

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

Unaudited Quarterly Financial Report
31 December 2021

(Second financial quarter of financial year ending 30 June 2022)

(Note: This Unaudited Quarterly Financial Report is supplemented by the Corporate and Business Update released on the same day, on 17 February 2022.)

HIBISCUS PETROLEUM BERHAD
(Registration Number: 200701040290 (798322-P))
(Incorporated in Malaysia)
QUARTERLY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2021
(Second financial quarter of financial year ending 30 June 2022)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Note	INDIVIDUAL QUARTER QUARTER ENDED 31.12.2021 RM'000	INDIVIDUAL QUARTER QUARTER ENDED 31.12.2020 RM'000	CUMULATIVE QUARTER PERIOD ENDED 31.12.2021 RM'000	CUMULATIVE QUARTER PERIOD ENDED 31.12.2020 RM'000
Revenue		284,404	190,285	531,094	335,778
Cost of sales		(92,266)	(86,927)	(181,572)	(156,414)
GROSS PROFIT		192,138	103,358	349,522	179,364
Other income	27	255	29	482	6,362
Administrative expenses		(50,405)	(39,048)	(84,215)	(50,863)
Other expenses		(42,634)	(45,240)	(81,791)	(89,541)
Finance costs		(10,597)	(11,077)	(20,361)	(19,781)
Share of results of an associate		(90)	(108)	(200)	(859)
PROFIT BEFORE TAXATION	28	88,667	7,914	163,437	24,682
Taxation	29	(40,179)	4,103	(73,426)	(2,633)
PROFIT AFTER TAXATION		48,488	12,017	90,011	22,049
PROFIT AFTER TAXATION ATTRIBUTABLE TO:					
- Owners of the Company		48,488	12,017	90,011	22,049
EARNINGS PER SHARE (SEN)					
Basic	26	2.42	0.74	4.48	1.37
Diluted	26	2.41	0.67	4.47	1.31

Note:

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

	139,909	63,178	263,544	128,465
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(Please refer to Part A, Note 11 and Part B, Notes 15 and 16 of this Quarterly Report for further details.)

The Unaudited Condensed Consolidated Statements of Profit or Loss should be read in conjunction with the audited financial statements for the financial year ended 30 June 2021 and the accompanying explanatory notes attached to the financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	QUARTER	QUARTER	PERIOD	PERIOD
	ENDED	ENDED	ENDED	ENDED
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
PROFIT AFTER TAXATION	48,488	12,017	90,011	22,049
Other comprehensive (expenses)/income:				
Item that may be subsequently reclassified to profit or loss:				
- Foreign currency translation *	(5,309)	(36,390)	5,653	(70,947)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE QUARTER/PERIOD	43,179	(24,373)	95,664	(48,898)
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:				
- Owners of the Company	43,179	(24,373)	95,664	(48,898)

* 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 2021 and the accompanying explanatory notes attached to the financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 31.12.2021 RM'000	AUDITED AS AT 30.06.2021 RM'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		1,353,459	1,375,808
Equipment		584,921	604,833
Right-of-use assets		9,598	12,407
Other receivables		3,463	5,458
Investment in an associate		4,290	4,381
Restricted cash and bank balances		135,130	125,581
		2,090,861	2,128,468
CURRENT ASSETS			
Inventories		38,019	49,462
Trade receivables		120,886	112,905
Other receivables, deposits and prepayments		160,222	182,808
Other investment		-	136,430
Amount owing by a joint venture		319	318
Cash and bank balances		689,272	177,652
		1,008,718	659,575
TOTAL ASSETS		3,099,579	2,788,043
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	963,491	959,892
Other reserves		67,670	62,165
Retained earnings		521,801	451,865
		1,552,962	1,473,922
NON-CURRENT LIABILITIES			
Other payables		3,228	9,545
Borrowings	30	7,445	11,230
Convertible Redeemable Preference Shares ("CRPS") – Liability Component		-	5,677
Contingent consideration		40,435	19,683
Deferred tax liabilities		489,460	471,958
Provision for decommissioning costs		333,507	322,697
		874,075	840,790

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 2021 and the accompanying explanatory notes attached to the financial statements.

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

	Note	UNAUDITED AS AT 31.12.2021 RM'000	AUDITED AS AT 30.06.2021 RM'000
CURRENT LIABILITIES			
Trade payables		36,640	9,638
Other payables and accruals		553,941	293,072
Borrowings	30	12,185	15,540
CRPS – Liability Component		2,366	-
Amount owing to a joint venture		318	318
Amount owing to an associate		12	119
Contingent consideration		6,922	25,251
Provision for decommissioning costs		-	58,677
Provision for taxation		59,939	70,497
Redeemable Convertible Preference Shares		219	219
		672,542	473,331
TOTAL LIABILITIES		1,546,617	1,314,121
TOTAL EQUITY AND LIABILITIES		3,099,579	2,788,043
NET ASSETS PER SHARE (RM)		0.77	0.74

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 2021 and the accompanying explanatory notes attached to the financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<----- NON-DISTRIBUTABLE ----->					
	SHARE CAPITAL RM'000	CRPS – EQUITY COMPONENT RM'000	OTHER RESERVES RM'000	FOREIGN EXCHANGE RESERVE RM'000	RETAINED EARNINGS RM'000	TOTAL RM'000
6 months to 31.12.2021						
As at 01.07.2021	959,892	246	389	61,530	451,865	1,473,922
Profit after taxation	-	-	-	-	90,011	90,011
Other comprehensive income, net of tax:						
- Foreign currency translation	-	-	-	5,653	-	5,653
Total comprehensive income for the period	-	-	-	5,653	90,011	95,664
Conversion of CRPS to new ordinary shares	3,599	(148)	-	-	-	3,451
Dividend	-	-	-	-	(20,075)	(20,075)
Total transactions with owners of the Company	3,599	(148)	-	-	(20,075)	(16,624)
As at 31.12.2021	963,491	98	389	67,183	521,801	1,552,962
6 months to 31.12.2020						
As at 01.07.2020	764,965	-	389	97,841	358,112	1,221,307
Profit after taxation	-	-	-	-	22,049	22,049
Other comprehensive expenses, net of tax:						
- Foreign currency translation	-	-	-	(70,947)	-	(70,947)
Total comprehensive (expenses)/income for the period	-	-	-	(70,947)	22,049	(48,898)
Issuance of CRPS	-	8,515	-	-	-	8,515
Conversion of CRPS to new ordinary shares	62,786	(2,695)	-	-	-	60,091
Total transactions with owners of the Company	62,786	5,820	-	-	-	68,606
As at 31.12.2020	827,751	5,820	389	26,894	380,161	1,241,015

