HIBISCUS PETROLEUM BERHAD

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

Unaudited Quarterly Financial Report 30 June 2022

(Fourth financial quarter of financial year ended 30 June 2022)

(Note: This Unaudited Quarterly Financial Report is supplemented by the Corporate and Business Update released on the same day, on 24 August 2022.)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	QUARTER ENDED 30.06.2022 RM'000	QUARTER ENDED 30.06.2021 RM'000	YEAR ENDED 30.06.2022 RM'000	YEAR ENDED 30.06.2021 RM'000
Revenue		868,367	253,019	1,696,521	804,781
Cost of sales		(262,861)	(81,497)	(479,630)	(304,021)
GROSS PROFIT		605,506	171,522	1,216,891	500,760
Other income	26	7,240	1,058	8,893	14,622
Administrative expenses		(165,732)	(39,920)	(397,521)	(121,699)
Other expenses		(125,939)	(44,353)	(293,462)	(182,839)
Finance costs		(24,094)	(10,249)	(61,007)	(42,179)
Share of results of an associate		(119)	(100)	(415)	(1,062)
Negative goodwill from business combination		-	-	317,319	-
PROFIT BEFORE TAXATION	27	296,862	77,958	790,698	167,603
Taxation	28	(81,355)	(28,360)	(177,640)	(63,927)
PROFIT AFTER TAXATION		215,507	49,598	613,058	103,676
PROFIT AFTER TAXATION ATTRIBUTABLE TO:					
- Owners of the Company		215,507	49,598	613,058	103,676
EARNINGS PER SHARE (SEN)					
Basic	25	10.71	2.49	30.52	5.91
Diluted	25	10.71	2.46	30.46	5.61

Note:

Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA")		433,660	129,947	1,131,932	380,829

(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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.06.2022 RM'000	QUARTER ENDED 30.06.2021 RM'000	YEAR ENDED 30.06.2022 RM'000	YEAR ENDED 30.06.2021 RM'000
PROFIT AFTER TAXATION	215,507	49,598	613,058	103,676
Other comprehensive income/(expenses):				
Item that may be subsequently reclassified to profit or loss:				
- Foreign currency translation *	90,924	321	107,860	(36,311)
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER/YEAR	306,431	49,919	720,918	67,365
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the Company	306,431	49,919	720,918	67,365

* *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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 30.06.2022	AUDITED AS AT 30.06.2021
		RM'000	RM'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		1,422,576	1,375,808
Equipment		1,838,981	604,833
Right-of-use assets		175,245	12,407
Other receivables		230,541	5,458
Investment in an associate		4,088	4,381
Restricted cash and bank balances		158,456	125,581
Tax recoverable		50,406	-
Deferred tax assets		84,948	-
		3,965,241	2,128,468
CURRENT ASSETS			
Inventories		163,900	49,462
Trade receivables		405,482	112,905
Other receivables, deposits and prepayments		415,098	182,808
Other investment		-	136,430
Amount owing by a joint venture		328	318
Amount owing by an associate		10	-
Cash and bank balances		549,386	177,652
Tax recoverable		9,408	-
		1,543,612	659,575
TOTAL ASSETS		5,508,853	2,788,043
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	966,014	959,892
Other reserves		169,779	62,165
Retained earnings		1,024,724	451,865
		2,160,517	1,473,922
NON-CURRENT LIABILITIES			
Other payables		9,340	9,545
Borrowings	29	364,009	11,230
Convertible Redeemable Preference Shares ("**CRPS**") – Liability component		-	5,677
Contingent consideration		35,372	19,683
Deferred tax liabilities		581,189	471,958
Provision for decommissioning costs		621,611	322,697
		1,611,521	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.

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

	Note	UNAUDITED AS AT 30.06.2022 RM'000	AUDITED AS AT 30.06.2021 RM'000
CURRENT LIABILITIES			
Trade payables		11,529	9,638
Other payables and accruals		918,000	293,072
Borrowings	29	193,750	15,540
Amount owing to a joint venture		319	318
Amount owing to an associate		-	119
Contingent consideration		28,552	25,251
Provision for decommissioning costs		90,720	58,677
Provision for taxation		493,726	70,497
Redeemable Convertible Preference Shares		219	219
		1,736,815	473,331
TOTAL LIABILITIES		3,348,336	1,314,121
TOTAL EQUITY AND LIABILITIES		5,508,853	2,788,043
NET ASSETS PER SHARE (RM)		1.07	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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	<----------------------	NON-DISTRIBUTABLE		---------------------->		
	SHARE CAPITAL	CRPS – EQUITY COMPONENT	OTHER RESERVES	FOREIGN EXCHANGE RESERVE	RETAINED EARNINGS	TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
12 months to 30.06.2022						
As at 01.07.2021	959,892	246	389	61,530	451,865	1,473,922
Profit after taxation	-	-	-	-	613,058	613,058
Other comprehensive income, net of tax: - Foreign currency translation	-	-	-	107,860	-	107,860
Total comprehensive income for the year	-	-	-	107,860	613,058	720,918
Conversion of CRPS to new ordinary shares	6,122	(246)	-	-	-	5,876
Dividend	-	-	-	-	(40,199)	(40,199)
Total transactions with owners of the Company	6,122	(246)	-	-	(40,199)	(34,323)
As at 30.06.2022	966,014	-	389	169,390	1,024,724	2,160,517
12 months to 30.06.2021						
As at 01.07.2020	764,965	-	389	97,841	358,112	1,221,307
Profit after taxation	-	-	-	-	103,676	103,676
Other comprehensive expenses, net of tax: - Foreign currency translation	-	-	-	(36,311)	-	(36,311)
Total comprehensive (expenses)/income for the year	-	-	-	(36,311)	103,676	67,365
Issuance of CRPS	-	8,518	-	-	-	8,518
Conversion of CRPS to new ordinary shares	194,923	(8,272)	-	-	-	186,651
Issuance of new ordinary shares from exercise of Warrants C	4	-	-	-	-	4
Dividend	-	-	-	-	(9,923)	(9,923)
Total transactions with owners of the Company	194,927	246	-	-	(9,923)	185,250
As at 30.06.2021	959,892	246	389	61,530	451,865	1,473,922

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended 30.06.2022 RM'000	Year Ended 30.06.2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	790,698	167,603
Adjustments for:		
Depreciation and amortisation of equipment, intangible assets and right-of-use assets	280,227	171,047
Finance costs	61,007	42,179
Impairment of intangible assets	46,942	-
Share of results of an associate	415	1,062
Loss on disposal of equipment	-	2,228
Reversal of contingent consideration	-	(2,330)
Fair value changes on other investment	(130)	(162)
Interest income	(1,883)	(2,464)
Unrealised (gain)/loss on foreign exchange	(3,656)	10,476
Negative goodwill from business combination	(317,319)	-
Operating profit before working capital changes	856,301	389,639
Inventories	(8,284)	16,399
Trade receivables	(49,396)	(98,846)
Other receivables, deposits and prepayments	120,734	61,228
Trade payables	1,392	4,950
Other payables and accruals	157,009	(64,625)
Amount owing by an associate	(10)	65
Amount owing to an associate	(117)	118
Cash generated from operating activities	1,077,629	308,928
(Tax paid)/tax refund	(133,353)	20,710
Movement in restricted cash and bank balances **	(24,781)	(32,663)
Net cash generated from operating activities	919,495	296,975
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash outflow arising from business combination	(503,297)	-
Purchase of equipment	(141,080)	(104,379)
Acquisition of intangible assets	(28,506)	(33,082)
Interest received	1,883	2,464
Other investment	136,560	(136,268)
Deposit for an investment	-	(61,838)
Proceed from disposal of equipment	-	3,600
Net cash used in investing activities	(534,440)	(329,503)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of lease liabilities	(69,582)	(17,380)
Dividends paid to equity holders of the Company	(20,075)	(9,923)
Net drawdown of revolving credit	84,752	-
Net repayment of term loan	-	(49,358)
Net proceeds from issuance of ordinary shares	-	4
Proceeds from issuance of CRPS	-	196,050
Net cash (used in)/generated from financing activities	(4,905)	119,393
Net increase in cash and cash equivalents	380,150	86,865
Effects of foreign exchange rate changes	(9,260)	9,717
Cash and cash equivalents at beginning of the financial year	173,889	77,307
Cash and cash equivalents at end of the financial year	544,779	173,889

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

	Year Ended	
	30.06.2022	**30.06.2021**
	RM'000	**RM'000**
Cash and bank balances in the consolidated statements of financial position are as follows:		
Non-current		
Restricted cash and bank balances **	158,456	125,581
Current		
Cash and bank balances	549,386	177,652
Less: Restricted cash and bank balances ***	(4,607)	(3,763)
Cash and cash equivalents	544,779	173,889

** *Anasuria Hibiscus UK Limited 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) SEA Hibiscus Sdn Bhd and Hibiscus Oil & Gas Malaysia Limited (formerly known as Repsol Oil & Gas Malaysia Limited) are required to place deposits with financial institutions as security for banking facilities obtained. The amounts as at 30 June 2022 are RM3.827 million (30 June 2021: RM3.761 million) and RM0.780 million (30 June 2021: Not applicable) respectively; and (ii) The amounts as at 30 June 2021 included RM0.002 million balance of proceeds from the Private Placement of CRPS which was fully released during the current financial year.*

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	*Interest Rate Benchmark Reform – Phase 2*
Amendments to MFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*

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	*MFRS 9 Financial Instruments, Illustrative Examples Accompanying MFRS 16 Leases*	1 January 2022
Amendments to MFRS 3	*Reference to the Conceptual Framework*	1 January 2022

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	*Property, Plant and Equipment − Proceeds before Intended Use*	1 January 2022
Amendments to MFRS 137	*Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to MFRS 101	*Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to MFRS 101	*Disclosure of Accounting Policies*	1 January 2023
Amendments to MFRS 108	*Definition of Accounting Estimates*	1 January 2023
Amendments to MFRS 112	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to MFRS Practice Statement 2	*Disclosure of Accounting Policies*	1 January 2023

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

3 SEASONAL OR CYCLICAL FACTORS

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

4 SIGNIFICANT/UNUSUAL ITEMS

Save as disclosed below, there were no other significant or unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial year ended 30 June 2022 ("**Current Year**").

