HIBISCUS PETROLEUM BERHAD

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

Unaudited Quarterly Financial Report
31 December 2019

(Note: This Unaudited Quarterly Financial Report is supplemented by the Corporate and Business Update released on the same day, on 25 February 2020.)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	INDIVIDUAL QUARTER QUARTER ENDED 31.12.2019 RM'000	INDIVIDUAL QUARTER QUARTER ENDED 31.12.2018 RM'000	CUMULATIVE QUARTER PERIOD ENDED 31.12.2019 RM'000	CUMULATIVE QUARTER PERIOD ENDED 31.12.2018 RM'000
Revenue		271,846	165,158	431,145	525,113
Cost of sales		(99,130)	(51,643)	(163,569)	(161,293)
GROSS PROFIT		172,716	113,515	267,576	363,820
Other income	26	959	1,547	1,302	1,540
Administrative expenses		(21,709)	(16,235)	(40,205)	(57,899)
Other expenses		(51,063)	(36,260)	(79,318)	(68,346)
Finance costs		(9,569)	(10,558)	(19,299)	(21,795)
Share of results of an associate		(83)	(83)	(161)	(184)
PROFIT BEFORE TAXATION	27	91,251	51,926	129,895	217,136
Taxation	28	(40,003)	(1,821)	(62,419)	(67,030)
PROFIT AFTER TAXATION		51,248	50,105	67,476	150,106
PROFIT AFTER TAXATION ATTRIBUTABLE TO:					
- Owners of the Company		51,248	50,105	67,476	150,106
EARNINGS PER SHARE (SEN)					
Basic	25	3.23	3.15	4.25	9.45
Diluted	25	3.23	2.63	4.25	7.88

Note:

Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA")	142,318	97,997	219,368	307,177

(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 31.12.2019 RM'000	QUARTER ENDED 31.12.2018 RM'000	PERIOD ENDED 31.12.2019 RM'000	PERIOD ENDED 31.12.2018 RM'000
PROFIT AFTER TAXATION	51,248	50,105	67,476	150,106
Other comprehensive (expenses)/income:				
Items that may be subsequently reclassified to profit or loss:				
- Foreign currency translation *	(22,719)	(6,968)	(14,885)	12,132
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER/PERIOD	28,529	43,137	52,591	162,238
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the Company	28,529	43,137	52,591	162,238

* *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 31.12.2019 RM'000	AUDITED AS AT 30.06.2019 RM'000
ASSETS			
NON-CURRENT ASSETS			
Investment in an associate		5,494	5,745
Intangible assets		1,468,860	1,530,075
Equipment		582,752	380,228
Right-of-use assets		6,413	-
Restricted cash and bank balances		84,935	66,828
		2,148,454	1,982,876
CURRENT ASSETS			
Inventories		23,658	21,378
Trade receivables		114,290	64,869
Other receivables, deposits and prepayments		190,108	116,825
Amount owing by a joint venture		473	475
Amount owing by an associate		52	-
Cash and bank balances		90,724	206,709
		419,305	410,256
TOTAL ASSETS		2,567,759	2,393,132
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	764,965	764,965
Other reserves		50,316	65,201
Retained earnings		474,842	407,366
		1,290,123	1,237,532
NON-CURRENT LIABILITIES			
Contingent consideration		2,144	2,063
Finance lease liabilities		7,259	3,791
Other payables		72,188	106,874
Deferred tax liabilities		457,425	395,316
Provision for decommissioning costs		265,804	251,290
		804,820	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 31.12.2019 RM'000	AUDITED AS AT 30.06.2019 RM'000
CURRENT LIABILITIES			
Trade payables		3,708	8,721
Other payables and accruals		431,047	221,891
Provision for decommissioning costs		-	65,314
Deferred consideration		19,941	19,184
Amount owing to a joint venture		318	318
Amount owing to an associate		-	17
Finance lease liabilities		3,622	1,041
Provision for taxation		13,961	79,561
Redeemable Convertible Preference Shares		219	219
		472,816	396,266
TOTAL LIABILITIES		1,277,636	1,155,600
TOTAL EQUITY AND LIABILITIES		2,567,759	2,393,132
NET ASSETS PER SHARE (RM)		0.81	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**
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	764,965	389	49,927	474,842	1,290,123
6 months to 31.12.2018					
As at 01.07.2018	764,965	389	53,080	177,356	995,790
Profit after taxation	-	-	-	150,106	150,106
Other comprehensive income, net of tax: - Foreign currency translation	-	-	12,132	-	12,132
Total comprehensive income for the period	-	-	12,132	150,106	162,238
As at 31.12.2018	764,965	389	65,212	327,462	1,158,028