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 2021 and the accompanying explanatory notes attached to the financial statements.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Period Ended	
	31.12.2021 RM'000	31.12.2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	163,437	24,682
Adjustments for:		
Depreciation and amortisation of equipment, intangible assets and right-of-use assets	79,746	84,002
Finance costs	20,361	19,781
Unrealised loss on foreign exchange	1,055	4,759
Loss on disposal of equipment	-	2,183
Share of results of an associate	200	859
Fair value changes on other investment	(130)	-
Reversal of contingent consideration	-	(2,339)
Interest income	(1,295)	(587)
Operating profit before working capital changes	263,374	133,340
Inventories	11,694	2,836
Trade receivables	(8,091)	(47,282)
Other receivables, deposits and prepayments	27,027	(37,538)
Trade payables	27,033	1,152
Other payables and accruals	167,736	108,373
Amount owing by a joint venture	-	158
Amount owing by an associate	(105)	59
Cash generated from operating activities	488,668	161,098
(Tax paid)/tax refund	(68,838)	24,634
Movement in restricted cash and bank balances **	(142,491)	(17,446)
Net cash generated from operating activities	277,339	168,286
CASH FLOWS FROM INVESTING ACTIVITIES		
Other investment	136,559	(196,316)
Interest received	1,295	587
Proceed from disposal of equipment	-	353
Purchase of equipment	(8,648)	(96,508)
Acquisition of intangible assets	(14,779)	(6,996)
Net cash generated from/(used in) investing activities	114,427	(298,880)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of lease liabilities	(9,129)	(6,753)
Net repayment of term loan	-	(49,358)
Proceeds from issuance of CRPS	-	203,611
Net cash (used in)/generated from financing activities	(9,129)	147,500
Net increase in cash and cash equivalents	382,637	16,906
Effects of foreign exchange rate changes	(4,507)	8,458
Cash and cash equivalents at beginning of the financial period	173,889	77,307
Cash and cash equivalents at end of the financial period	552,019	102,671

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

<u>Non-current</u>		
Restricted cash and bank balances **	135,130	106,851
<u>Current</u>		
Cash and bank balances	689,272	106,387
Less: Restricted cash and bank balances ***	(137,253)	(3,716)
Cash and cash equivalents	552,019	102,671

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

*** The balances consist of the following: (i) Balance of proceeds from the Private Placement of CRPS (please refer to Part B, Note 17 (i) of this Quarterly Report). The amount as at 31 December 2021 is RM133.466 million (31 December 2020: RM0.002 million); and (ii) SEA Hibiscus Sdn Bhd ("**SEA Hibiscus**") is required to place deposit with a financial institution as security for banking facilities obtained. The amount as at 31 December 2021 is RM3.787 million (31 December 2020: RM3.714 million).

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 2021 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 2021 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 2021.

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 2021.

2.1 Adoption of Amendments to Standards

The Group has applied the following amendments for the first time for the financial year beginning on 1 July 2021:

Amendments to MFRS 7, MFRS 9, MFRS 16 and MFRS 139	<i>Interest Rate Benchmark Reform – Phase 2</i>
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Amendments to MFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
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The adoption of the above amendments did not have any material impact on the current financial quarter or any prior financial period and is not likely to affect future financial periods.

2.2 Standards issued but not yet effective

Description		Effective for financial periods beginning on or after
Annual Improvements to MFRSs 2018-2020	<i>MFRS 9 Financial Instruments, Illustrative Examples Accompanying MFRS 16 Leases</i>	1 January 2022
Amendments to MFRS 3	<i>Reference to the Conceptual Framework</i>	1 January 2022

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2 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Standards issued but not yet effective (cont'd)

Description		Effective for financial periods beginning on or after
Amendments to MFRS 116	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 101	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 101	<i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108	<i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>	1 January 2023

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

3 SEASONAL OR CYCLICAL FACTORS

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

4 SIGNIFICANT/UNUSUAL ITEMS

There were no significant or unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial period ended 31 December 2021 ("**Current Period**").

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.

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6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER

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

Acquisition of the entire interest in Fortuna International Petroleum Corporation (“**FIPC Acquisition**”)

On 2 June 2021, the Company announced that its indirect wholly-owned subsidiary, Peninsula Hibiscus Sdn Bhd (“**Peninsula Hibiscus**”), has on 1 June 2021 entered into a conditional sale and purchase agreement (“**CSPA**”) with Repsol Exploración, S.A. (“**Repsol**” or the “**Seller**”) for the FIPC Acquisition by Peninsula Hibiscus of the entire equity interest in Fortuna International Petroleum Corporation (“**FIPC**”) (“**FIPC Shares**”) for a cash purchase consideration of USD212.5 million, subject to the terms and conditions of the CSPA.

FIPC through its wholly-owned subsidiaries, namely Repsol Oil & Gas Malaysia Limited (“**RML**”), Repsol Oil & Gas Malaysia (PM3) Limited (“**RMPM3**”) and Talisman Vietnam Limited (“**TVL**”) (collectively, “**FIPC Group**”) owns participating interests in the following PSCs:

- a) 60% interest in the 2012 Kinabalu Oil PSC located off the coast of Sabah, Malaysia (“**2012 Kinabalu Oil**”), currently held by RML;
- b) 35% interest in the PM3 CAA PSC located within the Commercial Arrangement Area (“**CAA**”) between Malaysia and Vietnam (“**PM3 CAA**”), currently held by RMPM3 (12.7%) and RML (22.3%);
- c) 60% interest in each of the PM305 and PM314 PSCs located off the eastern coast of Peninsular Malaysia in the Malay Basin (“**PM305**” and “**PM314**”), currently held by RML; and
- d) 70% interest in the Block 46 PSC (Cai Nuoc), a tie-back asset to the PM3 CAA PSC located in Vietnamese waters (“**Block 46**”), currently held by TVL.

(The 2012 Kinabalu Oil, PM3 CAA, PM305, PM314 and Block 46 are collectively referred to as the “**Assets**”).

The FIPC Acquisition, when completed, will result in the Group assuming RML’s and TVL’s roles as operators in all of the PSCs under the Joint Operating Agreements (“**JOAs**”).

The parties holding the remaining participating interests in the Assets are as follows:

- a) PETRONAS Carigali Sdn Bhd (“**PCSB**”), a wholly-owned subsidiary of Petroliaam Nasional Berhad, in the 2012 Kinabalu Oil, PM305 and PM314 PSCs;
- b) PCSB and PetroVietnam Exploration & Production Corporation (“**PVEP**”), a wholly-owned subsidiary of Vietnam Oil and Gas Group, in the PM3 CAA PSC; and
- c) PVEP in the Block 46 PSC.

