HIBISCUS PETROLEUM BERHAD

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

Unaudited Quarterly Financial Report
30 September 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	INDIVIDUAL QUARTER QUARTER ENDED 30.09.2019 RM'000	INDIVIDUAL QUARTER QUARTER ENDED 30.09.2018 RM'000	CUMULATIVE QUARTER PERIOD ENDED 30.09.2019 RM'000	CUMULATIVE QUARTER PERIOD ENDED 30.09.2018 RM'000
Revenue		159,299	359,955	159,299	359,955
Cost of sales		(64,439)	(109,650)	(64,439)	(109,650)
GROSS PROFIT		94,860	250,305	94,860	250,305
Other income	26	1,074	745	1,074	745
Administrative expenses		(18,496)	(41,664)	(18,496)	(41,664)
Other expenses		(28,986)	(32,838)	(28,986)	(32,838)
Finance costs		(9,730)	(11,237)	(9,730)	(11,237)
Share of results of an associate		(78)	(101)	(78)	(101)
PROFIT BEFORE TAXATION	27	38,644	165,210	38,644	165,210
Taxation	28	(22,416)	(65,209)	(22,416)	(65,209)
PROFIT AFTER TAXATION		16,228	100,001	16,228	100,001
PROFIT AFTER TAXATION ATTRIBUTABLE TO:					
- Owners of the Company		16,228	100,001	16,228	100,001
EARNINGS PER SHARE (SEN)					
Basic	25	1.02	6.30	1.02	6.30
Diluted	25	1.02	5.25	1.02	5.25

Note:

Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA")		77,050	209,180	77,050	209,180

(Please refer to Part A, Note 11 and Part B, Notes 15 and 16 of this Quarterly Report for further details.)

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2019 RM'000	QUARTER ENDED 30.09.2018 RM'000	PERIOD ENDED 30.09.2019 RM'000	PERIOD ENDED 30.09.2018 RM'000
PROFIT AFTER TAXATION	16,228	100,001	16,228	100,001
Other comprehensive income:				
Items that may be subsequently reclassified to profit or loss:				
- Foreign currency translation *	7,834	19,100	7,834	19,100
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER/PERIOD	24,062	119,101	24,062	119,101
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the Company	24,062	119,101	24,062	119,101

* *Arising from translation of Group entities' financial statements with different functional currencies recognised directly in reserves.*

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 30.09.2019 RM'000	AUDITED AS AT 30.06.2019 RM'000
ASSETS			
NON-CURRENT ASSETS			
Investment in an associate		5,547	5,745
Intangible assets		1,522,521	1,530,075
Equipment		535,762	380,228
Right-of-use assets		7,207	-
		2,071,037	1,916,048
CURRENT ASSETS			
Inventories		35,353	21,378
Trade receivables		8,902	64,869
Other receivables, deposits and prepayments		184,303	116,825
Amount owing by a joint venture		477	475
Amount owing by an associate		33	-
Cash and bank balances		253,064	273,537
		482,132	477,084
TOTAL ASSETS		2,553,169	2,393,132
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	764,965	764,965
Other reserves		73,035	65,201
Retained earnings		423,594	407,366
		1,261,594	1,237,532
NON-CURRENT LIABILITIES			
Contingent consideration		2,143	2,063
Finance lease liabilities		7,980	3,791
Other payables		72,163	106,874
Deferred tax liabilities		441,272	395,316
Provision for decommissioning costs		255,634	251,290
		779,192	759,334

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

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

	Note	UNAUDITED AS AT 30.09.2019 RM'000	AUDITED AS AT 30.06.2019 RM'000
CURRENT LIABILITIES			
Trade payables		1,671	8,721
Other payables and accruals		402,752	221,891
Provision for decommissioning costs		66,195	65,314
Deferred consideration		19,933	19,184
Amount owing to a joint venture		318	318
Amount owing to an associate		-	17
Finance lease liabilities		3,959	1,041
Provision for taxation		17,336	79,561
Redeemable Convertible Preference Shares		219	219
		512,383	396,266
TOTAL LIABILITIES		1,291,575	1,155,600
TOTAL EQUITY AND LIABILITIES		2,553,169	2,393,132
NET ASSETS PER SHARE (RM)		0.79	0.78

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

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 30.09.2019					
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
3 months to 30.09.2018					
As at 01.07.2018	764,965	389	53,080	177,356	995,790
Profit after taxation	-	-	-	100,001	100,001
Other comprehensive income, net of tax: - Foreign currency translation	-	-	19,100	-	19,100
Total comprehensive income for the quarter	-	-	19,100	100,001	119,101
As at 30.09.2018	764,965	389	72,180	277,357	1,114,891