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

	PERIOD ENDED 31.12.2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	129,895
Adjustments for:	
Depreciation and amortisation of equipment and intangible assets	70,174
Finance costs	19,299
Share of results of an associate	161
Interest income	(486)
Unrealised loss on foreign exchange	6,254
Operating profit before working capital changes	225,297
Inventories	(2,562)
Trade receivables	(50,433)
Other receivables, deposits and prepayments	(74,523)
Trade payables	(5,006)
Other payables and accruals	106,751
Amount owing by a joint venture	1
Amount owing by an associate	(52)
Amount owing to an associate	(17)
Cash generated from operating activities	199,456
Tax paid	(60,629)
Movement in restricted cash and bank balances **	(22,820)
Net cash generated from operating activities	116,007
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of equipment	(225,446)
Acquisition of intangible assets	(9,021)
Interest received	486
Net cash used in investing activities	(233,981)
CASH FLOWS FROM FINANCING ACTIVITIES	
Repayment of lease liabilities, representing net cash used in financing activities	(2,258)
Net decrease in cash and cash equivalents	(120,232)
Effects of foreign exchange rate changes	683
Cash and cash equivalents at beginning of the financial period	206,709
Cash and cash equivalents at end of the financial period	87,160

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

Non-current	
Restricted cash and bank balances **	84,935
Current	
Cash and bank balances	90,724
Less: Restricted cash and bank balances ***	(3,564)
Cash and cash equivalents	87,160

** *Anasuria Hibiscus UK Limited ("**Anasuria Hibiscus UK**") is required to provide security for its proportionate obligations for the estimated cost of decommissioning the facilities of the Anasuria Cluster by periodically placing monies in a trust commencing 18 months from the completion date of the sale and purchase agreement for the acquisition of the Anasuria Cluster, until such time that the security has been fully provided for. Such decommissioning activities are expected to be carried out at the end of life of the Anasuria Cluster and therefore, these monies in the trust are classified as non-current assets. Comparatives have been reclassified to conform with the presentation in the financial period ended 31 December 2019.*

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

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

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 period ended 31 December 2019 ("**Current Period**"), 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 Adoption of Amendments to Standards and IC Interpretations (Cont'd)

2.1.1 MFRS 16 *Leases* (cont'd)

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

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

The adoption of MFRS 16 impacts the Group's financial performance in the Current Period 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 Period:

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

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

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

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

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

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

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

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

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

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

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

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, 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 has agreed to enter into an Assignment Agreement and Instrument of Transfer of the Interest and a Joint Operating Agreement 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 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) 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.

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

5 MATERIAL CHANGES IN ESTIMATES

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

6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER

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 other 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 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 Period.

	PERIOD ENDED 31.12.2019	
ORDINARY SHARES	**Number of shares**	**Share capital RM'000**
As at 31.12.2019/01.07.2019	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 Period are 4.1635 and 4.0887 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 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 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. License No. P2366: • Group's 100% interest in License No. P2366. The functional currency of the segment is the USD. The average and closing rates adopted for conversion to RM in the Current Period are 4.1635 and 4.0887 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 Period are 2.8487 and 2.8679 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 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 service 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	40,920	(432)	(8,033)	148,899
Share of results	-	-	(161)	-	(161)
Finance costs	(10,609)	(8,305)	-	(385)	(19,299)
Interest income	164	291	1	-	456
Taxation	(52,882)	(9,537)	-	-	(62,419)
Profit after taxation ("**PAT**")/ (Loss after taxation ("**LAT**"))	53,117	23,369	(592)	(8,418)	67,476
EBITDA/(Loss Before Interest, Taxes, Depreciation and Amortisation ("**LBITDA**"))	156,404	69,961	(592)	(6,405)	219,368

