quarter, which did not recur in the Preceding Quarter.

In addition, accretion of interest for the liability component of the CRPS commenced in the Current Quarter. The amount recognised was RM1.5 million.

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 22 February 2021, 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.

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

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 RM203,611,100 raised as of 22 February 2021, being the date of this Quarterly Report, is as follows:

Purpose	Proposed utilisation of proceeds from the Private Placement of CRPS as of 22 February 2021 RM'000	Actual utilisation as of 22 February 2021 RM'000	Intended timeframe for utilisation from the date of completion of the Private Placement of CRPS	Percentage utilised (%)
(i) Permitted utilisation ^{Note 1}	196,067	0	Within 24 months from the receipt of the proceeds	0
(ii) Estimated expenses relating to the Private Placement of CRPS	7,544	7,544	Within 6 months from the receipt of the proceeds	100
Total	203,611	7,544		

Note1:

The net proceeds (after deducting all costs and expenses relating to the Private Placement of CRPS) to be raised from the issuance of 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).

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

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 January 2020 to end-January 2021:



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. Brent oil prices stabilised above USD40.00 per bbl from June 2020, due to OPEC+ production cuts and demand increasing as countries reduce restrictions enacted to combat the spread of COVID-19. Positive news about the efficacy of COVID-19 vaccines in November 2020 and their subsequent approvals by governments worldwide have pushed prices to levels not seen since February 2020.

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.

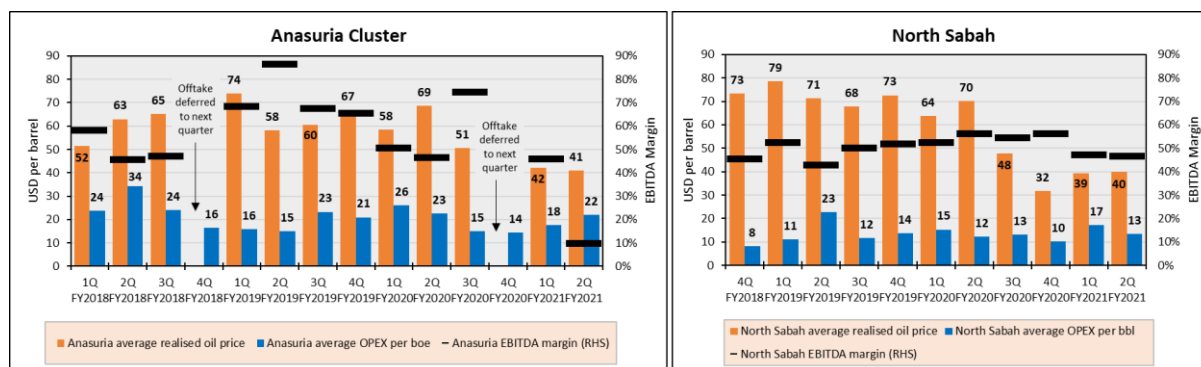
HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

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 from its producing assets 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.

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

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 CY2020. These efforts have continued via the deferral of non-critical OPEX activities and prudent management of general and administrative expenses.

Planning is ongoing for a 45-day offshore turnaround of the Anasuria FPSO ("**2021 Offshore Turnaround**") in the financial year ending 30 June 2021 ("**FY2021**"). The 2021 Offshore Turnaround is intended to improve the reliability and integrity of the Anasuria FPSO as well as to ensure a safe working environment. Several minor production enhancement projects are also included in the planned scope of this turnaround.

Anasuria Hibiscus UK entered into a farm-in agreement with Caldera Petroleum (UK) Ltd ("**CPL**"), whereby Anasuria Hibiscus UK shall acquire 37.5% interest in the Marigold and Sunflower fields from CPL. This is subject to, inter-alia, approval from the OGA. Upon completion, Anasuria Hibiscus UK's interest in the Marigold and Sunflower fields will be increased from 50.0% to 87.5%.

The Group sold 1,123,163 bbls of crude oil in the Current Quarter. Four offtakes were conducted; three from North Sabah and one from the Anasuria Cluster. Crude oil production in the Current Quarter remained unaffected by the cost optimisation measures and government-imposed movement restrictions. For FY2021, the Group aims to produce 3.4 million bbls of oil safely and efficiently across both assets. Given current production performance and barring unforeseen circumstances, we target to deliver approximately 12 crude oil offtakes in FY2021; eight from North Sabah, and four from the Anasuria Cluster.