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	QUARTER ENDED 30.09.2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	38,644
Adjustments for:	
Depreciation and amortisation of equipment and intangible assets	28,676
Finance costs	9,730
Share of results of an associate	78
Interest income	(255)
Unrealised gain on foreign exchange	(731)
Operating profit before working capital changes:	76,142
Inventories	(13,644)
Trade receivables	56,310
Other receivables, deposits and prepayments	(68,595)
Trade payables	4,979
Other payables and accruals	150,052
Amount owing by a joint venture	24
Amount owing to a joint venture	286
Amount owing by an associate	(33)
Amount owing to an associate	(17)
Cash generated from operating activities	205,504
Tax paid	(57,146)
Net cash generated from operating activities	148,358
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(156,848)
Acquisition of intangible assets	(2,633)
Interest received	255
Net cash used in investing activities	(159,226)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of lease liabilities, representing net cash used in financing activities	(7,942)
Net decrease in cash and cash equivalents	(18,810)
Effects of foreign exchange rate changes	(1,663)
Total cash and cash equivalents at beginning of the financial quarter	273,537
Total cash and cash equivalents at end of the financial quarter	253,064
Less: Cash restricted in use **	(73,622)
Unrestricted cash and cash equivalents at end of the financial quarter	179,442

** *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.*

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 30 June 2019 and the accompanying explanatory notes attached to the financial statements.

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

1 BASIS OF PREPARATION

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

The explanatory notes attached to the unaudited condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2019.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the unaudited condensed financial statements are consistent with those followed in the preparation of the Group's audited financial statements for the financial year ended 30 June 2019.

2.1 Adoption of Amendments to Standards and IC Interpretations

The Group has applied the following amendments for the first time for the financial year beginning on 1 July 2019:

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

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

2.1.1 MFRS 16 *Leases*

The Group has adopted MFRS 16 in the financial quarter ended 30 September 2019 ("**Current Quarter**"), where MFRS 16 supersedes MFRS 117 *Leases* and the related interpretations. Under MFRS 16, a lease is a contract (or part of contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 eliminates the classification of leases by the lessee as either finance leases or operating leases.

2 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.1.1 MFRS 16 *Leases* (cont'd)

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

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

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

(a) On the statements of profit or loss, expenses which previously included operating lease rentals within EBITDA, were replaced by interest expense on lease liabilities (included within 'finance costs') and amortisation of the right-of-use assets (included within 'other expenses').

(b) On the statement of cash flows, operating lease rental outflows previously recorded within 'cash flows from operating activities' were reclassified to 'cash flows from financing activities' for repayment of the principal and interest of lease liabilities.

2.2 Standards issued but not yet effective

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

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

3 SEASONAL OR CYCLICAL FACTORS

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

4 SIGNIFICANT/UNUSUAL ITEMS

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

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

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

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

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

Pursuant to the above, the Company had on 7 October 2019 announced that Anasuria Hibiscus UK entered into a conditional SPA to acquire License No. P2366 from United and Swift.

As part of further negotiations with the Sellers post execution of the earlier conditional non-binding term sheet and conduct of technical due diligence, the payment terms of the proposed acquisition of License No. P2366 would commence with a non-refundable payment of USD0.1 million to the Sellers (unless the default is not due to Anasuria Hibiscus UK) with a further payment of USD0.9 million being made upon completion of the SPA. Subject to further milestones being achieved post SPA completion, an additional sum of USD3.0 million would be paid within 7 business days of the actual date of approval of the Marigold Field Development Plan ("**FDP**") which could potentially include the development of the Crown discovery as part of the overall Marigold development ("**FDP Approval**"), by the relevant UK regulatory authority. Based on current internal forecasts, this is expected to be received by the end of 2020.

In the case that the FDP Approval is not achieved, or if the Marigold FDP submitted does not include the development of the Crown discovery, Anasuria Hibiscus UK may, at its discretion, proceed either with the USD3.0 million payment or, transfer License No. P2366 back to the Sellers without any further payment obligation.

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

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

The proposed acquisition of License No. P2366 is subject to the receipt of approval from the Oil and Gas Authority ("**OGA**") for the assignment of the license to Anasuria Hibiscus UK and the appointment of Anasuria Hibiscus UK as operator. If any conditions precedent have not been fulfilled or waived by the parties by 31 December 2019 (or such later date no later than 31 March 2020 as the parties may mutually agree), the Proposed Acquisition would be terminated according to the terms of the SPA.

Please refer to our announcements dated 17 July 2019 and 7 October 2019 for further details. Please also refer to Part A, Note 6 (ii) of this Quarterly Report.

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

(ii) Option to participate in the VIC/P74 Exploration Permit ("**VIC/P74**") in Australia.