^ *Additions to non-current assets for Anasuria Hibiscus included RM4.5 million invested during the Current Period 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 31.12.2018					
Non-current assets	399,016	1,113,959	235,435	29,527	1,777,937
Included in the segment assets is: Investment in an associate	-	-	6,193	-	6,193
Additions to non-current assets	2,970	77,040	-	7,140	87,150
Period ended 31.12.2018					
Project management, technical and other services fees	-	-	-	2,490	2,490
Sales of crude oil and gas	280,117	242,182	-	-	522,299
Interest income	-	-	-	324	324
Revenue	280,117	242,182	-	2,814	525,113
Depreciation and amortisation	(31,166)	(35,708)	-	(1,372)	(68,246)
Profit/(loss) from operations	107,087	143,414	(1,761)	(11,148)	237,592
Reversal of impairment of investment in an associate	-	-	1,335	-	1,335
Share of results	-	-	(184)	-	(184)
Finance costs	(14,466)	(6,912)	-	(417)	(21,795)
Interest income	188	-	-	-	188
Taxation	(35,055)	(31,975)	-	-	(67,030)
PAT/(LAT)	57,754	104,527	(610)	(11,565)	150,106
EBITDA/(LBITDA)	138,441	179,122	(610)	(9,776)	307,177

12 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions within the Group are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.12.2019 RM'000	QUARTER ENDED 31.12.2018 RM'000	PERIOD ENDED 31.12.2019 RM'000	PERIOD ENDED 31.12.2018 RM'000
Project management, technical and other services fees earned from a related party				
- Ping Petroleum UK Limited	943	1,246	2,004	2,415
Joint Operating Agreement indirect overheads recovery from an associate				
- 3D Oil	-	3	3	9
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	1	-	3	1
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	(1)	(36)	(131)	(241)

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 2019:

	RM'000
Approved and contracted for:	
Group's capital commitments	12,661
Share of a joint operation's capital commitments	18,154
Total capital commitments approved and contracted for	30,815
Share of a joint operation's other material commitments	38,253
	69,068
Approved but not contracted for:	
Group's capital commitments	27,645
Share of a joint operation's capital commitments	2,436
Total capital commitments approved but not contracted for	30,081
Share of a joint operation's other material commitments	1,800
	31,881

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 31.12.2019 RM'000	Current Year Quarter 31.12.2019 RM'000	Immediate Preceding Quarter 30.09.2019 RM'000	Current Year Quarter vs Immediate Preceding Quarter (Change in %)
North Sabah				
Revenue	284,865	195,922	88,943	120
EBITDA	**156,404**	**109,858**	**46,546**	**136**
Profit before taxation ("PBT")	105,999	79,696	26,303	203
Taxation	(52,882)	(34,923)	(17,959)	(94)
PAT	53,117	44,773	8,344	437
Anasuria Hibiscus				
Revenue	144,246	74,971	69,275	8
EBITDA	**69,961**	**34,881**	**35,080**	**(1)**
PBT	32,906	15,002	17,904	(16)
Taxation	(9,537)	(5,080)	(4,457)	(14)
PAT	23,369	9,922	13,447	(26)
3D Oil, VIC/L31 & VIC/P57				
Revenue	-	-	-	-
(LBITDA)/EBITDA	**(592)**	**936**	**(1,528)**	**-**
Loss before taxation ("LBT")/PBT	(592)	936	(1,528)	-
Taxation	-	-	-	-
(LAT)/PAT	(592)	936	(1,528)	-
Investment holding and group activities				
Revenue	2,034	953	1,081	(12)
LBITDA	**(6,405)**	**(3,357)**	**(3,048)**	**(10)**
LBT	(8,418)	(4,383)	(4,035)	(9)
Taxation	-	-	-	-
LAT	(8,418)	(4,383)	(4,035)	(9)
Group				
Revenue	431,145	271,846	159,299	71
EBITDA	**219,368**	**142,318**	**77,050**	**85**
PBT	129,895	91,251	38,644	136
Taxation	(62,419)	(40,003)	(22,416)	(78)
PAT	67,476	51,248	16,228	216

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, SEA Hibiscus generated RM284.9 million revenue. 1,006,065 barrels of crude oil were sold at an average realised oil price of USD68.01 per barrel ("**bbl**"). Average operating costs ("**OPEX**") per bbl was USD13.64. 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 financial quarter ended 30 September 2019 ("**Preceding Quarter**").

Gross profit and EBITDA attained were RM181.5 million and RM156.4 million respectively. Gross profit margin and EBITDA margin over revenue were relatively high at 63.7% and 54.9% respectively as a result of a reasonably high average realised oil price and a low average OPEX per bbl.