The FIPC Acquisition was completed on 24 January 2022, shortly after all conditions precedent to the CSPA were fulfilled as announced on 20 January 2022.

Peninsula Hibiscus paid a total of USD138.65 million out of the cash purchase consideration of USD212.5 million to complete the FIPC Acquisition, after taking into account various adjustments.

Please refer to our announcements dated 2 June 2021, 4 June 2021, 9 June 2021, 23 June 2021, 2 July 2021 and 14 July 2021, 12 November 2021, 8 December 2021, 10 December 2021, 13 December 2021, 28 December 2021, 20 January 2022 and 25 January 2022 for further details.

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7 CHANGES IN THE COMPOSITION OF THE GROUP

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

On 10 September 2021, Hibiscus Capital Limited was incorporated under the Labuan Companies Act, 1990 with an issued and paid-up share capital of 1 ordinary share of United States Dollar (“**USD**”) 1.00. Hibiscus Capital Limited became a wholly-owned subsidiary of Hibiscus Petroleum Berhad.

On 27 September 2021, Borneo Hibiscus Sdn Bhd was incorporated under the Companies Act, 2016 with an issued and paid-up share capital of 2 ordinary shares of RM1.00 each. Borneo Hibiscus Sdn Bhd became a wholly-owned subsidiary of Pacific Hibiscus Sdn Bhd, which in turn is an indirect wholly-owned subsidiary of the Company.

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

There were no dividends paid during the Current Period.

10 DEBT AND EQUITY SECURITIES

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

	PERIOD ENDED 31.12.2021	
	Number of shares	Share capital RM'000
ORDINARY SHARES		
As at 01.07.2021	2,000,137,151	959,892
Conversion of CRPS to new ordinary shares	7,371,666	3,599
As at 31.12.2021	<u>2,007,508,817</u>	<u>963,491</u>

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

Private Placement of CRPS (Please refer to Part B, Note 17 (i) of this Quarterly Report.)

During the Current Period, the issued and paid-up ordinary share capital of the Company was increased by way of conversion of 3,538,400 units of the second tranche of the Private Placement of CRPS (“**CRPS-T2**”) into 7,371,666 new ordinary shares at a conversion price of RM0.48.

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11 OPERATING SEGMENTS

Operating results are segmented in respect of the Group's business activities. The Group currently has activities in the following principal areas [^]:

- | | |
|--|--|
| (i) North Sabah | <p>Group's investment in 50% participating interests in the 2011 North Sabah Enhanced Oil Recovery ("EOR") Production Sharing Contract ("PSC"), which includes the management of the operations relating to the production of petroleum from four existing oil fields (namely St Joseph, South Furious, South Furious 30 and Barton), existing pipeline infrastructure, the Labuan Crude Oil Terminal ("LCOT") and all other equipment and assets relating to the PSC. The segment's functional currency is the USD. The average and closing rates adopted for conversion to RM in the Current Period are 4.1845 and 4.1730 respectively.</p> |
| (ii) Anasuria Hibiscus | <p>Group's investments and operations in the United Kingdom ("UK"), consisting of (i) the Anasuria Cluster, (ii) the Marigold and Sunflower fields, (iii) Licence No. P2532, (iv) Licence No. P2535, (v) Licence No. P2366, and (vi) Licence No. P2518, all located offshore in the UK Continental Shelf.</p> <p>Anasuria Cluster:</p> <ul style="list-style-type: none"> • Group's investment in (i) 50% jointly operated interest in the Licence No. P013 (Blocks 21/25a and 21/30a) containing the Guillemot A, Teal and Teal South producing fields, (ii) 19.3% non-operated interests in the Licence No. P185 (Block 21/20a) containing the Cook producing field, (iii) 50% interest in the Anasuria floating production storage and offloading vessel ("FPSO"), and (iv) 50% interest in Anasuria Operating Company Limited ("AOCL"). <p>Marigold and Sunflower fields:</p> <ul style="list-style-type: none"> • Group's investment in 87.5% interest in two blocks under Licence No. P198; (i) Block 15/13a, containing the Marigold discovered oilfield, and (ii) Block 15/13b, containing the Sunflower discovered oilfield. This includes the management of operations to develop these fields towards production. <p>Licence No. P2532:</p> <ul style="list-style-type: none"> • Group's investment in 19.3% interest in Licence No. P2532 (Blocks 21/19c and 21/20c) containing the Cook West and Cook North field extensions. <p>Licence No. P2535:</p> <ul style="list-style-type: none"> • Group's investment in 70% interest in Licence No. P2535 (Block 21/24d) containing the Teal West discovered field. <p>Licence No. P2366:</p> <ul style="list-style-type: none"> • Group's investment in 100% interest in Licence No. P2366 (Blocks 15/18d and 15/19b) containing the Crown discovered field. Our request for an extension of the expiry date of the license was not approved by the UK's Oil and Gas Authority. Consequently, the license expired on 30 September 2021. <p>Licence No. P2518:</p> <ul style="list-style-type: none"> • Group's investment in 100% interest in Licence No. P2518 (Block 15/17a) containing the Kildrummy discovered field. <p>The segment's functional currency is the USD. The average and closing rates adopted for conversion to RM in the Current Period are 4.1845 and 4.1730 respectively.</p> |
| (iii) Bass Strait Cluster | <p>Group's operations in the VIC/RL17 Petroleum Retention Lease for the West Seahorse field (previously known as the VIC/L31 Production Licence), other exploration prospects in Australia within the VIC/P57 Exploration Permit, the VIC/P74 Exploration Permit, and investment in 3D Oil Limited ("3DO").</p> <p>The segment's functional currency is the Australian Dollar ("AUD"). The average and closing rates adopted for conversion to RM in the Current Period are 3.0537 and 3.0307 respectively.</p> |
| (iv) Investment holding and group activities | <p>Investments in companies owning/operating oil and gas concessions, and provision of project management, technical and other services relating to the oil and gas exploration and production industry. The investment holding and group activities are located in Malaysia.</p> |

[^] The Directors have fully impaired the Group's respective investments in (i) Lime Petroleum Plc ("Lime") and its concession companies ("Lime Group") and (ii) HiRex Petroleum Sdn. Bhd. ("HIREX"). Therefore, both the Lime Group and HIREX are no longer relevant for inclusion in this section. Both Lime and HIREX are in the process of being wound up.