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

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

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

Subsequently, on 3 October 2019, the Company announced that Carnarvon Hibiscus Pty Ltd ("**Carnarvon Hibiscus**"), an indirect wholly-owned subsidiary of Hibiscus Petroleum, has exercised its option to farm into VIC/P74 (the "**Permit**") by acquiring a 50% interest in the Permit ("**Interest**") from 3D Oil. In conjunction with the above, Carnarvon Hibiscus will enter into a conditional farm-in agreement with 3D Oil at a later date, of which an agreed term is 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 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) however, 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. Upon completion of Carnarvon Hibiscus's acquisition of the Interest, Carnarvon Hibiscus and 3D Oil will enter into a joint operating agreement.

Please refer to our announcements dated 26 July 2019 and 3 October 2019 for further details. Please also refer to Part A, Note 6 (i) of this Quarterly Report.

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

Saved as disclosed below, there were no other material events subsequent to the end of the Current Quarter up to the date of this Quarterly Report.

(i) Exercise of option to participate in VIC/P74 in Australia.

The Company had on 3 October 2019 announced that Carnarvon Hibiscus, an indirect wholly-owned subsidiary of Hibiscus Petroleum, has exercised its option to farm into the Permit by acquiring a 50% interest in the Permit from 3D Oil. Please refer to Part A, Note 4 (ii) of this Quarterly Report for more information.

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

(ii) Execution of conditional SPA to acquire License No. P2366 (Crown discovery) in the North Sea.

The Company had on 7 October 2019 announced that Anasuria Hibiscus UK, an indirect wholly-owned subsidiary of Hibiscus Petroleum, has entered into a conditional SPA to acquire License No. P2366 from United and Swift. Please refer to Part A, Note 4 (i) of this Quarterly Report for more information.

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

7 CHANGES IN THE COMPOSITION OF THE GROUP

There were no other 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 BORROWINGS, DEBT AND EQUITY SECURITIES

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

	QUARTER ENDED 30.09.2019	
ORDINARY SHARES	**Number of shares**	**Share capital RM'000**
As at 30.09.2019/01.07.2019	1,588,228,791	764,965

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

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.

The functional currency of this segment is the USD. The average and closing rates adopted for conversion to RM in the Current Quarter are 4.1773 and 4.1902 respectively.

(ii) Anasuria Hibiscus

Group's investments and operations in the UK, consisting of (i) the Anasuria Cluster, a producing asset, and (ii) Marigold and Sunflower fields, a development asset, both located offshore in the UK Continental Shelf.

Anasuria Cluster:

- 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% interests in the Anasuria FPSO and 50% interests in the Anasuria Operating Company Limited ("**AOCL**"). The Group jointly operates the producing fields under License No. P013 and the Anasuria FPSO via AOCL.

Marigold and Sunflower fields:

- 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.

The functional currency of the segment is the USD. The average and closing rates adopted for conversion to RM in the Current Quarter are 4.1773 and 4.1902 respectively.

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

Group's operations in the VIC/L31 Production License ("**VIC/L31**") for the West Seahorse field and other exploration prospects in Australia within the VIC/P57 Exploration Permit ("**VIC/P57**"), and investment in 3D Oil.

The functional currency of the segment is the Australian Dollar ("**AUD**"). The average and closing rates adopted for conversion to RM in the Current Quarter are 2.8363 and 2.8300 respectively.

(iv) Investment holding and group activities

Investments in companies owning/operating oil and gas concessions, and provision of project management, technical and other services relating to the oil and gas exploration and production industry. The investment holding and group activities are located in Malaysia.

^ *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.*

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
Period ended 30.09.2019					
Project management, technical and other service 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	-	-	(78)	-	(78)
Finance costs	(5,295)	(4,236)	-	(199)	(9,730)
Interest income	79	155	1	-	235
Taxation	(17,959)	(4,457)	-	-	(22,416)
Profit after taxation ("**PAT**")/ (Loss after taxation ("**LAT**"))	8,344	13,447	(1,528)	(4,035)	16,228
EBITDA/(Loss Before Interest, Taxes, Depreciation and Amortisation ("**LBITDA**"))	46,546	35,080	(1,528)	(3,048)	77,050

Note:

After adjusting inter-segment elimination (under column "Elimination"):

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).*

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 30.09.2018					
Non-current assets	411,861	966,507	241,961	26,346	1,646,675
Included in the segment assets is: Investment in an associate	-	-	6,144	-	6,144
Additions to non-current assets	1,736	65,449	406	4,070	71,661
Period ended 30.09.2018					
Project management, technical and other services fees	-	-	-	1,083	1,083
Sales of crude oil and gas	191,986	166,794	-	-	358,780
Interest income	-	-	2	90	92
Revenue	191,986	166,794	2	1,173	359,955
Depreciation and amortisation	(17,166)	(15,005)	-	(562)	(32,733)
Profit/(loss) from operations	83,576	99,061	(925)	(6,571)	175,141
Reversal of impairment of investment in an associate	-	-	1,335	-	1,335
Share of results	-	-	(101)	-	(101)
Finance costs	(7,633)	(3,413)	-	(191)	(11,237)
Interest income	72	-	-	-	72
Taxation	(31,060)	(34,149)	-	-	(65,209)
PAT/(LAT)	44,955	61,499	309	(6,762)	100,001
EBITDA/(LBITDA)	100,814	114,066	309	(6,009)	209,180