Segment PBT was RM106.0 million 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 RM39.2 million;
- Unwinding of discount on deferred consideration and non-current payables of RM6.5 million; and,
- Unwinding of discount on provision for decommissioning costs of RM4.0 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 38.0%. Total net tax expenses in the Current Period were RM52.9 million. The resulting effective tax rate over PBT was therefore 49.9%. This was higher than the PITA rate of 38.0% mainly due to 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 Preceding Quarter, upon them finalising their annual statutory tax submissions and are non-recurring in nature.

15 PERFORMANCE REVIEW (CONT'D)

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

- **Current quarter results**

The North Sabah segment recorded revenue and gross profit of RM195.9 million and RM123.2 million respectively in the financial quarter ended 31 December 2019 ("**Current Quarter**").

During the Current Quarter, the segment sold 671,452 bbls of crude oil at an average realised oil price of USD70.19 per bbl. Both average uptime and OPEX per bbl were at healthy levels. Average uptime achieved was 93% while average OPEX per bbl amounted to USD12.23 per bbl.

EBITDA for the Current Quarter amounted to RM109.9 million, i.e. a 56.1% margin over revenue.

Segment PBT was RM79.7 million after deducting amortisation of intangible assets and depreciation of oil and gas assets (RM24.6 million), unwinding of discount on deferred consideration and non-current payables (RM3.3 million) and unwinding of discount on provision for decommissioning costs (RM2.0 million).

The segment's total net tax expenses in the Current Quarter were RM34.9 million. The effective tax rate over PBT was 43.8%, slightly higher than the PITA rate of 38.0%. It was mainly caused by recognition of tax liabilities adjusting 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 in the Preceding Quarter, upon them finalising their annual statutory tax submissions. Such adjustments will not recur after the Current Quarter.

(ii) Anasuria Hibiscus

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

The Anasuria Hibiscus segment sold 522,049 bbls of crude oil in two offtakes in the Current Period. Average oil price realised was USD63.32 per bbl.

Total revenue and gross profit generated from the two crude oil offtakes were RM144.2 million and RM84.1 million respectively.

The average daily oil equivalent production rate in the Current Period was 2,779 bbl of oil equivalent ("**boe**") per day while average uptime was 81%. Average OPEX per boe recorded for the Current Period was USD24.26. The high OPEX per boe was largely caused by the planned shutdown of the Anasuria FPSO for maintenance activities ("**2019 Offshore Turnaround**") which commenced at the end of June 2019 and duly completed in the Preceding Quarter. The FPSO facilities were completely shut down for this maintenance exercise.

15 PERFORMANCE REVIEW (CONT'D)

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

EBITDA generated during the Current Period amounted to RM70.0 million, i.e. a 48.5% margin over revenue.

Segment PBT was RM32.9 million after deducting the following non-cash items from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM28.6 million; and,

- Unwinding of discount on provision for decommissioning costs of RM7.5 million.

The tax regime which applies to exploration for, and production of, oil and gas in the UK, and is thus applicable to Anasuria Hibiscus UK, currently comprises of ring fence corporation tax and a supplementary charge. The current rates of tax for ring fence corporation tax and supplementary charge are set at 30.0% and 10.0% respectively. The segment recorded a net tax charge in the Current Period amounting to RM9.5 million, representing an effective tax rate over PBT of 29.0%. This was lower than the statutory rates stated, mainly due to additional allowances in relation to capital expenditure incurred, as provided under the supplementary charge tax regime.

- **Current quarter results**

In the Current Quarter, from this segment of our business, we sold 249,704 bbls of crude oil at an average realised oil price of USD68.67 per bbl. Total revenue achieved was RM75.0 million, whilst gross profit was RM48.6 million.

The Anasuria asset achieved average uptime of 85% and average daily oil equivalent production rate of 2,968 boe per day. Average OPEX per boe recorded was USD22.64, while gross profit margin was 64.8%.

In October 2019, a diving campaign to conduct well inspections and maintenance, as well as to install a gas lift jumper to the recently drilled side-track from the GUA-P1 oil producing well on the Guillemot A field ("**GUA-P1 ST**"), was successfully executed. Production was partially impacted and therefore, resulted in a slightly higher OPEX per boe. However, the gas lift jumper will allow production from the GUA-P1 ST well to be enhanced once we commence gas lifting the well.