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11 OPERATING SEGMENTS (CONT'D)

	North Sabah	Anasuria Hibiscus	Bass Strait Cluster	Investment holding and group activities	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>As at 31.12.2021</u>					
Non-current assets	643,324	1,393,045	50,666	3,826	2,090,861
Included in the segment assets is:					
Investment in an associate	-	-	4,290	-	4,290
Additions to non-current assets	399	38,804 ^{^^}	-	1,468	40,671
<u>Period ended 31.12.2021</u>					
Project management, technical and other service fees	-	-	-	1,897	1,897
Sales of crude oil and gas	362,126	166,016	-	-	528,142
Interest income	-	-	-	1,055	1,055
Revenue	362,126	166,016	-	2,952	531,094
Depreciation and amortisation	(56,520)	(22,589)	-	(637)	(79,746)
Profit/(loss) from operations	150,795	57,310	(1,239)	(23,108)	183,758
Share of results of an associate	-	-	(200)	-	(200)
Finance costs	(8,031)	(11,021)	-	(1,309)	(20,361)
Interest income	53	187	-	-	240
Taxation	(56,039)	(17,396)	-	9	(73,426)
Profit after taxation (" PAT ")/ (Loss after taxation (" LAT "))	86,778	29,080	(1,439)	(24,408)	90,011
EBITDA/(Loss Before Interest, Taxes, Depreciation and Amortisation (" LBITDA "))	207,368	80,086	(1,439)	(22,471)	263,544

^{^^} Additions to non-current assets for Anasuria Hibiscus included RM10.9 million invested for Block 15/13a (Marigold) and Block 15/13b (Sunflower).

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11 OPERATING SEGMENTS (CONT'D)

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

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

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12 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions within the Group are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 31.12.2021	QUARTER ENDED 31.12.2020	PERIOD ENDED 31.12.2021	PERIOD ENDED 31.12.2020
	RM'000	RM'000	RM'000	RM'000
Project management, technical and other services fees earned from a related party				
- Ping Petroleum UK Limited	945	935	1,897	1,880
Technical and non-technical charges reimbursed from an associate				
- 3D Oil	-	-	-	1
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	(46)	(1,450)	(136)	(1,450)

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 2021:

	RM'000
Approved and contracted for:	
Group's capital commitments	17,772
Share of a joint operation's capital commitments	6,774
Total capital commitments approved and contracted for	24,546
Share of a joint operation's other material commitments	34,186
	58,732
Approved but not contracted for:	
Group's capital commitments	71,623
Share of a joint operation's capital commitments	6,158
Total capital commitments approved but not contracted for	77,781
Share of a joint operation's other material commitments	1,080
	78,861

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

14 AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

15 PERFORMANCE REVIEW

OPERATING SEGMENTS	Current Year Period	Current Year Quarter	Immediate Preceding Quarter	Current Year Quarter vs Immediate Preceding Quarter (Change in %)
	31.12.2021 RM'000	31.12.2021 RM'000	30.09.2021 RM'000	
North Sabah				
Revenue	362,126	184,447	177,679	4
EBITDA	207,368	105,435	101,933	3
PBT	142,817	72,832	69,985	4
Taxation	(56,039)	(29,252)	(26,787)	(9)
PAT	86,778	43,580	43,198	1
Anasuria Hibiscus				
Revenue	166,016	98,588	67,428	46
EBITDA	80,086	44,950	35,136	28
PBT	46,476	27,868	18,608	50
Taxation	(17,396)	(10,931)	(6,465)	(69)
PAT	29,080	16,937	12,143	39
Bass Strait Cluster				
Revenue	-	-	-	-
(LBITDA)/EBITDA	(1,439)	140	(1,579)	-
(LBT)/PBT	(1,439)	140	(1,579)	-
Taxation	-	-	-	-
(LAT)/PAT	(1,439)	140	(1,579)	-
Investment holding and group activities				
Revenue	2,952	1,369	1,583	(14)
LBITDA	(22,471)	(10,616)	(11,855)	10
LBT	(24,417)	(12,173)	(12,244)	1
Taxation	9	4	5	(20)
LAT	(24,408)	(12,169)	(12,239)	1
Group				
Revenue	531,094	284,404	246,690	15
EBITDA	263,544	139,909	123,635	13
PBT	163,437	88,667	74,770	19
Taxation	(73,426)	(40,179)	(33,247)	(21)
PAT	90,011	48,488	41,523	17

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.

The North Sabah segment recorded revenue of RM362.1 million in the Current Period. Gross profit and EBITDA attained were RM256.2 million and RM207.4 million respectively. Gross profit margin and EBITDA margin over revenue were relatively high at 70.8% and 57.3% respectively as a result of a reasonably high average realised oil price and low average operating costs ("**OPEX**") per barrel ("**bbl**").

A total of 1,152,666 bbls of crude oil were sold at an average realised oil price of USD75.08 per bbl. Average OPEX per bbl was USD15.91. The OPEX per bbl included amounts incurred for planned maintenance activities performed at the offshore platforms at South Furious and Barton. OPEX in the Current Period has also been impacted by COVID-19 restrictions and government standard operating procedures that were imposed.

The average uptime and the average net oil production rate achieved in the Current Period were 87% and 5,561 bbls per day respectively. These metrics were adversely affected by a period of reduced production at the Barton, South Furious and South Furious 30 fields. The reduced production at these fields was as a result of certain restrictions on movement, quarantine requirements, manpower and logistic constraints during the COVID-19 outbreak during the financial quarter ended 30 September 2021 ("**Preceding Quarter**"). These disrupted the services provided by several of our contractors. Consequently, certain routine operational outages could not be addressed promptly.

Segment PBT was RM142.8 million. It was derived mainly after deducting the following items from EBITDA, all of which are non-cash in nature:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM52.6 million; and
- Unwinding of discount on provision for decommissioning costs of RM4.2 million.

15 PERFORMANCE REVIEW (CONT'D)

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

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 RM56.0 million. The resulting effective tax rate over PBT was therefore 39.2%. The resulting effective tax rate over PBT was 39.2%, which is consistent with the PITA rate of 38.0%.

- **Current quarter results**

SEA Hibiscus generated RM184.4 million revenue in the financial quarter ended 31 December 2021 ("**Current Quarter**"). A total of 587,374 bbls of crude oil were sold in two offtakes at an average realised oil price of USD75.15 per bbl.

Gross profit and EBITDA attained were RM139.4 million and RM105.4 million respectively. The North Sabah asset performed well operationally during the Current Quarter. Both average uptime and average OPEX per bbl were at healthy levels. Average uptime achieved was 92% while average OPEX per bbl recorded was USD13.06. The average net oil production rate was also fairly high, at 5,937 bbls per day due to better well performance at the St Joseph, South Furious, South Furious 30 and Barton fields.

A relatively high average realised oil price, coupled with careful management of costs and efficient operational performance resulted in a gross profit margin and EBITDA margin attained in the Current Quarter of 75.6% and 57.2% respectively.