(i) Acquisition of the entire equity interest in Fortuna International Petroleum Corporation ("**FIPC**") ("**FIPC Acquisition**")

On 2 June 2021, the Company announced that its indirect wholly-owned subsidiary, Peninsula Hibiscus Sdn Bhd ("**Peninsula Hibiscus**"), had on 1 June 2021 entered into a conditional sale and purchase agreement ("**Repsol SPA**") with Repsol Exploración, S.A. ("**Repsol**") for the FIPC Acquisition by Peninsula Hibiscus for a cash purchase consideration of United States Dollar ("**USD**") 212.5 million (subject to agreed adjustments).

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

FIPC through its wholly-owned subsidiaries, namely Hibiscus Oil & Gas Malaysia Limited ("**HML**") (formerly known as Repsol Oil & Gas Malaysia Limited), Hibiscus Oil & Gas Malaysia (PM3) Limited ("**HMPM3**") (formerly known as Repsol Oil & Gas Malaysia (PM3) Limited) and Talisman Vietnam Limited ("**TVL**") (collectively, "**FIPC Group**") owns participating interests in the following production sharing contracts ("**PSC**"):

a) 60% interest in the 2012 Kinabalu Oil PSC located off the coast of Sabah, Malaysia ("**Kinabalu**"), held by HML;

b) 35% interest in the PM3 CAA PSC located within the Commercial Arrangement Area ("**CAA**") between Malaysia and the Socialist Republic of Vietnam ("**Vietnam**") ("**PM3 CAA**"), held by HML (22.3%) and HMPM3 (12.7%);

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**"), held by HML; 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**"), held by TVL.

(The Kinabalu, PM3 CAA, PM305, PM314 and Block 46 PSCs are collectively referred to as the "**FIPC Assets**".)

The FIPC Acquisition has resulted in the Group assuming Repsol's role as operator in all of the PSCs under the joint operating agreements.

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

a) PETRONAS Carigali Sdn Bhd ("**PCSB**"), a wholly-owned subsidiary of Petroliam Nasional Berhad, in the Kinabalu, PM305 and PM314 PSCs;

b) PCSB and PetroVietnam Exploration & Production Corporation ("**PVEP**"), a wholly-owned subsidiary of Vietnam Oil and Gas Group ("**PVN**"), in the PM3 CAA PSC; and

c) PVEP in the Block 46 PSC.

The FIPC Acquisition was completed on 24 January 2022 ("**Completion Date**").

Pursuant to the Repsol SPA, Peninsula Hibiscus and Repsol mutually agreed on a final purchase consideration of USD138.7 million, after taking into account various adjustments. (Please refer to Part A, Note 7 (iii) for further details.)

Please refer to our announcements dated 2 June 2021, 4 June 2021, 9 June 2021, 23 June 2021, 2 July 2021, 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.

4 SIGNIFICANT/UNUSUAL ITEMS (CONT'D)

(ii) Close Out Deed for Licence No. P2366

On 12 December 2019, the Company announced that its indirect wholly-owned subsidiary, Anasuria Hibiscus UK Limited ("**Anasuria Hibiscus UK**"), completed the acquisition of 100% interest in Licence No. P2366 on 4 December 2019 for a total cash consideration of USD5.0 million from United Oil & Gas PLC ("**United**") and Swift Exploration Limited ("**Swift**"). United and Swift each hold 95% and 5% participating interest respectively. A sum of USD1.0 million was paid upon completion of the Sales and Purchase Agreement dated 7 October 2019 ("**P2366 SPA**"). Subject to further milestones being achieved post completion of the P2366 SPA, an additional sum of up to USD3.0 million was scheduled for payment before the end of 2020. A further USD1.0 million would be paid once the field went on production.

The Company had on 23 March 2022 announced that, Anasuria Hibiscus UK entered into an agreement with United for purposes of addressing remaining matters in respect of United's interest in the earlier P2366 SPA ("**Close Out Deed**") following determination of Licence No. P2366 on 30 September 2021 pursuant to the decision of the United Kingdom ("**UK**")'s North Sea Transition Authority ("**NSTA**") (formerly known as the Oil and Gas Authority) not to extend the licence to allow time for Ithaca Energy Limited and Anasuria Hibiscus UK to reach a consensus for a common offtake solution for the Marigold and Sunflower fields in the Central North Sea after the NSTA's suspension of review of a Field Development Plan for the Marigold and Sunflower fields previously submitted by Anasuria Hibiscus UK. In accordance with the terms of the Close Out Deed, a payment of USD2.5 million shall be made in 3 instalments in accordance with an agreed timeline. The first and second instalments of USD0.5 million and USD1.0 million were paid on 25 March 2022 and 29 June 2022 respectively. The third instalment of USD1.0 million is due to be paid by 29 December 2022.

Please refer to our announcements dated 17 July 2019, 7 October 2019, 12 December 2019, 4 December 2020, 26 August 2021, 4 October 2021, 10 November 2021 and 23 March 2022 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 Year.

6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER

There were no other material events subsequent to the end of the Current Year up to the date of this Quarterly Report.

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 Year.

(i) On 10 September 2021, Hibiscus Capital Limited ("**Hibiscus Capital**") was incorporated under the Labuan Companies Act, 1990 with an issued and paid-up share capital of 1 ordinary share of USD1.00. Hibiscus Capital became a wholly-owned subsidiary of Genesis Hibiscus Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company.

(ii) On 27 September 2021, Borneo Hibiscus Sdn Bhd ("**Borneo Hibiscus**") 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 became a wholly-owned subsidiary of Pacific Hibiscus Sdn Bhd ("**Pacific Hibiscus**"), which in turn is a wholly-owned subsidiary of the Company.

(iii) On 24 January 2022, the Group completed the FIPC Acquisition.

The purchase consideration per the Repsol SPA was USD212.5 million (equivalent to RM890.4 million). In calculating the final purchase consideration, the following adjustments were made (pursuant to the Repsol SPA):

	RM'000
Purchase consideration per the Repsol SPA (i.e. USD212.5 million)	890,396
Add: Time value amount	19,491
Less: Pre-closing dividend	(326,828)
Less: Leakage adjustment amount	(2,092)
Final purchase consideration (i.e. USD138.7 million)	580,967
Less: Cash and cash equivalents of subsidiaries acquired	(77,670)
Net cash outflow arising from business combination	503,297

The resulting final purchase consideration was USD138.7 million (equivalent to RM581.0 million).

7 CHANGES IN THE COMPOSITION OF THE GROUP (CONT'D)

The fair value of the identifiable assets and liabilities of FIPC Group has been determined in accordance with the provisions of MFRS 3 *Business Combinations* and assigned to the identifiable assets and liabilities on Completion Date. The fair value of the identifiable assets and liabilities of FIPC Group as at Completion Date is as follows:

	Fair value recognised on acquisition RM'000
Assets	
Intangible assets	27,691
Equipment	1,188,502
Right-of-use assets	172,486
Tax recoverable	56,676
Deferred tax assets	31,225
Inventories	98,780
Trade receivables	223,267
Other receivables, deposits and prepayments	536,134
Cash and bank balances	77,670
	2,412,431
Liabilities	
Trade payables	96,226
Other payables and accruals	202,780
Borrowings	465,496
Provision for taxation	306,477
Deferred tax liabilities	72,461
Provision for decommissioning costs	370,705
	1,514,145
Total identifiable net assets at fair value	898,286
Negative goodwill from business combination	(317,319)
Final purchase consideration (after adjustments)	580,967

The transaction resulted in a gain (i.e. negative goodwill) as the Group has the skill sets and capabilities to further enhance the value of the acquired assets post acquisition. As a result, the fair value of the acquired assets was greater than the final purchase consideration. The negative goodwill of RM317.3 million has been recognised in the profit or loss in the Current Year.

For the purposes of reporting the financial performance of FIPC Group (and as disclosed based on MFRS 8 *Operating Segments*), the Group has segregated the PSCs acquired into the following operating segments:

- Malaysia – Kinabalu and Others
  - Comprises the Kinabalu, PM305 and PM314 PSCs.
- Commercial Arrangement Area
  - Comprises the PM3 CAA PSC.
- Vietnam
  - Comprises the Block 46 PSC.