The Anasuria Hibiscus segment achieved an EBITDA of RM34.9 million (46.5% margin over revenue) in the Current Quarter.

15 PERFORMANCE REVIEW (CONT'D)

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

PBT stood at RM15.0 million after deducting the following non-cash items from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM15.7 million; and,
- Unwinding of discount on provision for decommissioning costs of RM3.9 million.

The segment recorded a net tax charge in the Current Quarter amounting to RM5.1 million, or 33.9% over PBT.

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

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

During the Current Period, the segment recorded LAT of RM0.6 million.

This was largely due to amounts incurred for project management fees and administrative expenses and also share of results of an associate.

- **Current quarter results**

The segment recorded PAT of RM0.9 million in the Current Quarter.

The AUD, being the segment's functional currency, had appreciated against the USD during the Current Quarter when compared to 30 September 2019. The quarter-end retranslation of the segment's USD-denominated payables resulted in unrealised foreign exchange gains, which was the main reason for the PAT. A significant portion of such USD-denominated payables are to inter-companies.

(iv) Investment holding and group activities

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

LAT for the Current Period amounted to RM8.4 million.

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

- **Current quarter results**

Segment LAT in the Current Quarter was RM4.4 million.

Major components of expenses recorded for the segment were corporate overheads, maintenance fees for the Britannia Rig, depreciation of computer equipment and business development expenses.

15 PERFORMANCE REVIEW (CONT'D)

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

(B) Statements of Financial Position

(i) Non-current Assets

The Group's non-current assets as at 31 December 2019 amounted to RM2,148.5 million compared to RM1,982.9 million as at 30 June 2019.

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

RM138.8 million was incurred in North Sabah, largely for the South Furious 30 Infill Drilling and the St Joseph Infill Drilling projects which amounted to RM64.2 million and RM51.3 million respectively. In addition, Petroliam Nasional Berhad ("**PETRONAS**") had on 17 October 2019 approved the South Furious 30 Water Flood Phase 1 project development plan which entails the drilling and completion of one infill water injection well intended for reservoir re-pressurization to scope out the effectiveness of water injection pressure support to help further define the full field water injection project. Topside modification entailed deck strengthening and extension works. Following the completion of the drilling of the water injector in November 2019, topside modification work commenced during the Current Quarter. Total capital expenditure incurred in the Current Period amounted to RM22.0 million.

Capital expenditure programs invested in the Anasuria asset included RM59.9 million for the GUA-P1 ST project. A further RM16.2 million was invested for the Cook Water Injection ("**Cook WI**") project and approximately RM4.5 million has been incurred for the Marigold and Sunflower fields.

(ii) Current Assets

Current assets increased marginally from RM410.3 million as at 30 June 2019 to RM419.3 million as at 31 December 2019.

Net operational-related receivables in SEA Hibiscus and Anasuria Hibiscus UK increased by approximately RM61.7 million and RM10.8 million respectively, mainly driven by higher amounts to be reimbursed by the respective joint venture partners for the different assets operated in each entity, which were outstanding as at 31 December 2019.

In addition, trade receivables balance increased by RM49.4 million to RM114.3 million compared to RM64.9 million as at 30 June 2019. Proceeds from the crude oil offtake at the end of December 2019 from the North Sabah asset (amounting to approximately RM100.0 million) had not been received at the end of the Current Period.

This was largely off-set by lower cash and bank balances of RM116.0 million. In December 2019, SEA Hibiscus paid a sum of RM69.1 million for the 2019 calendar year's portion of decommissioning liabilities related to the North Sabah asset. In addition, across both the North Sabah and Anasuria assets, RM60.6 million was paid for taxation liabilities during the Current Period.

15 PERFORMANCE REVIEW (CONT'D)

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

(iii) Total Liabilities

The Group's total liabilities amounted to RM1,277.6 million as at 31 December 2019, an increase of RM122.0 million from RM1,155.6 million as at 30 June 2019.

As at the end of the Current Period, outstanding payables for the North Sabah asset increased by approximately RM182.9 million compared to 30 June 2019. The increase was mainly caused by amounts incurred for the St Joseph Infill Drilling, the South Furious 30 Infill Drilling and the South Furious 30 Water Flood Phase 1 projects and also for planned maintenance activities at the offshore platforms.