In the Current Quarter, the segment recorded a PBT of RM72.8 million. This was achieved after deductions of the following non-cash items from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM27.1 million; and
- Unwinding of discount on provision for decommissioning costs of RM2.1 million.

Total net tax expenses in the Current Quarter were RM29.3 million. The resulting effective tax rate over PBT was 40.2%, which is broadly consistent with the PITA rate of 38.0%.

15 PERFORMANCE REVIEW (CONT'D)

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

(ii) Anasuria Hibiscus

• Financial year-to-date results

The Anasuria Hibiscus segment recorded revenue and gross profit of RM166.0 million and RM90.4 million respectively in the Current Period.

In the Current Period, from this segment of our business, we sold 447,994 bbls of crude oil at an average realised oil price of USD73.84 per bbl. Included in the 447,994 bbls sold was an overlift volume of 90,000 bbls (which occurred during the December 2021 offtake). In accordance with MFRS 15 *Revenue from Contracts with Customers*, the overlift volume was in effect a sale of crude oil at the point of lifting by Anasuria Hibiscus UK and accordingly, the initial measurement of the overlift volume has been included in the segment's revenue and cost of sales at the average realised oil price for the offtake (i.e. RM27.1 million), hence no gross profit has been recognised on this overlift transaction in the Current Period.

In addition, contribution to revenue from the sale of gas was more significant in the Current Period due to significantly higher gas prices. The average price per therm rose sharply commencing from October 2021 onwards. Total gas revenue in the Current Period amounted to RM24.0 million, which was significantly higher than what has been normally recognised.

Average OPEX per bbl of oil equivalent ("boe") recorded for the Current Period was USD26.05. A portion of the costs incurred for the planned shutdown of the Anasuria FPSO for maintenance activities ("**2021 Offshore Turnaround**") was included in the Current Period's cost of sales.

Recall that in the process of bringing the Anasuria FPSO back to full production upon completion of the 2021 Offshore Turnaround in April/May 2021, a malfunction of a critical component of the subsea infrastructure was identified which required it to be isolated from the primary production system. The impact of this temporary isolation is a lower overall daily production rate from the Anasuria asset which will continue until the failed component is replaced. Engineering and procurement activities are currently on-going on a fast-track basis with execution targeted for the third quarter of calendar year 2022. Until the failed component is returned to service, we anticipate that there will be an impact on calendar year 2022 offtake volumes and OPEX per boe. The Group will provide guidance on the production impact once the project schedule for rectification works has been finalised. The initial costs relating to these rectification works have been included in the Current Period's cost of sales.

Accordingly, both the average daily oil equivalent production rate and the average uptime in the Current Period were low, at 2,301 boe per day and 72% respectively.

Despite this, the Anasuria Hibiscus segment achieved healthy profit margins in the Current Period. The segment recorded gross profit and EBITDA amounting to RM90.4 million (54.4% margin over revenue) and RM80.1 million (48.2% margin over revenue) respectively.

15 PERFORMANCE REVIEW (CONT'D)

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

PBT stood at RM46.5 million after deducting the following non-cash items from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM22.6 million; and
- Unwinding of discount on provision for decommissioning costs and contingent consideration of RM10.1 million and RM1.2 million respectively.

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 RM17.4 million, representing an effective tax rate over PBT of 37.4%. This was slightly 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, Anasuria Hibiscus UK sold 256,224 bbls of crude oil (which included the overlift volume of 90,000 bbls) at an average realised oil price of USD72.02 per bbl. Total revenue achieved from the sale of crude oil was RM79.1 million. In addition to this, the sale of gas contributed to RM19.5 million in revenue during the Current Quarter.

Average OPEX per boe recorded for the Current Quarter was USD24.31. The relatively high OPEX per boe was due to weak operational performance. Both the average daily oil equivalent production rate and the average uptime in the Current Quarter were low, at 2,396 boe per day and 75% respectively. As highlighted earlier, the adverse impact arising from the malfunction of a critical component of the subsea infrastructure persisted in the Current Quarter.

Despite this, due to the high average realised oil price, the Anasuria Hibiscus segment attained fairly healthy profit margins in the Current Quarter. The segment recorded gross profit and EBITDA amounting to RM51.4 million (52.1% margin over revenue) and RM45.0 million (45.6% margin over revenue) respectively.

15 PERFORMANCE REVIEW (CONT'D)

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

PBT stood at RM27.9 million after deducting the following non-cash items from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM11.3 million; and
- Unwinding of discount on provision for decommissioning costs and contingent consideration of RM5.1 million and RM0.7 million respectively.

The segment recorded a net tax charge in the Current Quarter amounting to RM10.9 million, or 39.2% over PBT.

(iii) Bass Strait Cluster

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

In the Current Period, the segment recorded LAT of RM1.4 million.

The AUD, being the segment's functional currency, depreciated against the USD during the Current Period when compared to 30 June 2021. The period-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.

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

- **Current quarter results**

The segment recorded a PAT of RM0.1 million in the Current Quarter.

This was mainly due to a positive foreign exchange impact which arose from the appreciation of the AUD against the USD (when compared to 30 September 2021), impacting the quarter-end revaluation of USD-denominated inter-company payables.

(iv) Investment holding and group activities

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

LAT for the Current Period amounted to RM24.4 million.

Major components of expenses recorded were corporate overheads, business development activities and fund-raising activities.

- **Current quarter results**

Segment LAT in the Current Quarter was RM12.2 million. Expenses incurred mainly relate to corporate overheads and business development activities.

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

As at 31 December 2021, the Group's non-current assets amounted to RM2,090.9 million, representing a decrease of RM37.6 million from RM2,128.5 million as at 30 June 2021.

The decrease was mainly due to depreciation and amortisation of equipment, intangible assets and right-of-use assets recorded during the Current Period amounting to RM79.7 million.

This was partly off-set by capital expenditure invested by Anasuria Hibiscus UK and SEA Hibiscus. Capital expenditure invested by Anasuria Hibiscus UK in the Current Period amounted to RM29.8 million (RM13.0 million for the Anasuria Cluster, RM10.9 million for the Marigold and Sunflower fields and RM5.9 million for Teal West). In North Sabah, RM11.1 million was incurred mainly for the St Joseph Infill and St Joseph Major and Minor Sands drilling campaigns.

(ii) Current Assets

Current assets increased from RM659.6 million as at 30 June 2021 to RM1,008.7 million as at 31 December 2021.