(Please refer to Part A, Note 11 of this Quarterly Report for further details.)

7 CHANGES IN THE COMPOSITION OF THE GROUP (CONT'D)

For the period from 25 January 2022 to 30 June 2022, FIPC Group contributed a revenue of RM569.3 million and profit after taxation ("**PAT**") generated from operations of RM137.7 million. With the inclusion of the negative goodwill of RM317.3 million, total PAT generated by the operating segments in the FIPC Group for the Current Year amounted to RM455.0 million.

The abovementioned FIPC Group's revenue, allocation of negative goodwill and PAT reported for the Current Year by operating segments are shown in the table below:

Current Year Period **30.06.2022**	**Malaysia – Kinabalu and Others** **RM'000**	**Commercial Arrangement Area** **RM'000**	**Vietnam** **RM'000**	**Total** **RM'000**
Revenue	188,791	380,491	-	569,282
Negative goodwill	165,006	145,967	6,346	317,319
PAT	173,085	262,369	19,571	455,025

The negative goodwill has been allocated to the respective operating segments based on the relative fair value of the identifiable net assets of the PSCs at Completion Date.

Had the FIPC Group been acquired on 1 July 2021, the Group's revenue and PAT for the Current Year would have been RM2,195.1 million and RM758.6 million respectively.

Transaction costs and professional fees incurred relating to the FIPC Acquisition of RM2.9 million was expensed to the profit or loss as part the Group's administrative expenses.

(iv) On 15 March 2022, Lime Petroleum Plc and its concession companies ("**Lime Group**") were dissolved. The Group's investment in the Lime Group had been fully impaired in the financial year ended 30 June 2016.

(v) On 31 March 2022, Straits Hibiscus Sdn Bhd ("**Straits Hibiscus**") was incorporated under the Companies Act, 2016 with an issued and paid-up share capital of 2 ordinary shares of RM1.00 each. Straits Hibiscus became a wholly-owned subsidiary of Asia Hibiscus Sdn Bhd ("**Asia Hibiscus**"), which in turn is a wholly-owned subsidiary of the Company.

(vi) On 31 March 2022, Asia Hibiscus completed the acquisition of 100% equity interest in Borneo Hibiscus from Pacific Hibiscus for a consideration of RM2.00. Borneo Hibiscus remains as an indirect wholly-owned subsidiary of the Company.

8 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Save as disclosed below, 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, or net assets value of the Group.

On 1 April 2020, the Sabah State Government decided to impose state sales tax ("**SST**") on petroleum products sold by SEA Hibiscus Sdn Bhd ("**SEA Hibiscus**") and HML ("**Companies**") in relation to crude oil being sold from the Labuan Crude Oil Terminal ("**LCOT**").

8 CONTINGENT LIABILITIES AND CONTINGENT ASSETS (CONT'D)

On 21 June 2022, SEA Hibiscus received a payment notice from the Permanent Secretary and Director of State Sales Tax for the SST and a penalty amounting to RM97.31 million in total. SEA Hibiscus vide a reply dated 20 July 2022, informed the state that for SST to apply, SEA Hibiscus would have to be in the business of selling or producing taxable goods in the state. SEA Hibiscus informed the state that it was neither in the business of selling or producing taxable goods in the state and was therefore not liable for the SST payment.

On 8 July 2022, the Companies received a letter from the office of the Chief Minister of Sabah ("**Letter**") which stated that the Companies are liable for SST on the basis that the Companies are providing "taxable goods", namely crude petroleum oils and natural gas from the State of Sabah. On 11 July 2022, the Companies responded to the Letter to clarify that pursuant to the Petroleum Development Act 1974, the Companies cannot and do not provide such "taxable goods" from the State of Sabah and are therefore not legally liable for SST. This is a position which has been affirmed by the Companies' external legal advisors.

On 10 August 2022, HML received a payment notice from the Permanent Secretary and Director of State Sales Tax for the SST and a penalty amounting to RM14.18 million in total. HML is currently taking external legal advice.

The Directors are of the view that no provision is required in the Group's financial statements at this juncture based on the facts surrounding the matter and the legal view from the Companies' external legal advisors that the sale of crude oil in the specific case of the Companies would fall outside the scope of the State Sales Tax Enactment 1998.

9 DIVIDENDS PAID

The Company paid a final single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 30 June 2021 amounting to RM20.1 million on 28 January 2022 and an interim single-tier dividend of 1.0 sen per ordinary share in respect of the Current Year amounting to RM20.1 million on 22 July 2022.

10 DEBT AND EQUITY SECURITIES

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

	YEAR ENDED 30.06.2022	
	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	12,281,592	6,122
As at 30.06.2022	2,012,418,743	966,014

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

<u>Private Placement of CRPS</u>

All the CRPS (both first and second tranches of the Private Placement of CRPS) were completed and fully converted to the issued and paid-up ordinary share capital of the Company. The second tranche of the Private Placement of CRPS was removed from the official list of Bursa Securities on 28 March 2022.

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) Malaysia – North Sabah

Group's investment in 50% participating interest in the 2011 North Sabah Enhanced Oil Recovery ("**EOR**") PSC ("**North Sabah**"), located off the coast of Sabah, Malaysia. The investment 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, 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 Year are 4.2376 and 4.4094 respectively.

(ii) Malaysia – Kinabalu and Others

Group's investments and operations in Kinabalu, PM305 and PM314.

<u>Kinabalu</u>

- Group's investment in 60% participating interest in the Kinabalu PSC, located off the coast of Sabah, Malaysia.

<u>PM305</u>

- Group's investment in 60% participating interest in the PM305 PSC, located off the eastern coast of Peninsular Malaysia in the Malay Basin.

<u>PM314</u>

- Group's investment in 60% participating interest in the PM314 PSC, located off the eastern coast of Peninsular Malaysia in the Malay Basin.

The segment's functional currency is the USD. The average and closing rates adopted for conversion to RM in the Current Year are 4.2376 and 4.4094 respectively.

(iii) Commercial Arrangement Area

Group's investment in 35% participating interest in the PM3 CAA PSC, located within the CAA between Malaysia and Vietnam. The investment includes the management of the operations relating to the production of petroleum from six existing oil fields (namely Bunga Orkid, Bunga Pakma, Bunga Kekwa, Bunga Raya, Bunga Seroja and Bunga Tulip).

The segment's functional currency is the USD. The average and closing rates adopted for conversion to RM in the Current Year are 4.2376 and 4.4094 respectively.

(iv) United Kingdom

Group's investments and operations in the UK, consisting of (i) the Anasuria Area and (ii) the Marigold Area, all located offshore in the UK Continental Shelf.

<u>Anasuria Area</u>

(a) <u>Anasuria Cluster</u>

- 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**").

11 OPERATING SEGMENTS (CONT'D)

(iv) United Kingdom

(b) Licence No. P2532
- 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.

(c) Licence No. P2535
- Group's investment in 70% interest in Licence No. P2535 (Block 21/24d) containing the Teal West discovered field.

Marigold Area

(a) Marigold and Sunflower fields
- 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.

(b) Licence No. P2366
- 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 licence was not approved by NSTA. Consequently, the licence expired on 30 September 2021.

(c) Licence No. P2518
- Group's investment in 100% interest in Licence No. P2518 (Block 15/17a) containing the Kildrummy discovered field.

The segment's functional currency is the USD. The average and closing rates adopted for conversion to RM in the Current Year are 4.2376 and 4.4094 respectively.

(v) Australia

Group's operations in the VIC/RL17 Petroleum Retention Lease ("**VIC/RL17**") for the West Seahorse field (previously known as the VIC/L31 Production Licence ("**VIC/L31**")), other exploration prospects in Australia within the VIC/P57 Exploration Permit ("**VIC/P57**") ^^, the VIC/P74 Exploration Permit ("**VIC/P74**"), and investment in 3D Oil Limited ("**3DO**").

The segment's functional currency is the Australian Dollar ("**AUD**"). The average and closing rates adopted for conversion to RM in the Current Year are 3.0602 and 3.0393 respectively.

(vi) Vietnam

Group's investment in 70% interest in the Block 46 PSC, a tie-back asset to the PM3 CAA PSC located in Vietnamese waters. Block 46 contains the producing Cai Nuoc field and the undeveloped Hoa Mai field.

The segment's functional currency is the USD. The average and closing rates adopted for conversion to RM in the Current Year are 4.2376 and 4.4094 respectively.