Note:

After adjusting inter-segment elimination (under column "Elimination"):

PAT/(LAT)	44,955	61,499	309	(6,762)	100,001
EBITDA/(LBITDA)	100,814	114,066	309	(6,009)	209,180

12 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions within the Group are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2019 RM'000	QUARTER ENDED 30.09.2018 RM'000	PERIOD ENDED 30.09.2019 RM'000	PERIOD ENDED 30.09.2018 RM'000
Project management, technical and other services fees earned from a related party				
- Ping Petroleum UK Limited	1,061	1,169	1,061	1,169
Joint Operating Agreement indirect overheads recovery from an associate				
- 3D Oil	3	6	3	6
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	2	1	2	1
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	(130)	(205)	(130)	(205)

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 2019:

	RM'000
Approved and contracted for:	
Group's capital commitments	30,834
Share of a joint operation's capital commitments	11,565
Total capital commitments approved and contracted for	42,399
Share of a joint operation's other material commitments	35,353
	77,752
Approved but not contracted for:	
Group's capital commitments	14,596
Share of a joint operation's capital commitments	10,963
Total capital commitments approved but not contracted for	25,559
Share of a joint operation's other material commitments	3,649
	29,208

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 30.09.2019 RM'000	Immediate Preceding Quarter 30.06.2019 RM'000	Current Year Quarter vs Immediate Preceding Quarter (Change in %)
North Sabah			
Revenue	88,943	147,994	(40)
EBITDA	**46,546**	**76,805**	**(39)**
Profit before taxation ("PBT")	26,303	60,706	(57)
Taxation	(17,959)	(28,677)	37
PAT	8,344	32,029	(74)
Anasuria Hibiscus			
Revenue	69,275	87,937	(21)
EBITDA	**35,080**	**57,525**	**(39)**
PBT	17,904	39,386	(55)
Taxation	(4,457)	(38,962)	89
PAT	13,447	424	3,071
3D Oil, VIC/L31 & VIC/P57			
Revenue	-	-	-
LBITDA	**(1,528)**	**(631)**	**(142)**
Loss before taxation ("LBT")	(1,528)	(631)	(142)
Taxation	-	-	-
LAT	(1,528)	(631)	(142)
Investment holding and group activities			
Revenue	1,081	1,138	(5)
LBITDA	**(3,048)**	**(6,641)**	**54**
LBT	(4,035)	(7,099)	43
Taxation	-	-	-
LAT	(4,035)	(7,099)	43
Group			
Revenue	159,299	237,069	(33)
EBITDA	**77,050**	**127,058**	**(39)**
PBT	38,644	92,362	(58)
Taxation	(22,416)	(67,639)	67
PAT	16,228	24,723	(34)

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 Sdn Bhd ("**SEA Hibiscus**"), completed the acquisition of 50% participating interests in the 2011 North Sabah EOR PSC on 31 March 2018.

The North Sabah segment recorded revenue and gross profit of RM88.9 million and RM58.3 million respectively in the Current Quarter.

The segment sold 334,613 barrels of crude at an average realised oil price of USD63.63 per barrel ("**bbl**"). Average operating costs ("**OPEX**") per bbl amounted to USD16.72 per bbl. The OPEX per bbl included amounts incurred for planned maintenance activities performed at the offshore platforms at South Furious, Barton and St Joseph. Such activities which included topside maintenance, well maintenance/intervention and pipeline inspection were mostly completed during the Current Quarter.

EBITDA for the Current Quarter amounted to RM46.5 million, i.e. a 52.3% margin over revenue.

Segment PBT was RM26.3 million after deducting the following items, all of which are non-cash in nature:

- Amortisation of intangible assets of RM14.9 million;
- Unwinding of discount on deferred consideration and non-current payables of RM3.2 million; and,
- Unwinding of discount on provision for decommissioning costs of RM2.0 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%. Net tax expenses incurred in the Current Quarter were largely due to taxes levied on profits generated from operations, partly off-set by a reversal of deferred tax liabilities. Total net tax expenses in the Current Quarter of RM18.0 million was relatively high (effective tax rate over PBT of 68.3%). It was mainly caused by recognition of tax liabilities to adjust certain tax-related estimates originally advised by the previous operator of the North Sabah asset upon completion of the acquisition of the asset on 31 March 2018. Adjustments to such estimates were confirmed by the sellers to SEA Hibiscus during the Current Quarter, upon them finalising their annual statutory tax submissions.

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**

The Anasuria Hibiscus segment achieved an EBITDA of RM35.1 million (50.6% margin over revenue) in the Current Quarter.