Cash and bank balances as at 31 December 2021 increased by RM511.6 million when compared to the balances as at 30 June 2021. In anticipation of the completion of the acquisition of the entire interest in FIPC (please refer to Part A, Note 6 of this Quarterly Report), the Group had in December 2021 drew down the prepayment facility with Trafigura Pte Ltd amounting to RM334.8 million and withdrew the funds in other investment amounting to RM136.6 million. These amounts were included in the cash and bank balances as at 31 December 2021.

The increase in cash and bank balances was also contributed by net cash generated from operations at the North Sabah and the Anasuria Cluster assets during the Current Period.

The item, other investment, comprised investment in unit trust funds. The amount corresponded to the remaining net proceeds from the issuance of the CRPS (both CRPS-T1 and CRPS-T2) in November 2020 (after deducting all related expenses) and income earned from investing the net proceeds into permitted investments (please refer to Part B, Note 17 (i) and Note 18 (ii) of this Quarterly Report). Its balance as at 31 December 2021 was nil after the full withdrawal of the entire balance in December 2021 as mentioned above.

The increase in cash and bank balances was also partly off-set by lower operational-related receivables in SEA Hibiscus by approximately RM22.0 million. This was mainly caused by the lower amount to be reimbursed by the joint venture partner for the 2011 North Sabah EOR PSC.

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 RM1,546.6 million as at 31 December 2021, an increase of RM232.5 million from RM1,314.1 million as at 30 June 2021.

As at the end of the Current Period, the other payables and accruals balance of RM553.9 million was higher by RM260.8 million when compared to the balance as at 30 June 2021 of RM293.1 million. This was largely due to the higher amount owing to Trafigura Pte Ltd of RM251.0 million as at 31 December 2021, mainly caused by the additional drawdown of the prepayment facility in December 2021.

This was partially off-set by a reduction in the current portion of the decommissioning liability in SEA Hibiscus, which was duly paid per the agreed schedule in December 2021. The amount paid was RM59.1 million.

(iv) Total Equity

The increase in total equity during the Current Period by RM79.0 million was mainly attributable to net earnings generated from both the Anasuria and North Sabah assets.

(C) Statement of Cash Flows

(i) Cash flows generated from operating activities

The Group's net cash generated from operating activities amounted to RM277.3 million.

It comprised mainly of net RM251.0 million received from Trafigura Pte Ltd from June 2021 to December 2021, driven by the funds received from the drawdown of the prepayment facility in December 2021.

Net cash generated was also an aggregate of funds received from operations at both the North Sabah and the Anasuria Cluster assets, partly off-set by group-wide operating overheads and payment of taxation obligations incurred for both assets.

(ii) Cash flows used in investing activities

Net cash inflow from investing activities for the Current Period was RM114.4 million.

Cash received by the Company from the withdrawal of funds in other investment in December 2021 amounted to RM136.6 million.

This was partly off-set by the amounts invested in capital expenditure by Anasuria Hibiscus UK amounting to RM27.3 million.

(iii) Cash flows used in financing activities

Cash flows used in financing activities of RM9.1 million were payments for the Group's lease liabilities made 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 a PBT of RM72.8 million. This was marginally higher when compared to the Preceding Quarter's PBT of RM70.0 million.

Revenue generated in the Current Quarter of RM184.4 million was marginally higher to that recognised in the Preceding Quarter of RM177.7 million mainly due to a higher volume of crude oil sold. SEA Hibiscus sold 587,374 bbls of crude oil during the Current Quarter, which was marginally more than the 565,292 bbls sold in the Preceding Quarter. The average realised oil price attained in both the Current Quarter and Preceding Quarter were fairly consistent, at USD75.15 per bbl and USD75.01 per bbl respectively.

Operational performance in the North Sabah asset improved in the Current Quarter. The average uptime of the North Sabah production facilities of 92% recorded during the Current Quarter was higher than the 81% reported for the Preceding Quarter. The lower uptime in the Preceding Quarter was due to a period of reduced production at the Barton, South Furious and South Furious 30 fields, which was caused by certain restrictions on movement, quarantine requirements, manpower and logistic constraints during the COVID-19 outbreak. The services provided by several of our contractors were disrupted and as a result, certain routine operational outages could not be addressed promptly.

In the Current Quarter, the average net oil production rate was 5,937 bbl per day, which was higher than that of the Preceding Quarter of 5,185 bbl per day. The average OPEX per bbl for North Sabah improved to USD13.06 when compared to USD19.14 in the Preceding Quarter. There was much higher OPEX in the Preceding Quarter from planned major maintenance activities carried out. In addition, costs in the Preceding Quarter were impacted by the restrictions and standard operating procedures that had been imposed to control the COVID-19 situation.

The above gains were partially off-set by higher development OPEX and supplemental payment incurred of approximately RM10.0 million and higher amortisation of intangible assets and depreciation of oil and gas assets (due to higher production levels) of RM1.6 million in the Current Quarter when compared to the Preceding Quarter.

The above factors collectively resulted in a higher level of profitability in the Current Quarter. SEA Hibiscus recorded an EBITDA of RM105.4 million and a PBT of 72.8 million in the Current Quarter as compared to an EBITDA and a PBT of RM101.9 million and RM70.0 million respectively in the Preceding Quarter.

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

(ii) Anasuria Hibiscus

The segment achieved an EBITDA and a PBT of RM45.0 million and RM27.9 million respectively in the Current Quarter as compared to that achieved in the Preceding Quarter, i.e. an EBITDA of RM35.1 million and a PBT of RM18.6 million.

As mentioned in Part B, Note 15.1 (A) (ii) of this Quarterly Report, the offtake in the Current Quarter included an overlift volume of 90,000 bbls, valued at RM27.1 million. The “normalised” revenue after omitting this overlift transaction for the Current Quarter was RM71.5 million which was RM4.1 million higher than that of the Preceding Quarter’s RM67.4 million. The “normalised” revenue in the Current Quarter consists of RM52.0 million from the sale of crude oil and RM19.5 million from the sale of gas. In the Preceding Quarter, revenue from the sale of crude oil amounted to RM62.9 million and from the sale of gas amounted to RM4.5 million.

“Normalised” revenue from the sale of crude oil recorded in the Current Quarter was lower by RM10.9 million as compared to the Preceding Quarter’s RM62.9 million due to the lower volume of crude oil sold (“normalised” volume of 166,224 bbls in the Current Quarter as compared to 191,770 bbls in the Preceding Quarter) and the lower average realised oil price attained (average oil price of USD72.02 per bbl in the Current Quarter as compared to USD76.31 per bbl in the Preceding Quarter) in the Current Quarter.

On the contrary, contribution to revenue from the sale of gas was higher in the Current Quarter by RM15.0 million due to significantly higher gas prices.