(vii) 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 investment in HiRex Petroleum Sdn Bhd ("**HIREX**"). Therefore, HIREX is no longer relevant for inclusion in this section. HIREX is in the process of being wound up.*

^^ *Carnarvon Hibiscus Pty Ltd ("**CHPL**") and 3D Oil submitted an application to surrender the VIC/P57 permit to the Australian National Offshore Petroleum Titles Administrator ("**NOPTA**"). The surrender was approved and took effect on 11 August 2022.*

11 OPERATING SEGMENTS (CONT'D)

	Malaysia – North Sabah RM'000	Malaysia – Kinabalu and Others RM'000	Commercial Arrangement Area RM'000	United Kingdom RM'000	Vietnam RM'000	Australia RM'000	Investment holding and group activities RM'000	Group RM'000
As at 30.06.2022								
Non-current assets	668,564	582,222	1,152,246	1,536,940	17,995	4,088	3,186	3,965,241
Included in the segment assets is:								
Investment in an associate	-	-	-	-	-	4,088	-	4,088
Additions to non-current assets	39,849 ^^^	(8,943) ^^^	65,543 ^^^	121,104 ^^^^	(481) ^^^	514	1,522	219,108
Year ended 30.06.2022								
Project management, technical and other service fees	-	-	-	-	-	-	3,947	3,947
Sales of crude oil and gas	791,291	188,791	380,491	330,942	-	-	-	1,691,515
Interest income	-	-	-	-	-	-	1,059	1,059
Revenue	791,291	188,791	380,491	330,942	-	-	5,006	1,696,521
Depreciation and amortisation	(112,777)	(49,345)	(73,007)	(42,237)	(1,530)	-	(1,331)	(280,227)
Profit/(loss) from operations	298,163	(49,221)	185,003	171,723	12,882	(3,403)	(34,228)	580,919
Impairment of intangible assets	-	-	-	-	-	(46,942)	-	(46,942)
Share of results of an associate	-	-	-	-	-	(415)	-	(415)
Finance costs	(13,623)	(1,523)	(8,256)	(27,288)	(135)	-	(10,182)	(61,007)
Interest income	102	78	60	584	-	-	-	824
Negative goodwill from business combination	-	165,006	145,967	-	6,346	-	-	317,319
Taxation	(112,532)	58,745	(60,405)	(63,939)	478	-	13	(177,640)
PAT/(Loss after taxation ("**LAT**"))	172,110	173,085	262,369	81,080	19,571	(50,760)	(44,397)	613,058
EBITDA/(Loss Before Interest, Taxes, Depreciation and Amortisation ("**LBITDA**"))	411,042	165,208	404,037	214,544	20,758	(50,760)	(32,897)	1,131,932

^^^ *Included effect of revision in the discount rate used for provision for decommissioning costs.*
^^^^ *Additions to non-current assets for the UK included RM27.8 million invested for Block 15/13a (Marigold) and Block 15/13b (Sunflower).*

11 OPERATING SEGMENTS (CONT'D)

	Malaysia – North Sabah RM'000	United Kingdom RM'000	Australia RM'000	Investment holding and group activities RM'000	Group RM'000
As at 30.06.2021					
Non-current assets	702,966	1,370,803	51,703	2,996	2,128,468
Included in the segment assets is:					
Investment in an associate	-	-	4,381	-	4,381
Additions to non-current assets	168,502	122,038 ^^^^^	1,950	730	293,220
Year ended 30.06.2021					
Project management, technical and other service fees	-	-	-	3,843	3,843
Sales of crude oil and gas	569,873	229,003	-	-	798,876
Interest income	-	-	-	2,062	2,062
Revenue	569,873	229,003	-	5,905	804,781
Depreciation and amortisation	(113,479)	(56,339)	-	(1,229)	(171,047)
Profit/(loss) from operations	199,665	31,526	2,619	(23,470)	210,340
Loss on disposal of equipment	-	-	-	(2,228)	(2,228)
Share of results of an associate	-	-	(1,062)	-	(1,062)
Reversal of contingent consideration	-	2,330	-	-	2,330
Finance costs	(19,739)	(18,847)	-	(3,593)	(42,179)
Interest income	103	299	-	-	402
Taxation	(63,231)	(1,003)	-	307	(63,927)
PAT/(LAT)	116,798	14,305	1,557	(28,984)	103,676
EBITDA/(LBITDA)	313,247	90,494	1,557	(24,469)	380,829

^^^^^ *Additions to non-current assets for the UK included RM81.0 million invested for Block 15/13a (Marigold) and Block 15/13b (Sunflower).*

12 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions within the Group are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.06.2022 RM'000	QUARTER ENDED 30.06.2021 RM'000	YEAR ENDED 30.06.2022 RM'000	YEAR ENDED 30.06.2021 RM'000
Project management, technical and other services fees earned from a related party				
- Ping Petroleum UK PLC (formerly known as Ping Petroleum UK Limited)	1,044	967	3,947	3,770
Joint Operating Agreement indirect overheads recovery from an associate				
- 3D Oil	1	-	1	1
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	(26)	(187)	(196)	(1,819)

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, or net assets value of the Group as at 30 June 2022:

	RM'000
Approved and contracted for:	
Group's capital commitments	123,006
Share of a joint operation's capital commitments	566
Total capital commitments approved and contracted for	123,572
Share of a joint operation's other material commitments	32,571
	156,143

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 30.06.2022 RM'000	Current Year Quarter 30.06.2022 RM'000	Immediate Preceding Quarter 31.03.2022 RM'000	Current Year Quarter vs Immediate Preceding Quarter (Change in %)
Malaysia – North Sabah				
Revenue	791,291	316,040	113,125	179
EBITDA	**411,042**	**155,602**	**48,072**	**224**
PBT	284,642	124,214	17,611	605
Taxation	(112,532)	(49,013)	(7,480)	(555)
PAT	172,110	75,201	10,131	642
Malaysia – Kinabalu and Others				
Revenue	188,791	185,086	3,705	4,896
EBITDA	**165,208**	**10,522**	**154,686**	**(93)**
PBT/(LBT)	114,340	(20,598)	134,938	-
Taxation	58,745	46,769	11,976	291
PAT	173,085	26,171	146,914	(82)
Commercial Arrangement Area				
Revenue	380,491	259,403	121,088	114
EBITDA	**404,037**	**187,365**	**216,672**	**(14)**
PBT	322,774	139,558	183,216	(24)
Taxation	(60,405)	(47,415)	(12,990)	(265)
PAT	262,369	92,143	170,226	(46)
United Kingdom				
Revenue	330,942	106,790	58,136	84
EBITDA	**214,544**	**85,592**	**48,866**	**75**
PBT	145,019	64,640	33,903	91
Taxation	(63,939)	(32,459)	(14,084)	(130)
PAT	81,080	32,181	19,819	62
Vietnam				
Revenue	-	-	-	-
EBITDA	**20,758**	**2,004**	**18,754**	**(89)**
PBT	19,093	1,081	18,012	(94)
Taxation	478	763	(285)	-
PAT	19,571	1,844	17,727	(90)
Australia				
Revenue	-	-	-	-
LBITDA	**(50,760)**	**(5,382)**	**(43,939)**	**88**
LBT	(50,760)	(5,382)	(43,939)	88
Taxation	-	-	-	-
LAT	(50,760)	(5,382)	(43,939)	88
Investment holding and group activities				
Revenue	5,006	1,048	1,006	4
LBITDA	**(32,897)**	**(2,043)**	**(8,383)**	**76**
LBT	(44,410)	(6,651)	(13,342)	50
Taxation	13	-	4	-
LAT	(44,397)	(6,651)	(13,338)	50
Group				
Revenue	1,696,521	868,367	297,060	192
EBITDA	**1,131,932**	**433,660**	**434,728**	**(0)**
PBT	790,698	296,862	330,399	(10)
Taxation	(177,640)	(81,355)	(22,859)	(256)
PAT	613,058	215,507	307,540	(30)

15 PERFORMANCE REVIEW (CONT'D)

15.1 Material factors affecting financial year-to-date and current quarter results

(A) <u>Statements of Profit or Loss</u>

(Note: Commentary is based on the segments classified in Part A, Note 11 of this Quarterly Report.)

(i) Malaysia – 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 RM791.3 million in the Current Year. 2,064,718 barrels of crude oil were sold at an average realised oil price of USD90.44 per barrel ("**bbl**").

Gross profit and EBITDA attained were RM556.0 million and RM411.0 million respectively. Gross profit margin and EBITDA margin over revenue were relatively high at 70.3% and 51.9% respectively. The healthy profit margins were largely driven by the high average realised oil price and a relatively low average operating costs ("**OPEX**") per bbl.

Average OPEX per bbl was USD18.01. The OPEX per bbl included amounts incurred for the on-going annual planned major maintenance campaign for calendar year ("**CY**") 2022. The campaign commenced in March 2022 and is expected to complete in September 2022. To coincide with this maintenance campaign, non-routine production enhancement work at the offshore platforms at South Furious and St Joseph and routine production enhancement activities at all fields to improve and maintain production reliability were carried out in the financial quarter ended 30 June 2022 ("**Current Quarter**").

In addition, OPEX in the Current Year was also impacted by COVID-19 restrictions and government standard operating procedures that were imposed. There were also planned maintenance activities performed at the offshore platforms at South Furious and Barton during the financial quarter ended 30 September 2021 ("**September 2021 Quarter**").

The average uptime and the average net oil production rate achieved in the Current Year were 86% and 5,073 bbls per day respectively. These metrices were adversely affected by a period of reduced production at the Barton, South Furious and South Furious 30 fields in the September 2021 Quarter. 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 which coincided with the September 2021 Quarter. These movement restrictions disrupted services provided by several of our contractors. Consequently, certain routine operational outages could not be addressed promptly.