This was partially off-set by reduction in the current portion of the decommissioning liability in SEA Hibiscus, which was duly paid per the agreed schedule in December 2019. The amount paid was RM69.1 million.

(i) Total Equity

The increase in total equity during the Current Quarter by RM52.6 million was mainly attributable to net earnings generated from both the Anasuria and North Sabah assets.

(C) Statement of Cash Flows

(i) Cash flow from operating activities

Net cash generated from operating activities for the Current Period was RM116.0 million. It comprised mainly of net cash received from operations at the North Sabah and Anasuria assets, partly off-set by group-wide operating overheads and payment of taxation obligations incurred for both assets.

(ii) Cash flow used in investing activities

The Group's net cash used in investing activities during the Current Period amounted to RM234.0 million.

A total of RM225.4 million was paid for investments in capital expenditure, mainly for both the Anasuria and North Sabah assets.

(iii) Cash flow used in financing activities

Net cash used in financing activities was RM2.3 million, for the repayment finance lease liabilities during the Current Period.

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 RM109.9 million as compared to RM46.5 million in the Preceding Quarter.

SEA Hibiscus sold 671,452 bbls of crude oil in two cargoes during the Current Quarter as compared to 334,613 bbls from one cargo in the Preceding Quarter. Average realised oil price achieved in the Current Quarter was USD70.19 per bbl whilst USD63.63 per bbl was achieved in the Preceding Quarter. As a result, revenue generated in the Current Quarter of RM195.9 million was more than double that recognised in the Preceding Quarter of RM88.9 million (an increase of RM107.0 million).

Accordingly, EBITDA achieved by the segment in the Current Quarter exceeded that achieved in the Preceding Quarter by RM63.3 million.

Average uptime in the North Sabah production facilities in the Current Quarter was 93% compared to 85% in the Preceding Quarter, due to the resumption of normal operations following the shutdown for planned maintenance activities, performed at the offshore platforms at South Furious, Barton and St Joseph and infill drilling activities in the Preceding Quarter. Consequently, average gross oil production increased by approximately 20% (from 14,234 bbl per day in the Preceding Quarter to 17,076 bbl per day in the Current Quarter). The increase in average gross oil production was also attributable to new oil produced from the completed St Joseph Infill Drilling and South Furious 30 Infill Drilling projects. These have all resulted in average OPEX per bbl decreasing from USD15.33 in the Preceding Quarter to USD12.23 in the Current Quarter. EBITDA margin also improved to 56.1% in the Current Quarter compared to 52.3% in the Preceding Quarter.

Net tax expenses incurred in the Current Quarter and the Preceding Quarter were due to taxes levied on profits generated from operations. In addition to that, 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 Preceding Quarter.

(ii) Anasuria Hibiscus

Revenue recorded in the Current Quarter amounted to RM75.0 million compared to the Preceding Quarter's revenue of RM69.3 million. The increase of RM5.7 million was due to a higher average realised oil price. Average realised oil price for the crude oil offtake in the Current Quarter was USD68.67 per bbl while in the Preceding Quarter, USD58.41 per bbl was realised. This mitigated the effect of the slightly lower volume sold in the Current Quarter. Anasuria Hibiscus UK sold 249,704 bbls of crude oil in the Current Quarter, 22,641 bbls lower than that in the Preceding Quarter of 272,345 bbls.

Average uptime and average OPEX per boe in the Current Quarter of 85% and USD22.64 respectively were more favourable when compared to the Preceding Quarter, when the respective metrics attained were 77% and USD26.04 respectively. In the Preceding Quarter, the Anasuria asset completed the planned 2019 Offshore Turnaround in July 2019. During this period, the FPSO facilities were completely shut down. In addition, average daily oil production rate was higher than that in the Preceding Quarter by approximately 24%, from 2,386 bbl per day in the Preceding Quarter to 2,968 bbl per day in the Current Quarter.