The average uptime and the average daily oil production rate achieved in the Current Quarter of 75% and 2,396 bbl per day respectively reflected a more favourable operational performance when compared to that of the Preceding Quarter. In the Preceding Quarter, the average uptime was 69% and the average daily oil production rate was 2,206 bbl per day. As a result, the average OPEX per boe achieved was lower by approximately 13%, from USD27.94 in the Preceding Quarter to USD24.31 in the Current Quarter.

(iii) Bass Strait Cluster

During the Current Quarter, the segment recorded a PBT of RM0.1 million as compared to a LAT of RM1.6 million in the Preceding Quarter.

Results before 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’s LBT of RM12.2 million in the Current Quarter was the same with the LBT in the Preceding Quarter, which was also RM12.2 million.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

(i) Fund raising via Private Placement of CRPS

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

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

The CRPS are for placement to Malaysian and foreign investors who fall within the ambit of Schedules 6 and 7 of the Capital Markets and Services Act 2007.

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

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

On 19 November 2020, the Company further allotted and issued in aggregate 203,604,500 CRPS pursuant to CRPS-T2. The 203,604,500 CRPS-T2 was listed on the Main Market of Bursa Securities with effect from 23 November 2020.

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

Details of the CRPS are as follows:

- (a) The CRPS are classified as compound financial instruments comprising both liability and equity components.

The Company has a financial liability arising from its obligation to repay the premium and principal (“**Redemption Price**”) to holders of the CRPS which are not converted at the maturity date of the CRPS. The Company has the option to redeem in whole or part of the outstanding CRPS on 17 May 2022 (being the end of the 18th month from 18 November 2020, i.e the issue date of CRPS-T1), and/or redemption in one lump sum upon the maturity date of the CRPS on 18 November 2022, subject to compliance with the Companies Act 2016. The fair value of the liability component is determined by discounting the Redemption Price over the tenure of the CRPS at a discount rate based on the benchmark rate of debt instruments which have a similar profile as that of the CRPS.

The total equity component of the CRPS is derived by netting off the total liability component of the CRPS from the total proceeds obtained from the issuance of the CRPS.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED (CONT'D)

- (b) The CRPS allows its holder to convert the CRPS into a fixed number of new ordinary shares at a fixed conversion price. The conversion price of the CPRS is fixed at a premium of up to 10% over the 5-day volume weighted average market price up to and including the market day immediately before the respective price-fixing date.

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

- (c) Total transaction costs in connection with the Private Placement of CRPS incurred up to the end of the current financial year which comprise placement fees, professional fees, regulatory fees and other expenses amounted to RM7.6 million.

RM5.9 million of this amount was for the issuance of the 203,611,100 CRPS (i.e. 6,600 CRPS-T1 and 203,604,500 CRPS-T2), and have been allocated to the liability component and the equity component in proportion to their initial carrying amounts amounting to RM5.6 million and RM0.3 million respectively.

The remaining RM1.7 million has been included as other receivables. This amount will be allocated to future tranches of the CRPS, and any unutilised balance attributable to remaining unissued CRPS will be charged to profit or loss.

- (d) As at 31 December 2021, the accumulated conversion rates of CPRS-T1 and CRPS-T2 are 100.0% and 98.8% respectively.

In addition, on 4 March 2021, on behalf of the Directors, HLIB and CIMB announced that Bursa Securities had resolved to grant an extension of time of 6 months from 22 March 2021 until 21 September 2021 for the Company to complete the implementation of the Private Placement of CRPS. Subsequently, on 15 September 2021, Bursa Securities resolved to approve a further extension of time of 6 months from 22 September 2021 until 21 March 2022 for the Company to complete the implementation of the Private Placement of CRPS.

Please refer to our announcements dated 9 September 2020, 10 September 2020, 15 September 2020, 23 September 2020, 8 October 2020, 12 October 2020, 3 November 2020, 9 November 2020, 12 November 2020, 20 November 2020, 23 November 2020, 22 February 2021, 4 March 2021, 3 September 2021 and 15 September 2021 for further details.

Save as disclosed in above, there are 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

The Warrants C expired on 19 March 2021.

The Company had received proceeds of RM4,535 from the exercise of Warrants C. The Company has utilised this amount for working capital purposes in the Current Period.

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18 STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS (CONT'D)

(ii) Private Placement of CRPS

The net proceeds (after deducting all costs and expenses relating to the Private Placement of CRPS) raised from the issuance of CRPS ("**Net Proceeds**") will be utilised in relation to acquisitions of and/or investments in producing oil and gas assets (whether directly or indirectly, through entities holding such assets or otherwise) ("**Acquisition(s)**") which will be Shariah compliant including all cost(s) related to the Acquisition(s) including purchase consideration, associated transaction costs and transition costs ("**Permitted Utilisation**"). Any use of the Net Proceeds for transaction costs in relation to the Acquisitions and transition costs incurred up to the completion of the Acquisitions shall not exceed 2.0% of the total consideration payable for the subject asset(s).

The qualifying parameters of such assets are as follows:

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

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

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

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

The proceeds arising from the first and second tranches of the Private Placement of CRPS of RM203,611,100 raised have been fully utilised as at 17 February 2022, being the date of this Quarterly Report, as follows:

Purpose	Proposed utilisation of proceeds from the Private Placement of CRPS as at 17 February 2022 RM'000	Actual utilisation as at 17 February 2022 RM'000	Intended timeframe for utilisation from the date of completion of the Private Placement of CRPS	Percentage utilised (%)
(i) Permitted Utilisation Note 1	196,050	196,050	Within 24 months from the receipt of the proceeds	100
(ii) Estimated expenses relating to the Private Placement of CRPS	7,561	7,561	Within 6 months from the receipt of the proceeds	100
Total	203,611	203,611		

Note 1: The FIPC Acquisition (please refer to Part A, Note 6 of this Quarterly Report) fulfilled the conditions for Permitted Utilisation. RM196.1 million out of the proceeds arising from the first and second tranches of the Private Placement of CRPS was utilised upon completion of the FIPC Acquisition on 24 January 2022.

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 2021 to end January 2022:



As shown above, Brent oil prices have improved to levels above USD80.00 per bbl, due to OPEC+ production cuts and increased demand as countries reduce restrictions enacted to combat the spread of COVID-19. The worldwide rollout of COVID-19 vaccines and countries reopening their economies have contributed to increased oil demand, while continuing OPEC+ production cuts have ensured balanced oil markets.

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 75% 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.