15 PERFORMANCE REVIEW (CONT'D)

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

There was also higher unplanned production operational interruptions at the South Furious and South Furious 30 fields in January 2022. In addition to the above, the average net oil production rate recorded in the Current Quarter was adversely affected by shutdowns that were scheduled to facilitate the on-going planned CY 2022 major maintenance campaign.

PBT for this segment in the Current Year was RM284.6 million. It was derived mainly after deducting the following items from EBITDA, all of which are non-cash in nature:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM104.7 million;
- Unwinding of discount on provision for decommissioning costs of RM8.3 million; and
- Depreciation of right-of-use assets of RM8.0 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 Year were RM112.5 million. The resulting effective tax rate over PBT was 39.5%, which is consistent with the PITA rate.

- **Current quarter results**

SEA Hibiscus recorded revenue and gross profit of RM316.0 million and RM219.0 million respectively in the Current Quarter. Gross profit margin achieved was 69.3%.

During the Current Quarter, the segment sold 611,800 bbls of crude oil in two offtakes at an average realised oil price of USD119.80 per bbl.

North Sabah's key operational statistics for the Current Quarter have been impacted by the on-going planned CY 2022 major maintenance campaign. Average uptime achieved was 85% while average OPEX per bbl recorded was USD27.95. The average net oil production rate in the Current Quarter was 4,460 bbls per day.

Despite the relatively less favorable operational performance, EBITDA margin attained in the Current Quarter was reasonably high at 49.2%. This was mainly due to the high average realised oil prices, coupled with continuous careful management of costs.

15 PERFORMANCE REVIEW (CONT'D)

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

In the Current Quarter, the segment recorded a PBT of RM124.2 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 RM26.7 million;

- Depreciation of right-of-use assets of RM2.0 million; and

- Unwinding of discount on provision for decommissioning costs of RM1.7 million.

Total net tax expenses in the Current Quarter were RM49.0 million. The resulting effective tax rate over PBT was 39.5%, which is broadly consistent with the PITA rate of 38.0%.

(ii) Malaysia – Kinabalu and Others

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

	Kinabalu RM'000	Others @ RM'000	Total RM'000
Revenue	179,806	8,985	188,791
EBITDA/(LBITDA)	174,249	(9,041)	165,208
PBT/(LBT)	123,716	(9,376)	114,340
Taxation	72,197	(13,452)	58,745
PAT/(LAT)	195,913	(22,828)	173,085

@ *Consists of PM305 and PM314.*

As previously mentioned, the Completion Date of the FIPC Acquisition was on 24 January 2022. Accordingly, the financial performance of the newly acquired PSCs for the Current Year in this Quarterly Report was for the period from Completion Date to 30 June 2022.

The Malaysia – Kinabalu and Others segment consists of the Kinabalu, PM305 and PM314 PSCs, which were all acquired as part of the FIPC Acquisition.

From Completion Date to 30 June 2022, this segment generated EBITDA and PAT of RM165.2 million and RM173.1 million respectively.

During the Current Year, the segment contributed RM188.8 million to the Group's revenue from the sale of crude oil. It consisted of the following:

- Kinabalu – 350,236 bbls of crude oil sold (in May 2022) at an average realised oil price of USD121.15 per bbl; and

- PM305 and PM314 – 18,130 bbls of crude oil sold at an average realised oil price of USD116.96 per bbl.

15 PERFORMANCE REVIEW (CONT'D)

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

Kinabalu

Gross profit for Kinabalu was RM121.6 million while gross profit margin recorded was relatively high, at 67.6%. The healthy gross profit margin was largely driven by the high average realised prices obtained for the sale of crude oil and a relatively low OPEX per bbl of USD9.06. The OPEX per bbl included amounts incurred on inspection, equipment change out and well intervention activities.

The average net oil production rate and average uptime achieved in the Current Year were at 3,074 bbls per day and 88% respectively.

As previously highlighted in Part B, Note 15.1 (A) (ii) of the Preceding Quarter's Quarterly Report, the opening underlift inventory in Kinabalu as at 25 January 2022 acquired from Repsol ("**Acquired Underlift Inventory**") of 92,471 bbls was incorporated into the Group's financial statements at its fair value, in accordance with the provisions of MFRS 3 *Business Combinations* (and revalued at the prevailing crude oil price at the end of each financial period in accordance with the provisions of MFRS 9 *Financial Instruments*). The crude oil offtake that took place in May 2022 was the first offtake undertaken by the Kinabalu PSC since Completion Date. As a result, the "cost" of the Acquired Underlift Inventory included in the cost of sales for this offtake was higher than would be the case had the weighted average costs been used, by approximately RM25.0 million.

Kinabalu's EBITDA attained in the Current Year was high, at RM174.2 million.

As at Completion Date, the fair value of the identifiable assets and liabilities acquired has been accounted for in accordance with the provisions of MFRS 3 *Business Combinations*. The fair value when compared against the final purchase consideration of the FIPC Acquisition resulted in a total negative goodwill of RM317.3 million. As mentioned in Part A, Note 7 (iii) of this Quarterly Report, the Group has segregated the PSCs acquired into three operating segments, namely Malaysia – Kinabalu and Others, CAA and Vietnam. Kinabalu's share of the negative goodwill (allocated to the respective operating segments based on the relative fair value of the identifiable net assets of the PSCs at Completion Date) was RM165.0 million.

For information, the "normalised" EBITDA for Kinabalu after omitting the impact of the negative goodwill and the "consumption" of the Acquired Underlift Inventory valued at a higher "cost" would be approximately RM34.2 million, resulting in an EBITDA margin of 19.0%. The "normalised" result before taxation would be a LBT of approximately RM16.3 million. It was derived mainly after deducting the following items from the "normalised" EBITDA, all of which are non-cash in nature:

15 PERFORMANCE REVIEW (CONT'D)

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

- Amortisation of intangible assets and depreciation of oil and gas assets of RM47.9 million;
- Depreciation of right-of-use assets of RM1.7 million; and
- Unwinding of discount on provision for decommissioning costs of RM0.8 million.

Kinabalu recorded a "normalised" LBT for the Current Year as there was only one crude oil offtake sold since Completion Date to 30 June 2022, a five-month period. For Kinabalu, we expect at least one crude oil offtake in the range of 300,000 bbls in each quarter (i.e. every three months). As a result, the associated costs allocated to the May 2022 offtake were for a five-month period instead of three months. (Note that prior to the Completion Date, an offtake of 342,075 bbls of crude oil was sold on 9 January 2022.)

The tax regime governing Kinabalu is PITA, at the rate of 38.0%.

	Kinabalu RM'000
Income taxation	**688**
- PITA	-
- Barbados tax	688
Deferred taxation	**71,509**
Total taxation	**72,197**

Total net tax credit recognised by Kinabalu in the Current Year was RM72.2 million.

Income taxation:

- Despite the "normalised" LBT as mentioned above, Kinabalu was in a taxable position (after omitting the items not deductible for tax purposes). However, no provision for PITA was made as there were sufficient tax losses accumulated prior to the completion of the FIPC Acquisition which were partially utilised to off-set Kinabalu's tax payable under PITA in the Current Year; and
- The Barbados income tax was computed at the entity level (i.e. HML in the case for Kinabalu) and then allocated to the respective PSCs in the entity based on the respective PSCs' result before taxation position (computed based on the tax rules applicable to the Barbados tax regime). As Kinabalu recorded a LBT (for Barbados tax purposes) for the Current Year, a tax credit for Barbados tax was allocated.

15 PERFORMANCE REVIEW (CONT'D)

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

Deferred taxation:

- The deferred tax credit of RM71.5 million was mainly due to the recognition of previously unrecognised deferred tax assets which amounted to RM56.0 million. These deferred tax assets arose from brought forward unutilised tax losses (up to 31 December 2020) attributable to the Kinabalu PSC, which were not recognised by Repsol previously. Repsol had performed an assessment of the availability of future taxable profits of the Kinabalu PSC as part of the statutory audit of Repsol's financial statements for the financial year ended 31 December 2020. That assessment was conducted during a period where oil prices were very low and the outcome was that a portion of the unutilised tax losses as at 31 December 2020 were estimated to remain unutilised upon the expiry of the Kinabalu PSC due to insufficient future taxable profits. However, based on updated assumptions adopted in a similar assessment performed by the Group, as part of the on-going statutory audit of the Group's financial statements for the Current Year, it is probable the Kinabalu PSC will be able to fully utilise the existing unutilised tax losses against available future taxable profits by the expiry of the PSC. Therefore, the deferred tax assets on the abovementioned brought forward tax losses (up to 31 December 2020) were recognised in the Current Quarter (and Current Year); and

- In addition to this, there were deferred tax assets recognised due to the amortisation of intangible assets and depreciation of oil and gas assets and right-of-use assets.

<u>Others</u>

Gross profit for PM305 and PM314 for the Current Year was RM6.7 million while gross profit margin recorded was 74.7%.

During the Current Year, decommissioning expenditure relating to PM305 and PM314 of RM13.2 million was recognised as an expense. This was due to a rephasing of the decommissioning work, which is expected to complete in August 2022. This was the main cause for a LBITDA of RM9.0 million and a LBT of RM9.4 million.

The tax regime governing PM305 and PM314 is PITA, at the rate of 38.0%.