In the current environment of COVID-19 and relatively 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 Period.

22 PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

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.

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

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.

25 DIVIDEND

The Board of Directors has, in respect of the financial year ending 30 June 2021, declared a first interim single-tier dividend of 0.50 sen per ordinary share.

The dividend will be paid on 8 April 2021 to shareholders of ordinary shares whose names appear on the Record of Depositors on 9 March 2021.

No dividend was declared in the corresponding period.

26 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	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
		QUARTER	QUARTER	PERIOD	PERIOD
		ENDED	ENDED	ENDED	ENDED
		31.12.2020	31.12.2019	31.12.2020	31.12.2019
Profit after taxation attributable to owners of the Company (RM'000)	(A)	12,017	51,248	22,049	67,476
Weighted average number of shares for basic earnings per share computation ('000)	(B)	1,625,016	1,588,229	1,606,623	1,588,229
Effects of dilution of Warrants C ('000)		-	-	-	-
Effects of dilution of CRPS ('000)		161,469	-	80,734	-
Weighted average number of shares for diluted earnings per share computation ('000)	(C)	1,786,485	1,588,229	1,687,357	1,588,229
Basic earnings per share (sen)	(A/B)	0.74	3.23	1.37	4.25
Diluted earnings per share (sen)	(A/C)	0.67	3.23	1.31	4.25

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

27 OTHER INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	PERIOD ENDED	PERIOD ENDED
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Sundry income	(75)	739	6,155	847
Interest income	104	220	207	455
	29	959	6,362	1,302

28 PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE PERIOD	
	QUARTER ENDED	QUARTER ENDED	PERIOD ENDED	PERIOD ENDED
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	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	44,187	41,498	84,002	70,174
Finance costs	11,077	9,569	19,781	19,299
Loss on disposal of equipment	2,183	-	2,183	-
Share of results of an associate	108	83	859	161
Reversal of contingent consideration	29	-	(2,339)	-
Interest income	(483)	(231)	(587)	(486)
Unrealised loss on foreign exchange #	661	6,985	4,759	6,254
Realised loss on foreign exchange #	392	2,580	780	2,891

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 Period.

29 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	PERIOD ENDED	PERIOD ENDED
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Income taxation	32,199	(12,807)	17,468	5,276
Deferred taxation	(28,096)	(27,196)	(20,101)	(67,695)
	4,103	(40,003)	(2,633)	(62,419)

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

29 TAXATION (CONT'D)

Breakdown by operating segments:

OPERATING SEGMENTS	Individual Quarter		Cumulative Quarter	
	Quarter Ended	Quarter Ended	Period Ended	Period Ended
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
North Sabah				
Income taxation	32,323	(7,976)	17,722	12,949
Deferred taxation	(39,185)	(26,947)	(31,952)	(65,831)
Total	(6,862)	(34,923)	(14,230)	(52,882)
Anasuria Hibiscus				
Income taxation	(124)	(4,831)	(254)	(7,673)
Deferred taxation	10,957	(249)	11,719	(1,864)
Total	10,833	(5,080)	11,465	(9,537)
Bass Strait Cluster				
Income taxation	-	-	-	-
Deferred taxation	-	-	-	-
Total	-	-	-	-
Investment holding and group activities				
Income taxation	-	-	-	-
Deferred taxation	132	-	132	-
Total	132	-	132	-
Group				
Income taxation	32,199	(12,807)	17,468	5,276
Deferred taxation	(28,096)	(27,196)	(20,101)	(67,695)
Total	4,103	(40,003)	(2,633)	(62,419)

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.

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2020

29 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.

30 BORROWINGS

Details of borrowings as at 31 December 2020 were as follows:

	As at 31.12.2020 RM'000	As at 30.06.2020 RM'000
<u>Non-current</u>		
<u>Secured</u>		
Lease liabilities	9,937	14,401
<u>Current</u>		
<u>Secured</u>		
Lease liabilities	9,069	10,667
<u>Unsecured</u>		
Term loan	-	49,197
	9,069	59,864
	19,006	74,265

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

By Order of the Board of Directors
Hibiscus Petroleum Berhad
22 February 2021