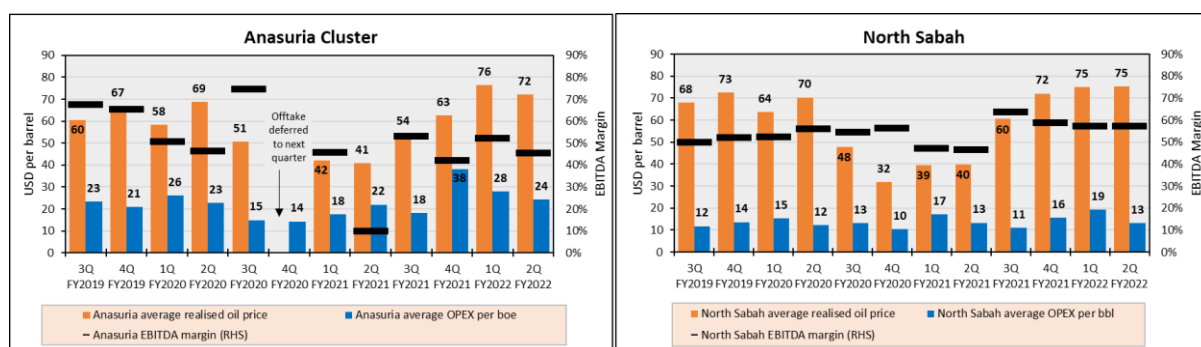
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19 PROSPECTS OF THE GROUP (CONT'D)

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 the 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's EBITDA margin in 4Q of the financial year ended 30 June 2020 excludes the reversal of unrecovered recoverable costs of RM78.2 million.

A total of 751,983 bbls of crude oil were sold in the Current Quarter; 587,374 bbls from North Sabah and 164,609 bbls (after excluding the overlift volume of 90,000 bbls) from the Anasuria Cluster.

In January 2022, we completed the transformative acquisition of the high-quality oil and gas assets located offshore Malaysia and Vietnam from Repsol, with our average daily oil and gas production projected to increase almost threefold. As operator of the newly acquired assets, the Group is well-positioned to continue to build on its successful operational track record which has been demonstrated in its other producing assets in the UK and Malaysia.

Overall, while we are cognisant of various uncertainties caused by the continuing COVID-19 pandemic, we remained focused on delivering optimal performance in a strong oil price environment.

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.

25 DIVIDEND

At the Company's 11th Annual General Meeting held on 14 December 2021, a final single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 30 June 2021 was approved by the shareholders. The dividend was paid on 28 January 2022 to shareholders whose names appeared in the Record of Depositors on 4 January 2022.

The Directors do not recommend any dividend for the Current Period (previous year corresponding six-month period ended 31 December 2020: an interim single-tier dividend of 0.50 sen per ordinary share).

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26 EARNINGS PER SHARE

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

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

		INDIVIDUAL QUARTER	QUARTER	CUMULATIVE QUARTER	PERIOD
		ENDED	ENDED	ENDED	ENDED
		31.12.2021	31.12.2020	31.12.2021	31.12.2020
Profit after taxation attributable to owners of the Company (RM'000)	(A)	48,488	12,017	90,011	22,049
Weighted average number of shares for basic earnings per share computation ('000)	(B)	2,007,231	1,625,016	2,007,017	1,606,623
Effects of dilution of CRPS ('000)		5,188	161,469	5,402	80,734
Weighted average number of shares for diluted earnings per share computation ('000)	(C)	2,012,419	1,786,485	2,012,419	1,687,357
Basic earnings per share (sen)	(A/B)	2.42	0.74	4.48	1.37
Diluted earnings per share (sen)	(A/C)	2.41	0.67	4.47	1.31

27 OTHER INCOME

	INDIVIDUAL QUARTER	QUARTER	CUMULATIVE QUARTER	PERIOD
	ENDED	ENDED	ENDED	ENDED
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Sundry income	28	(75)	111	6,155
Interest income	129	104	241	207
Fair value changes on other investment	98	-	130	-
	255	29	482	6,362

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28 PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER	QUARTER	PERIOD	PERIOD
	ENDED	ENDED	ENDED	ENDED
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting):				
Depreciation and amortisation of equipment, intangible assets and right-of-use assets	40,645	44,187	79,746	84,002
Finance costs	10,597	11,077	20,361	19,781
Loss on disposal of equipment	-	2,183	-	2,183
Share of results of an associate	90	108	200	859
Fair value changes on other investment	(98)	-	(130)	-
Interest income	(552)	(483)	(1,295)	(587)
Reversal of contingent consideration	-	29	-	(2,339)
Unrealised loss on foreign exchange #	982	661	1,055	4,759
Realised loss on foreign exchange #	1,007	392	990	780

The unrealised and realised losses on foreign exchange have neither been derived from the trading of futures contracts nor futures foreign exchange trading.

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

29 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER	QUARTER	PERIOD	PERIOD
	ENDED	ENDED	ENDED	ENDED
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Income taxation	(19,570)	32,199	(57,938)	17,468
Deferred taxation	(20,609)	(28,096)	(15,488)	(20,101)
	(40,179)	4,103	(73,426)	(2,633)

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29 TAXATION (CONT'D)

Breakdown by operating segments:

OPERATING SEGMENTS	Individual Quarter		Cumulative Quarter	
	Quarter Ended	Quarter Ended	Period Ended	Period Ended
	31.12.2021 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2020 RM'000
North Sabah				
Income taxation	(16,053)	32,323	(51,659)	17,722
Deferred taxation	(13,199)	(39,185)	(4,380)	(31,952)
Total	(29,252)	(6,862)	(56,039)	(14,230)
Anasuria Hibiscus				
Income taxation	(3,517)	(124)	(6,279)	(254)
Deferred taxation	(7,414)	10,957	(11,117)	11,719
Total	(10,931)	10,833	(17,396)	11,465
Bass Strait Cluster				
Income taxation	-	-	-	-
Deferred taxation	-	-	-	-
Total	-	-	-	-
Investment holding and group activities				
Income taxation	-	-	-	-
Deferred taxation	4	132	9	132
Total	4	132	9	132
Group				
Income taxation	(19,570)	32,199	(57,938)	17,468
Deferred taxation	(20,609)	(28,096)	(15,488)	(20,101)
Total	(40,179)	4,103	(73,426)	(2,633)

Income Taxation

- North Sabah

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

- Anasuria Hibiscus

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

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29 TAXATION (CONT'D)

Deferred taxation

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

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

30 BORROWINGS

Details of borrowings as at 31 December 2021 were as follows:

	As at 31.12.2021 RM'000	As at 30.06.2021 RM'000
<u>Non-current</u>		
<u>Secured</u>		
Lease liabilities	7,445	11,230
<u>Current</u>		
<u>Secured</u>		
Lease liabilities	12,185	15,540

By Order of the Board of Directors
Hibiscus Petroleum Berhad
17 February 2022