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

Accordingly, gross profit increased by RM13.1 million from RM35.5 million in the Preceding Quarter to RM48.6 million in the Current Quarter. Gross profit margin over revenue also improved, from 51.2% in the Preceding Quarter to 64.8% in the Current Quarter. However, PAT for the segment in the Current Quarter amounting to RM15.0 million was RM2.9 million lower when compared against RM17.9 million achieved in the Preceding Quarter. This was mainly due to the following factors (which are non-cash in nature):

- Higher net adverse unrealised foreign exchange differences between the Current Quarter and the Preceding Quarter of RM12.8 million. This was due to the appreciation of Great Britain Pound ("**GBP**") as at 31 December 2019, which had an adverse effect when Anasuria Hibiscus UK performed the periodic revaluation of the carrying value of the provision for decommissioning costs which is denominated in GBP; and,

- Higher depreciation of oil and gas assets of RM2.8 million as a result of the commencement of the depreciation in October 2019 of a significant portion of the capitalised costs relating to the GUA-P1 ST project subsequent to its completion in the same month.

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

During the Current Quarter, the segment recorded a PAT of RM0.9 million as compared to a LAT of RM1.5 million in the Preceding Quarter.

Results after taxation in both the Current Quarter and the Preceding Quarter were largely driven by fluctuations in unrealised foreign exchange differences arising from the quarter-end retranslation of the segment's USD-denominated payables.

(iv) Investment holding and group activities

This segment recorded a marginal increase in LAT in the Current Quarter of RM4.4 million, from a LAT of RM4.0 million in the Preceding Quarter.

Slightly higher costs were incurred for payroll-related expenses and professional fees.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

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

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

(i) Warrants C

As of 25 February 2020, the Company had received proceeds of RM100 from the exercise of Warrants C. As the proceeds received were of a relatively small amount, the Company has no intention to utilise this amount for any specific purpose at this time.

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 2019 to end-January 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.

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.

19 PROSPECTS OF THE GROUP (CONT'D)

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

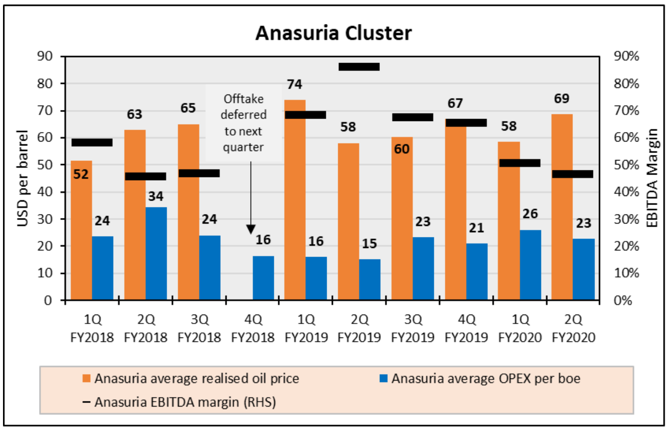
    - Production performance of the wells; and,

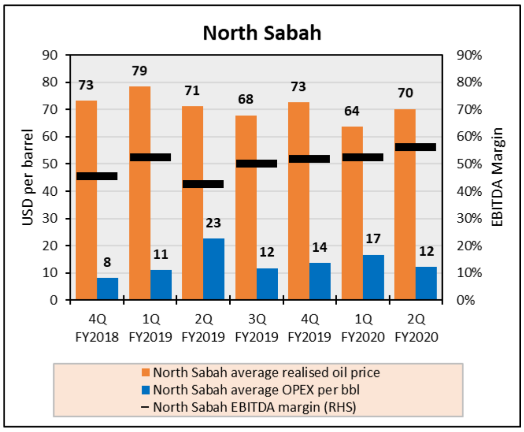
    - Facilities availability.

6. Management of operational expenses for the Anasuria and North Sabah assets and general corporate overheads.

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

The Group has seen oil prices at various price levels, on some occasions lower and other times, higher than at the current time, but the Group has managed to remain profitable throughout these fluctuations. This is primarily because our average unit production costs for both the Anasuria and North Sabah assets have 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.

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 ("**FY2020**") is to deliver approximately 3.3 to 3.5 million bbls of oil from our two producing assets. In the first half of FY2020, we have sold approximately 1.5 million bbls of crude oil across both assets with two offtakes coming from the Anasuria Cluster and a further three offtakes from North Sabah. Barring unforeseen circumstances, we believe that we are on track to achieve our offtake target for FY2020.

19 PROSPECTS OF THE GROUP (CONT'D)

In North Sabah, the St Joseph Infill Drilling and SF30 Infill Drilling projects have contributed to a 20% increase in the average gross oil production in the Current Quarter. Work is ongoing towards maturing our 2020 drilling program which is comprised of infill wells at the St Joseph field, targeting the Major and Minor Sands.