	Others **RM'000**
Income taxation	**558**
- PITA	-
- Barbados tax	558
Deferred taxation	**(14,010)**
Total taxation	**(13,452)**

15 PERFORMANCE REVIEW (CONT'D)

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

Total net tax charge in the Current Year was RM13.5 million.

Income taxation:

- PM305 and PM314 were in a tax loss position hence no provision for PITA was made; and

- The Barbados income tax was computed at the entity level (i.e. HML) and allocated to the respective PSCs in the entity based on the respective PSCs' result before taxation position. As PM305 and PM314 recorded a LBT (for Barbados tax purposes) for the Current Year, a tax credit for Barbados tax was allocated.

Deferred taxation:

- There was a deferred tax charge of RM14.0 million in the Current Year. A net RM6.3 million charge was recorded due to the realisation (or reversal) of deferred tax assets relating to decommissioning activities carried out. In addition, as part of the on-going statutory audit of the Group's financial statements for the Current Year, an assessment on the availability of the PSCs' available future taxable profits was performed and based on the assessment, PM305 and PM314 were assessed to be unable to utilise any unutilised tax losses against available future taxable profits by the expiry of the PSCs. Hence, the deferred tax assets which arose from the brought forward tax losses as at Completion Date amounting to RM6.1 million were reversed in the Current Year.

- **Current quarter results**

	Kinabalu RM'000	Others @@ RM'000	Total RM'000
Revenue	179,806	5,280	185,086
EBITDA/(LBITDA)	20,592	(10,070)	10,522
LBT	(10,152)	(10,446)	(20,598)
Taxation	59,740	(12,971)	46,769
PAT/(LAT)	49,588	(23,417)	26,171

@@ Consists of PM305 and PM314.

In the Current Quarter, from this segment of our business, we generated RM185.1 million revenue and RM105.8 million gross profit.

The revenue of RM185.1 million consisted of the following:

- Kinabalu – 350,236 bbls of crude oil sold at an average realised oil price of USD121.15 per bbl; and

- PM305 and PM314 – 10,382 bbls of crude oil sold at an average realised oil price of USD119.07 per bbl.

15 PERFORMANCE REVIEW (CONT'D)

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

Kinabalu

The Kinabalu PSC achieved average uptime of 91% in the Current Quarter. The good uptime performance was driven by stable topside operations, well optimisation and a relatively high level of compressor reliability being achieved which allowed a consistent supply of gas for gas lift activities. Average net oil production rate was 3,157 bbls per day. Average OPEX per bbl recorded was USD10.61, which included costs for the execution of planned well intervention activities.

Kinabalu's EBITDA for the Current Quarter amounted to RM20.6 million. The EBITDA margin was 11.5%.

The PSC's gross profit and EBITDA included the impact of the "consumption" of the Acquired Underlift Inventory which was valued at a higher "cost", as illustrated in the "Financial year-to-date results section" above. Omitting the impact which arose from this transaction (or accounting entry) of approximately RM45.0 million would result in a "normalised" EBITDA of approximately RM65.6 million, resulting in an EBITDA margin of 36.5%.

Considering the above factors, Kinabalu's "normalised" result before taxation would have then been a PBT of approximately RM34.8 million, instead of the LBT of RM10.2 million shown in the table above. The following non-cash items were deducted from EBITDA to arrive at the result before taxation:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM29.1 million;
- Depreciation of right-of-use assets of RM1.0 million; and
- Unwinding of discount on provision for decommissioning costs of RM0.6 million.

The tax regime governing Kinabalu is PITA, at the rate of 38.0%.

	Kinabalu RM'000
Income taxation	**312**
- PITA	-
- Barbados tax	312
Deferred taxation	**59,428**
Total taxation	**59,740**

Total net tax credit recognised in the Current Quarter amounted to RM59.7 million.

15 PERFORMANCE REVIEW (CONT'D)

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

Income taxation:

- Kinabalu was in a taxable position in the Current Quarter. However, no provision for PITA was made as there were sufficient tax losses brought forward to off-set against Kinabalu's tax payable under PITA; and

- Barbados income taxes were allocated to Kinabalu based on its result before taxation position. As Kinabalu recorded a LBT (for Barbados tax purposes) for the Current Quarter, a tax credit for Barbados tax was allocated.

Deferred taxation:

- As explained in the "Financial year-to-date results section" above, deferred tax assets on brought forward unutilised tax losses (as at 31 December 2020) attributable to the Kinabalu PSC which were unrecognised by Repsol previously were now recognised in the Current Quarter by the Group amounting to RM56.0 million; and

- There were also deferred tax assets recognised due to the amortisation of intangible assets and depreciation of right-of-use assets and oil and gas assets.

Others

Gross profit for PM305 and PM314 was RM4.8 million, while gross profit margin was at 90.8%.

Reversal of deferred tax assets of RM13.4 million (as stated in the "Financial year-to-date" section above) and decommissioning expenditure of RM13.2 million were recognised as expenses in the Current Quarter.

The tax regime governing PM305 and PM314 is PITA, at the rate of 38.0%.

	Others **RM'000**
Income taxation	**413**
- PITA	-
- Barbados tax	413
Deferred taxation	**(13,384)**
Total taxation	**(12,971)**

Total net tax charge amounted to RM13.0 million.

15 PERFORMANCE REVIEW (CONT'D)

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

Income taxation:

- PM305 and PM314 were in a tax loss position hence no provision for PITA was made; and

- Tax credit allocated for Barbados income tax amounted to RM0.4 million.

Deferred taxation:

- A deferred tax charge amounting to RM13.4 million was recognised in the Current Quarter. As explained in the "Financial year-to-date results section" above, the deferred tax assets which arose from the brought forward tax losses as at Completion Date amounting to RM6.1 million were reversed in the Current Quarter. In addition, a net RM4.4 million charge was recorded due to the realisation (or reversal) of deferred tax assets relating to decommissioning activities carried out.

(iii) Commercial Arrangement Area

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

The CAA segment consists of the PM3 CAA PSC, which was acquired as part of the FIPC Acquisition.

From Completion Date to 30 June 2022, this segment generated EBITDA and PAT of RM404.0 million and RM262.4 million respectively.

The segment's share of the negative goodwill amounted to RM146.0 million (please refer to Part A, Note 7 (iii) of this Quarterly Report for further details).

During the Current Year, the PM3 CAA PSC contributed RM380.5 million to the Group's revenue from the sale of crude oil and gas. It consisted of the following:

- Gas – RM191.8 million (5,982 million standard cubic feet ("**scf**") ("**MMscf**") at the average realised price of USD7.57 per thousand scf); and

- Crude oil – RM188.7 million (383,015 bbls at the average realised oil price of USD116.26 per bbl).

Gross profit was RM270.1 million while gross profit margin recorded was relatively high, at 71.0%. The healthy gross profit margin was largely driven by the high average realised prices obtained for the sale of both gas and crude oil and a low average OPEX per bbl of oil equivalent ("**boe**") of USD9.92. The OPEX per boe included amounts incurred on major maintenance activities, well integrity and intervention campaigns and inspection and maintenance work scope at both the Northern and Southern fields.

15 PERFORMANCE REVIEW (CONT'D)

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

The average net oil equivalent production rate and average uptime achieved in the Current Year were high, at 9,218 boe per day and 94% respectively.

The "normalised" EBITDA for the segment after omitting the impact of the negative goodwill was RM258.0 million, resulting in an EBITDA margin of 67.8%.

The CAA segment's "normalised" PBT was RM176.8 million. It was derived mainly after deducting the following items from the "normalised" EBITDA, all of which are non-cash in nature:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM58.7 million;
- Depreciation of right-of-use assets of RM14.3 million; and
- Unwinding of discount on provision for decommissioning costs of RM4.2 million.

The tax regime governing this segment is PITA, at the rate of 38.0%. Total net tax expenses in the Current Year were RM60.4 million. The resulting effective tax rate over the "normalised" PBT was 34.2%.

- **Current quarter results**

In the Current Quarter, from this segment of our business, we generated RM259.4 million revenue and RM191.2 million gross profit.

The revenue of RM259.4 million consisted of the following:

- Crude oil – RM142.2 million (293,346 bbls at the average realised oil price of USD113.99 per bbl); and
- Gas – RM117.2 million (3,429 MMscf at the average realised price of USD8.00 per thousand scf).

The PM3 CAA PSC achieved an average uptime of 91% and an average net oil and condensate production rate of 2,639 boe per day. Average OPEX per boe recorded was relatively low, at USD11.34. OPEX incurred in the Current Quarter included a higher level of activities relating to major maintenance, well integrity and intervention campaigns and inspection and maintenance work scopes. This was in line with the ramping up of activities ahead of the planned shutdown for Northern and Southern fields in August 2022.

The segment achieved an EBITDA of RM187.4 million and EBITDA margin of 72.2% in the Current Quarter. The high EBITDA margin was driven by the high average selling prices realised for the sale of both crude oil and gas.

15 PERFORMANCE REVIEW (CONT'D)

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

Segment PBT was RM139.6 million after deducting the following non-cash items from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM33.8 million;
- Depreciation of right-of-use assets of RM8.6 million; and
- Unwinding of discount on provision for decommissioning costs of RM2.8 million.