In the Current Quarter, from this segment of our business, we sold 272,345 bbls of crude oil at an average realised oil price of USD58.41 per bbl. Total revenue achieved was RM69.3 million, whilst gross profit was RM35.5 million.

The Anasuria asset achieved average uptime of 77% and average daily oil equivalent production rate of 2,589 boe per day. Average OPEX per boe recorded was USD26.04, while gross profit margin was 51.2%.

OPEX per boe of USD26.04 was largely caused by the planned shutdown of the Anasuria FPSO for maintenance activities ("**2019 Offshore Turnaround**") which commenced at the end of June 2019 and duly completed in the Current Quarter. The FPSO facilities were completely shut down for this maintenance exercise.

PBT stood at RM17.9 million after deducting the following non-cash items from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM12.9 million; and,
- Unwinding of discount on provision for decommissioning costs of RM3.6 million.

The segment recorded a net tax charge in the Current Quarter amounting to RM4.5 million. Income tax expenses amounted to RM2.8 million, while net deferred tax liabilities recognised were RM1.7 million.

The tax regime in the UK which applies to the exploration for, and production of, oil and gas, allows for any investments in capital expenditure to be fully deducted from taxable income in the same financial year/period in which they are incurred, thus lowering the income taxation for that financial year/period. At the same time, a deferred tax liability (based on the existing applicable UK tax rate of 40%) needs to be recognised in respect of the carrying value of the capital expenditure at the point when such capital expenditure is made. This creates a tax expense in the profit or loss account. However, such a tax expense is non-cash in nature.

Net deferred tax liabilities recognised were driven by high investments in qualifying capital expenditure (for taxation purposes) in the Current Quarter, amounting to RM61.2 million. Out of the total amount invested, RM54.8 million was for the drilling of a side-track from the GUA-P1 oil producing well on the Guillemot A field ("**GUA-P1 ST**"). This project commenced in May 2019 and was completed in August 2019.

15 PERFORMANCE REVIEW (CONT'D)

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

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

- **Current quarter results**

  During the Current Quarter, the segment recorded LAT of RM1.5 million.

  The USD had appreciated against the segment's functional currency, the AUD, during the Current Quarter when compared to 30 June 2019. The quarter-end retranslation of the segment's USD-denominated payables resulted in unrealised foreign exchange losses, which was the main reason for the LAT. A significant portion of such USD-denominated payables are to inter-companies, and as a result, there was no adverse impact to the Group.

(iv) Investment holding and group activities

- **Current quarter results**

  Segment LAT in the Current Quarter was RM4.0 million.

  Expenses incurred relate to corporate overheads, maintenance fees for the Britannia Rig, depreciation of computer equipment and business development expenses.

(B) <u>Statements of Financial Position</u>

(i) Non-current Assets

The Group's non-current assets as at 30 September 2019 amounted to RM2,071.0 million compared to RM1,916.0 million as at 30 June 2019.

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

RM92.3 million was incurred in North Sabah, largely for the St Joseph Infill Drilling and the South Furious 30 Infill Drilling projects which amounted to RM50.6 million and RM37.5 million respectively. Capital expenditure programs invested in the Anasuria asset included RM55.9 million for the GUA-P1 ST project and a further RM10.7 million for the Cook Water Injection ("**Cook WI**") project. In addition, approximately RM2.4 million has been incurred for the Marigold and Sunflower fields.

15 PERFORMANCE REVIEW (CONT'D)

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

(ii) Current Assets

Current assets increased from RM477.1 million as at 30 June 2019 to RM482.1 million as at 30 September 2019.

Operational-related receivables in North Sabah increased by approximately RM64.1 million mainly caused by higher amounts to be reimbursed by the joint venture partners, which were outstanding as at 30 September 2019.

These was largely off-set by lower trade receivables balance of RM56.0 million compared to 30 June 2019. The trade receivables balances at the end of the respective reporting periods are impacted by the timing of receipts of proceeds from crude oil offtakes in both the Anasuria Hibiscus and North Sabah segments.

(iii) Total Liabilities

The Group's total liabilities amounted to RM1,291.6 million as at 30 September 2019, an increase of RM136.0 million from RM1,155.6 million as at 30 June 2019.

As at the end of the Current Quarter, outstanding payables for the North Sabah asset increased by approximately RM148.9 million compared to 30 June 2019. The increase was mainly due to amounts incurred for the St Joseph Infill Drilling and the South Furious 30 Infill Drilling projects and for planned maintenance activities at the offshore platforms.

(iv) Total Equity

The increase in total equity during the Current Quarter by RM24.1 million was mainly attributable to net earnings generated from both the Anasuria and North Sabah assets.

(C) <u>Statement of Cash Flows</u>

(i) Cash flow from operating activities

Net cash inflow from operating activities for the Current Quarter was RM148.4 million. It comprised mainly of cash received from operations at the North Sabah and Anasuria assets, partly off-set by group-wide operating overheads and payment of taxation obligations incurred for both assets.