In the Anasuria Cluster, installation of a gas lift jumper to the recently drilled GUA-P1 side-track well was successfully completed, with the well currently being monitored for sand and H_2S production. More recently, gas lifting of this well has commenced, thus allowing future enhanced production. Operationally, a significant review of our operating strategies, maintenance systems, and organisational capability is underway as part of an overall initiative to carefully manage costs. Planning is ongoing for a 40-day offshore turnaround of the Anasuria FPSO for the financial year ending 30 June 2021 to improve the reliability and integrity of the Anasuria FPSO as well as to continuously ensure a safe working environment. Several minor production enhancement projects are also included in the scope of this turnaround.

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 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.

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 31.12.2019	QUARTER ENDED 31.12.2018	PERIOD ENDED 31.12.2019	PERIOD ENDED 31.12.2018
Profit after taxation attributable to owners of the Company (RM'000)	(A)	51,248	50,105	67,476	150,106
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)	3.23	3.15	4.25	9.45
Diluted earnings per share (sen)	(A/C)	3.23	2.63	4.25	7.88

26 OTHER INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.12.2019 RM'000	QUARTER ENDED 31.12.2018 RM'000	PERIOD ENDED 31.12.2019 RM'000	PERIOD ENDED 31.12.2018 RM'000
Sundry income	739	1,190	847	1,216
Interest income	220	116	455	188
Unrealised gain on foreign exchange ^^^	-	241	-	136
	959	1,547	1,302	1,540

^^^ *The unrealised foreign exchange gain is not derived from the trading of futures contracts nor futures foreign exchange trading.*

27 PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.12.2019 RM'000	QUARTER ENDED 31.12.2018 RM'000	PERIOD ENDED 31.12.2019 RM'000	PERIOD ENDED 31.12.2018 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Depreciation and amortisation of equipment and intangible assets	41,498	35,513	70,174	68,246
Interest income	(231)	(348)	(486)	(512)
Finance costs	9,569	10,558	19,299	21,795
Unrealised loss/(gain) on foreign exchange ^^^^	6,985	(241)	6,254	(136)
Realised loss on foreign exchange ^^^^	2,580	748	2,891	101
Share of results of an associate	83	83	161	184
Reversal of impairment of investment in an associate	-	-	-	(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 Period.

28 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.12.2019 RM'000	QUARTER ENDED 31.12.2018 RM'000	PERIOD ENDED 31.12.2019 RM'000	PERIOD ENDED 31.12.2018 RM'000
Income taxation	(12,807)	14,039	5,276	(45,181)
Deferred taxation	(27,196)	(15,860)	(67,695)	(21,849)
	(40,003)	(1,821)	(62,419)	(67,030)

28 TAXATION (CONT'D)

Breakdown by operating segments:

OPERATING SEGMENTS	Individual Quarter		Cumulative Quarter	
	Quarter Ended 31.12.2019 RM'000	Quarter Ended 31.12.2018 RM'000	Period Ended 31.12.2019 RM'000	Period Ended 31.12.2018 RM'000
North Sabah				
Income taxation	(7,976)	16,347	12,949	(28,314)
Deferred taxation	(26,947)	(20,342)	(65,831)	(6,741)
Total	**(34,923)**	**(3,995)**	**(52,882)**	**(35,055)**
Anasuria Hibiscus				
Income taxation	(4,831)	(2,308)	(7,673)	(16,867)
Deferred taxation	(249)	4,482	(1,864)	(15,108)
Total	**(5,080)**	**2,174**	**(9,537)**	**(31,975)**
3D Oil, VIC/L31 & VIC/P57				
Income taxation	-	-	-	-
Deferred taxation	-	-	-	-
Total	**-**	**-**	**-**	**-**
Investment holding and group activities				
Income taxation	-	-	-	-
Deferred taxation	-	-	-	-
Total	**-**	**-**	**-**	**-**
Group				
Income taxation	(12,807)	14,039	5,276	(45,181)
Deferred taxation	(27,196)	(15,860)	(67,695)	(21,849)
Total	**(40,003)**	**(1,821)**	**(62,419)**	**(67,030)**

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% and 10% respectively.

28 TAXATION (CONT'D)

Deferred taxation

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

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

By Order of the Board of Directors
Hibiscus Petroleum Berhad
25 February 2020