Net tax expenses incurred in the Current Quarter of RM47.4 million were due to taxes levied on profits generated from operations.

(iv) United Kingdom

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

Total revenue generated by the UK segment in the Current Year amounted to RM330.9 million.

The segment sold 685,255 bbls of crude oil in the Current Year at an average realised oil price of USD95.32 per bbl. Total revenue generated from the sale of crude oil amounted to RM272.2 million.

In addition, contribution to revenue from the sale of gas was more significant in the Current Year due to significantly higher gas prices. The average price per therm rose sharply commencing from October 2021 onwards. Total gas revenue in the Current Year amounted to RM58.7 million, which was significantly higher than what has been normally recognised.

Average OPEX per boe recorded for the Current Year was USD26.19. Both the average daily oil equivalent production rate and the average uptime in the Current Year were low, at 2,119 boe per day and 68% respectively.

Operational performance was affected by a planned Offshore Turnaround of the Anasuria FPSO which commenced on 17 June 2022 and was subsequently completed on 17 July 2022 ("**2022 Turnaround**"). The 2022 Turnaround was conducted with the objective of improving the reliability and integrity of the Anasuria FPSO in addition to ensuring a safe offshore working environment. In addition, a portion of the costs incurred for CY 2021's planned shutdown of the Anasuria FPSO for maintenance activities ("**2021 Turnaround**") was included in July 2021, hence formed part of the Current Year's cost of sales.

15 PERFORMANCE REVIEW (CONT'D)

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

In addition, recall that in the process of bringing the Anasuria FPSO back to full production upon completion of the 2021 Turnaround in April/May 2021, a malfunction of a critical component of the subsea infrastructure was identified. The critical component relates to a production riser that transports produced crude oil to the Anasuria FPSO. This component has been isolated from the primary production system. The impact of this temporary isolation is a lower overall daily production rate from the Anasuria Cluster which will continue until the failed component is replaced. Engineering and procurement activities are currently on-going on a fast-track basis with execution expected to be concluded in the third quarter of CY 2022. Until the failed component is returned to service, we anticipate that there will be an impact on OPEX per boe and CY 2022 offtake volumes. 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 Year's cost of sales. The average daily oil equivalent production rate was also adversely affected by a planned well intervention program carried out at the Guillemot A field in March 2022.

Despite this, the UK segment achieved healthy profit margins in the Current Year. The segment recorded gross profit and EBITDA amounting to RM242.9 million (73.4% margin over revenue) and RM214.5 million (64.8% margin over revenue) respectively.

PBT stood at RM145.0 million after deducting the following non-cash items from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM42.2 million; and

- Unwinding of discount on provision for decommissioning costs and contingent consideration of RM20.4 million and RM3.2 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 Year amounting to RM63.9 million, representing an effective tax rate over PBT of 44.1%. This was slightly higher than the statutory rates stated, mainly due to the non-deductibility of unrealised foreign exchange losses for tax purposes.

15 PERFORMANCE REVIEW (CONT'D)

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

- **Current quarter results**

  Total revenue attained during the Current Quarter was RM106.8 million. The contribution to this total from the sale of crude oil and gas was as follows:

  - Crude oil – RM91.6 million (162,957 bbls at the average realised oil price of USD127.91 per bbl); and

  - Gas – RM15.2 million.

  In the Current Quarter, average OPEX per boe recorded by the Anasuria asset was USD27.41. 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 1,884 boe per day and 61% respectively. As highlighted earlier, the adverse impact of the malfunction of a critical component of the subsea infrastructure persisted in the Current Quarter.

  The high OPEX per boe was also caused by lower production attributable to the 2022 Turnaround which commenced in June 2022.

  Despite the relatively poor operational performance, the UK segment achieved high profitability levels due to the high average realised prices obtained for the sale of both crude oil and gas.

  Gross profit margin was 81.0% on the back of a gross profit amount of RM86.4 million. EBITDA and EBITDA margin were both high, at RM85.6 million and 80.1% respectively.

  PBT stood at RM64.6 million after deducting the following non-cash items from EBITDA:

  - Amortisation of intangible assets and depreciation of oil and gas assets of RM10.3 million; and

  - Unwinding of discount on provision for decommissioning costs and contingent consideration of RM5.2 million and RM1.4 million respectively.

  Subsequent to a re-assessment of income tax obligations on actual Current Year's taxable income, the segment recorded a net tax expense in the Current Quarter amounting to RM32.5 million.

15 PERFORMANCE REVIEW (CONT'D)

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

(v) Vietnam

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

The Vietnam segment consists of the Block 46 PSC, which was acquired as part of the FIPC Acquisition.

PAT for the Current Year amounted to RM19.6 million.

There was no sale of crude oil by the Block 46 PSC from Completion Date to 30 June 2022. Acquired Underlift Inventory for this segment was 81,418 bbls and upon the revaluation exercise as at 30 June 2022, a gain of RM14.6 million was recognised. This Acquired Underlift Inventory represents the right to receive crude oil in future offtakes or cash from other participants of the PSC and was measured at fair value at Completion Date. It was then subsequently remeasured at fair value as at 30 June 2022, which resulted in the gain on revaluation stated above.

In addition, the segment's share of the negative goodwill amounted to RM6.3 million (please refer to Part A, Note 7 (iii) of this Quarterly Report for further details).

For Block 46, income tax of 50.0% is paid on behalf of the PSC participants by PVN.

- **Current quarter results**

There was no sale of crude oil by the Block 46 PSC in the Current Quarter. Gross profit of RM2.0 million was due to the gain on revaluation of the Acquired Underlift Inventory at higher fair value as at 30 June 2022.

This was partially off-set by the depreciation of oil and gas assets and the unwinding of discount on provision for decommissioning costs of RM0.8 million and RM0.1 million respectively.

In addition, a tax credit of RM0.8 million was recognised due to the reversal of deferred tax liabilities arising from depreciation of oil and gas properties as at 30 June 2022. As there was no sale of crude oil during the Current Quarter, no income tax expense was recognised.

(vi) Australia

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

The segment recorded LAT of RM50.8 million in the Current Year.

A Retention Lease application for VIC/RL17 was submitted to the Australian National Offshore Petroleum Titles Administrator ("**NOPTA**") on 4 December 2018. On 5 November 2021, NOPTA granted approval of this application subject to the work program stated in the title instrument and associated conditions to be met.

15 PERFORMANCE REVIEW (CONT'D)

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

Given this development on VIC/RL17 the Group had, during the Current Year, assessed the impact of this reclassification of the licence on the recoverable amount of VIC/RL17. This was done with the assistance of third-party experts.

In addition, upon the completion of the FIPC Acquisition, the profile of the Group's oil and gas portfolio is now dominated by producing assets primarily in South East Asia and to a lesser degree, in the UK. Material financial and human resources are being applied to these assets. As a result of these factors and considering the abovementioned development on VIC/RL17, the Group also assessed the recoverable amounts of the intangible assets relating to both VIC/P57 and VIC/P74.

Following the assessments, the Group fully impaired VIC/RL17, VIC/P57 and VIC/P74. The total provision for impairment recognised in the Current Year amounted to RM46.9 million (RM40.5 million for VIC/RL17, RM4.5 million for VIC/P57 and RM1.9 million for VIC/P74).

For information, as at the date of this Quarterly Report, the Group has submitted the following applications to NOPTA for VIC/P57 and VIC/P74:

- VIC/P57 – On 4 February 2022, both CHPL and 3D Oil submitted an application to surrender the VIC/P57 permit to NOPTA. Approval of the surrender was received from The Commonwealth - Victoria Offshore Petroleum Joint Authority on 4 August 2022. Subsequently, NOPTA has provided its approval for the surrender of the Permit on 11 August 2022. The notice of surrender was published in the Australian Government Gazette on 11 August 2022, which was also the day the surrender took effect.

- VIC/P74 – On 7 July 2022, 3D Oil submitted an application of "Approval of Transfer of a Petroleum Title" to NOPTA to seek approval for a 100% transfer of VIC/P74 from CHPL to 3D Oil. The Group has agreed to transfer the 50% interest to 3DO at no cost. The approval from NOPTA has not been received yet. The Group elected to exit VIC/P74 at the end of Year 3 of the work program as the 3D seismic showed that the four identified leads in the block were high risk exploration prospects and are unlikely to attract a farminee to drill the well commitment in Year 6 of the work program.

Also included as part of the overall results are unrealised foreign exchange losses, costs incurred for professional fees, project management fees, administrative expenses and share of results of the associate in this segment.

15 PERFORMANCE REVIEW (CONT'D)

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

- **Current quarter results**

  During the Current Quarter, the segment recorded LAT of RM5.4 million.

  The AUD, being the segment's functional currency, depreciated against the USD during the Current Quarter when compared to 31 March 2022. The period-end retranslation of the segment's USD-denominated payables resulted in unrealised foreign exchange losses of RM2.8 million. A significant portion of such USD-denominated payables are to inter-companies, and as a result, there was no adverse impact to the Group.

  In addition, the Group fully impaired the balance of VIC/RL17's recoverable amount of RM2.0 million as at 30 June 2022. Further assessment was conducted with the assistance of third-party experts on the options available for its development plan. Following the assessment, the likelihood of the Group developing VIC/RL17 is remote.