(ii) Cash flow used in investing activities

The Group's net cash used in investing activities amounted to RM159.2 million.

A total of RM156.8 million was paid mainly for investments in capital expenditure in both the Anasuria and North Sabah assets.

(iii) Cash flow used in financing activities

Payments for computer hardware and software purchased via finance lease arrangements during the Current Quarter amounted to RM7.9 million.

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 an EBITDA of RM46.5 million as compared to RM76.8 million in the three-month period ended 30 June 2019 ("**Preceding Quarter**").

SEA Hibiscus sold 334,613 bbls of crude oil in one cargo during the Current Quarter as compared to 490,753 bbls from two cargoes in the Preceding Quarter. Average realised oil price achieved in the Current Quarter was USD63.63 per bbl whilst USD72.59 per bbl was achieved in the Preceding Quarter. As a result, revenue generated in the Current Quarter of RM88.9 million was lower by RM59.1 million than that recognised in the Preceding Quarter of RM148.0 million.

Accordingly, EBITDA achieved by the segment in the Current Quarter was lower than that achieved in the Preceding Quarter by RM30.3 million.

Average uptime in North Sabah in the Current Quarter was 85%, compared to 94% in the Preceding Quarter. This was caused by planned maintenance activities performed at the offshore platforms at South Furious, Barton and St Joseph and infill drilling activities. Average gross oil production declined by approximately 4% (from 14,873 bbl per day in the Preceding Quarter to 14,234 bbl per day in the Current Quarter). These factors and higher costs incurred on the planned maintenance activities had resulted in average OPEX per bbl to increase from USD13.60 in the Preceding Quarter to USD16.72 in the Current Quarter.

Net tax expenses incurred in the Current Quarter and the Preceding Quarter were due to taxes levied on profits generated from operations, partly off-set by a reversal of deferred tax liabilities. In addition to that, for the Current Quarter, there was recognition of tax liabilities to adjust certain tax-related estimates originally advised by the previous operator of the North Sabah asset upon completion of the acquisition of the asset on 31 March 2018 during the Current Quarter.

(ii) Anasuria Hibiscus

The segment achieved an EBITDA and a PBT of RM35.1 million and RM17.9 million respectively in the Current Quarter as compared to that achieved in the Preceding Quarter, i.e. EBITDA of RM57.5 million and PBT of RM39.4 million.

Revenue recorded in the Current Quarter amounted to RM69.3 million compared to the Preceding Quarter's revenue of RM87.9 million. The decrease of RM18.6 million was due to both lower number of bbls sold and lower average oil price realised. Anasuria Hibiscus UK sold 272,345 bbls of crude oil at an average oil price of USD58.41 per bbl in the Current Quarter. In the Preceding Quarter, 302,139 bbls of crude oil were sold at an average realised price of USD66.84 per bbl.

Average uptime and average OPEX per boe in the Current Quarter of 77% and USD26.04 respectively performed less favourably when compared to the Preceding Quarter, where the respective metrics attained were 87% and USD20.93 respectively. In the Current Quarter, the Anasuria asset completed the planned 2019 Offshore Turnaround in July 2019, where the FPSO facilities were completely shut down. In addition, average daily oil production rate was lower than that in the Preceding Quarter by approximately 10%, from 2,662 bbl per day in the Preceding Quarter to 2,386 bbl per day in the Current Quarter.

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

A net tax expense of RM4.5 million was recognised in the Current Quarter, a decrease of RM34.5 million as compared to a net tax expense of RM39.0 million in the Preceding Quarter.

Income tax expenses in the Current Quarter amounted to RM2.8 million compared to RM26.2 million in the Preceding Quarter. Total income tax expenses accrued in the Preceding Quarter was higher due to the recognition of higher income tax liabilities subsequent to a re-assessment of year-to-date income tax obligations in that quarter. It was also impacted by higher revenue achieved in the Preceding Quarter. In addition, net deferred tax liabilities recognised in the Preceding Quarter were higher by RM11.1 million.

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

During the Current Quarter, the segment recorded a LAT of RM1.5 million as compared to a LAT of RM0.6 million in the Preceding Quarter.

Higher LAT in the Current Quarter was caused by higher adverse foreign exchange differences.

(iv) Investment holding and group activities

This segment recorded a decrease in LAT of RM3.1 million in the Current Quarter, from a LAT of RM7.1 million in the Preceding Quarter.

Lower costs were incurred for payroll-related expenses, professional fees and administrative expenses.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

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

For completeness, please also refer to Part A, Note 6 of this Quarterly Report.

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

(i) Warrants C

As of 21 November 2019, 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.

19 PROSPECTS OF THE GROUP

Note: This section is supplemented by the Corporate and Business Update released on the same day as this Quarterly Report (21 November 2019).

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 2018 to end-October 2019:

2. Any premium or discount that we may receive on the price of the Brent crude oil benchmark for our specific cargo in Anasuria and in North Sabah depending on market conditions at the relevant time.

3. Gas prices for the respective fields in Anasuria 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.

4. Movement of foreign exchange rates, mainly:

   - USD vs RM:
     - as our revenues from Anasuria and North Sabah assets are secured in USD;
     - as the base currency used for the Anasuria and North Sabah asset 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.

19 PROSPECTS OF THE GROUP (CONT'D)

5. Movement of foreign exchange rates, mainly:

   - USD vs RM:
     - as our revenues from Anasuria and North Sabah assets are secured in USD;
     - as the base currency used for the Anasuria and North Sabah asset 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.

6. Operational performance of the Anasuria and North Sabah assets, more specifically:

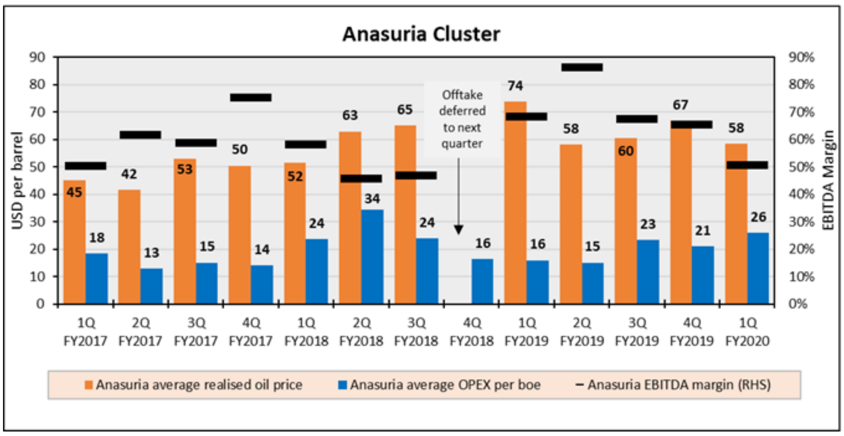
   - Production performance of the wells; and,

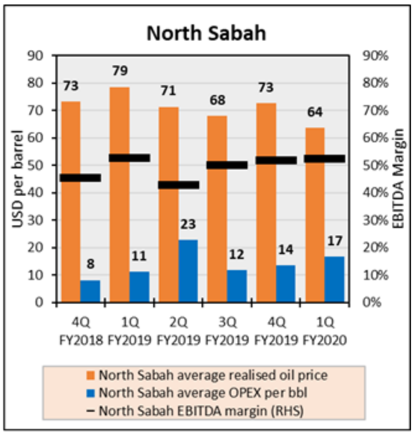
   - Facilities availability.

7. 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 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 EBITDA margin in 4Q FY2018 excludes the impact of negative goodwill of RM93.8m.

19 PROSPECTS OF THE GROUP (CONT'D)

Our asset teams from both Anasuria and North Sabah are targeting to execute production enhancement projects that could potentially enhance our net oil production rate to over 12,000 bbls per day by 2021. Our target for the current financial year ending 30 June 2020 is to deliver approximately 3.3 to 3.5 million bbls of oil from our two producing assets. In the Current Quarter, we have sold approximately 0.6 million bbls of crude oil across both assets with one offtake coming from Anasuria and North Sabah each.

We believe that we are positioned to achieve our offtake target given the aggressive capital investment programme to arrest the natural decline in production and enhance production through a total of nine firm wells being drilled across the Group in 2019.

In Anasuria, the Cook WI project has been completed and we have commenced injection of water into the Cook reservoir. We expect to see a gradual increase in production from this field as reservoir pressure of the Cook field increases. The GUA-P1 ST project to drill one side-track well has also been completed and production commenced in the Current Quarter.

In North Sabah, the St Joseph Infill Drilling project with the objective of drilling three infill wells completed in August 2019. The three infill wells reported a combined stabilised flowrate of over 3,200 bbls per day. This exceeded the combined pre-drill expectations of approximately 2,600 bbls per day. For the South Furious 30 Infill Drilling project, we have successfully completed and brought online two out of the three infill wells being drilled. The two wells are being monitored closely prior to increasing the production choke to maximum production capacity. Drilling and completion of the third South Furious 30 well is currently in progress. We will disclose the performance of the wells in due course. In addition, we are on track to complete one water injection well as part of the South Furious 30 Waterflood Phase 1 project in 2019.

The Group has articulated its mission until 2021 and we will continue towards achieving critical milestones that are key towards the successful delivery of our goals.

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.

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 30.09.2019	QUARTER ENDED 30.09.2018	PERIOD ENDED 30.09.2019	PERIOD ENDED 30.09.2018
Profit after taxation attributable to owners of the Company (RM'000)	(A)	16,228	100,001	16,228	100,001
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)		-	317,646	-	317,646
Weighted average number of shares for diluted earnings per share computation ('000)	(C)	1,588,229	1,905,875	1,588,229	1,905,875
Basic earnings per share (sen)	(A/B)	1.02	6.30	1.02	6.30
Diluted earnings per share (sen)	(A/C)	1.02	5.25	1.02	5.25

26 OTHER INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2019 RM'000	QUARTER ENDED 30.09.2018 RM'000	PERIOD ENDED 30.09.2019 RM'000	PERIOD ENDED 30.09.2018 RM'000
Sundry income	108	26	108	26
Interest income	235	72	235	72
Unrealised gain on foreign exchange ^^^	731	-	731	-
Realised gain on foreign exchange ^^^	-	647	-	647
	1,074	745	1,074	745

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

27 PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2019 RM'000	QUARTER ENDED 30.09.2018 RM'000	PERIOD ENDED 30.09.2019 RM'000	PERIOD ENDED 30.09.2018 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Depreciation and amortisation of equipment and intangible assets	28,676	32,733	28,676	32,733
Interest income	(255)	(164)	(255)	(164)
Finance costs	9,730	11,237	9,730	11,237
Unrealised (gain)/loss on foreign exchange ^^^^	(731)	105	(731)	105
Realised loss/(gain) on foreign exchange ^^^^	311	(647)	311	(647)
Share of results of an associate	78	101	78	101
Reversal of impairment of investment in an associate	-	(1,335)	-	(1,335)

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

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

28 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2019 RM'000	QUARTER ENDED 30.09.2018 RM'000	PERIOD ENDED 30.09.2019 RM'000	PERIOD ENDED 30.09.2018 RM'000
Income taxation	18,083	(59,220)	18,083	(59,220)
Deferred taxation	(40,499)	(5,989)	(40,499)	(5,989)
	(22,416)	(65,209)	(22,416)	(65,209)

28 TAXATION (CONT'D)

Breakdown by operating segments:

OPERATING SEGMENTS	Individual Quarter		Cumulative Quarter	
	Quarter Ended 30.09.2019 RM'000	Quarter Ended 30.09.2018 RM'000	Period Ended 30.09.2019 RM'000	Period Ended 30.09.2018 RM'000
North Sabah				
Income taxation	20,925	(44,661)	20,925	(44,661)
Deferred taxation	(38,884)	13,601	(38,884)	13,601
Total	**(17,959)**	**(31,060)**	**(17,959)**	**(31,060)**
Anasuria Hibiscus				
Income taxation	(2,842)	(14,559)	(2,842)	(14,559)
Deferred taxation	(1,615)	(19,590)	(1,615)	(19,590)
Total	**(4,457)**	**(34,149)**	**(4,457)**	**(34,149)**
3D Oil, VIC/L31 & VIC/P57				
Income taxation	-	-	-	-
Deferred taxation	-	-	-	-
Total	**-**	**-**	**-**	**-**
Investment holding and group activities				
Income taxation	-	-	-	-
Deferred taxation	-	-	-	-
Total	**-**	**-**	**-**	**-**
Group				
Income taxation	18,083	(59,220)	18,083	(59,220)
Deferred taxation	(40,499)	(5,989)	(40,499)	(5,989)
Total	**(22,416)**	**(65,209)**	**(22,416)**	**(65,209)**

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.

- North Sabah

  Upon the Group's completion of the acquisition of 50% participating interests in the 2011 North Sabah EOR PSC on 31 March 2018, deferred tax liabilities are recognised on intangible assets and inventories acquired. This was partly off-set by deferred tax assets recognised on provision for decommissioning costs. The net deferred tax liabilities will gradually reverse, generating a tax credit (i.e. a gain) in the profit or loss account.

28 TAXATION (CONT'D)

- 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% and 10% respectively.

  In the UK, any investments in capital expenditure made are deductible from both taxes mentioned above in the same financial year they are incurred. Deferred tax liabilities are recognised in respect of the carrying value of the capital expenditure incurred at the end of the financial year. The setting up of the deferred tax liabilities will generate a deferred tax debit (i.e. an expense) in the profit or loss account in the financial year in which the expenditure is incurred. This debit will match the tax value of the deduction available for the capital expenditure which is reflected in calculating the income tax charge in the profit or loss account such that the net effect is that no overall tax debit nor credit arises from the initial set up of the asset and the tax deduction claimed in the income tax return. As the asset (from the capital expenditure) is depreciated however, the deferred tax liabilities in the balance sheet will gradually reverse, generating a tax credit (i.e. a gain) in the profit or loss account. The overall effect of this subsequent reversal is to allocate the tax deduction generated by the capital expenditure for the purposes of the profit or loss account over the period during which the asset is depreciated notwithstanding that for cash tax purposes an immediate deduction is available.

By Order of the Board of Directors
Hibiscus Petroleum Berhad
21 November 2019