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

(vii) Investment holding and group activities

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

  LAT recorded for this segment during the Current Year amounted to RM44.4 million.

  Of this amount, expenses relating to fund-raising and business development activities amounted to RM12.9 million. In addition, the segment recognised interest expenses of RM10.2 million, which were incurred mostly in relation to the outstanding balance of Trafigura Pte Ltd ("**Trafigura**")'s prepayment facility. The facility was drawn down to part finance the purchase consideration for the FIPC Acquisition.

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

- **Current quarter results**

  Segment LAT in the Current Quarter was RM6.7 million.

  Interest expenses amounted to RM4.3 million while expenses incurred for fund-raising and business development activities amounted to RM0.7 million.

  In addition to the above, other expenses recognised relate largely to corporate overheads, professional and consultancy fees and depreciation expense.

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 30 June 2022 amounted to RM3,965.2 million, an increase of RM1,836.7 million from RM2,128.5 million as at 30 June 2021.

The increase was mainly driven by the inclusion of the amount attributable to the fair value of identifiable non-current assets of the acquired FIPC Group of RM1,705.3 million.

There was also significant capital expenditure made by Anasuria Hibiscus UK and by the PM3 CAA PSC. Capital expenditure invested by Anasuria Hibiscus UK in the Current Year amounted to RM96.9 million (RM55.1 million for the Anasuria Cluster, RM27.8 million for the Marigold and Sunflower fields and RM14.0 million for Teal West). In addition, subsequent to the completion of the FIPC Acquisition, RM78.4 million has been invested in capital expenditure in the PM3 CAA PSC.

As at 30 June 2022, deferred tax assets recognised by the Group amounted to RM84.9 million. This balance was not present as at 30 June 2021. The amount was mainly attributable to the brought forward tax losses relating to the Kinabalu PSC. These tax losses were accumulated prior to the completion of the FIPC Acquisition and can be utilised to off-set against Kinabalu's future tax payable under PITA.

A tax recoverable amount of RM50.4 million formed part of the Group's non-current assets upon the completion of the FIPC Acquisition in January 2022 and hence, did not exist as at 30 June 2021. The balance relates to PM3 CAA's income taxes that were previously overpaid (i.e. paid pre-FIPC Acquisition) to the Vietnamese tax authorities for Year of Assessment ("**YA**") 2014, YA 2015 and YA 2019. Applications to off-set the overpaid balance against future PM3 CAA's income taxes payable have been made to the relevant authorities. As the decision to off-set this tax recoverable amount is not within the control of the Group and a decision from such relevant authorities has not been received, the Group has classified the balance to be non-current in nature.

In addition to the above, Anasuria Hibiscus UK had paid an amount equivalent to RM32.9 million in the Current Year for its proportionate obligations for the estimated cost of decommissioning the facilities of the Anasuria Cluster into a trust. As such decommissioning activities are expected to be carried out at the end of life of the Anasuria Cluster, these monies in the trust are classified as non-current assets.

The above additions to non-current assets were partially off-set by depreciation and amortisation of equipment, intangible assets and right-of-use assets recorded during the Current Year amounting to RM280.2 million. In addition, the Group recognised provisions for impairment totalling RM46.9 million on its Australian licences (RM40.5 million for VIC/RL17, RM4.5 million for VIC/P57 and RM1.9 million for VIC/P74) as at 30 June 2022.

15 PERFORMANCE REVIEW (CONT'D)

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

(ii) Current Assets

As at 30 June 2022, the Group's current assets amounted to RM1,543.6 million. That was RM884.0 million higher than the balance as at 30 June 2021 of RM659.6 million.

The higher current assets balance of the Group as at 30 June 2022 was due to the inclusion of the current assets of the FIPC Group. Balances related to the FIPC Group as at 30 June 2022 amounted to RM918.5 million, which included a cash balance of RM355.4 million. These balances did not exist as at 30 June 2021.

In addition, outstanding receivables balances relating to proceeds on offtakes were higher in both Anasuria Hibiscus UK (for crude oil and gas) and SEA Hibiscus (for crude oil) as at 30 June 2022 compared to 30 June 2021 by RM97.5 million and RM68.5 million respectively. Such receivables balances as at 30 June 2022 were subsequently received in July 2022.

The above was partially off-set by movements in other investment, deposits and other receivables, as illustrated below.

Included in current assets as at 30 June 2021 was the item, other investment, which amounted to RM136.4 million. This amount comprised investments in unit trust funds, which corresponded to the remaining net proceeds from the issuance of the CRPS in November 2020 (after deducting all related expenses) and income earned from investing the net proceeds into permitted investments. Its balance as at 30 June 2022 was nil after the full withdrawal of the entire balance in December 2021 to part finance the purchase consideration of the FIPC Acquisition.

In addition, there was a deposit as at 30 June 2021 of RM62.3 million (or USD15.0 million) which was paid to Repsol when the Repsol SPA was signed on 1 June 2021. The deposit was reversed upon the completion of the FIPC Acquisition.

(iii) Total Liabilities

Total liabilities increased from RM1,314.1 million as at 30 June 2021 to RM3,348.3 million as at 30 June 2022.

As at 30 June 2022, total liabilities in the FIPC Group amounted to RM1,636.1 million. This amount comprised mainly of the following:

- RM447.4 million – Lease liabilities;
- RM402.9 million – Other payables and accruals relating to its oil and gas operations;
- RM368.0 million – Provision for taxation; and
- RM337.3 million – Present value of decommissioning costs in respect of the PM3 CAA, Kinabalu, PM305, PM314 and Block 46 PSCs.

15 PERFORMANCE REVIEW (CONT'D)

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

Out of the RM368.0 million provision for taxation in the FIPC Group, RM306.5 million was provided by Repsol prior to the completion of the FIPC Acquisition. A portion of this balance included the potential tax exposure arising from the Notices of Additional Assessment received from the Inland Revenue Board of Malaysia ("**IRB**") for YA 2014, YA 2015 and YA 2016 as illustrated in Part B, Note 23 of this Quarterly Report.

As at 30 June 2022, outstanding operations-related payables and accruals for the Anasuria and North Sabah assets increased by approximately RM36.5 million and RM24.7 million respectively when compared to 30 June 2021 mainly due to higher level of activities. Provision for taxation for both assets were also higher as at 30 June 2022 due to higher taxable income from higher revenue achieved. The provision for taxation in the UK was higher by RM28.1 million while in SEA Hibiscus, it was higher by RM27.1 million.

In addition to the above, the amount owing to Trafigura as at 30 June 2022 was higher by RM135.2 million when compared to the balance as at 30 June 2021 due to the additional drawdown of the prepayment facility in December 2021 to part finance the purchase consideration for the FIPC Acquisition.

A revolving credit facility was utilised by the Group during the Current Year to aid its working capital requirements. The amount outstanding as at 30 June 2022 amounted to RM88.8 million. This did not exist as at 30 June 2021.

Lastly, the Company has, in respect of the Current Year, declared an interim single-tier dividend of 1.0 sen per ordinary share on 25 May 2022. The amount payable relating to this amounting to RM20.1 million was paid in July 2022, and thus was recognised as a liability as at 30 June 2022.

(iv) Total Equity

Total equity as at 30 June 2022 increased by RM686.6 million when compared to 30 June 2021.

This was mainly attributable to net earnings generated by the producing assets of the Group, and also the inclusion of the negative goodwill in relation to the business combination arising from the FIPC Acquisition.

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

(i) Cash flows generated from operating activities

During the Current Year, net cash generated from the Group's operating activities amounted to RM919.4 million.

It comprises mainly the aggregate of funds received from operations at North Sabah, the Anasuria Cluster and the FIPC Group, partly off-set by group-wide operating overheads, payment of taxation obligations and payment of decommissioning liabilities.

It also includes a net RM135.2 million received from Trafigura from June 2021 to June 2022, driven by the funds received from the drawdown of the prepayment facility in December 2021.

15 PERFORMANCE REVIEW (CONT'D)

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

(ii) Cash flows used in investing activities

Net cash utilised by the Group during the Current Year for investing activities amounted to RM534.4 million.

The final purchase consideration (after taking into account various adjustments) to complete the FIPC Acquisition amounted to USD138.7 million (equivalent to RM581.0 million). (Please refer to Part A, Note 7 (iii) for further details.)

Subsequent to the FIPC Acquisition, from Completion Date to 30 June 2022, capital expenditure amounting to RM81.3 million was invested by the newly acquired PSCs (particularly for PM3 CAA).

In addition, amounts invested in various capital expenditure programs by Anasuria Hibiscus UK during the Current Year amounted to RM88.2 million.

The above was partially off-set by the following:

- Cash received by the Company from the withdrawal of funds in other investment in December 2021 of RM136.6 million; and

- Available cash balance of RM77.7 million (or USD18.5 million) in the FIPC Group at Completion Date that was taken over by the Group as part of the agreed arrangement in the Repsol SPA.

(iii) Cash flows used in financing activities

The net cash used in financing activities was mainly due to payments made to fulfil the Group's lease liabilities obligations.

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) Malaysia – North Sabah

The North Sabah segment recorded a revenue of RM316.0 million in the Current Quarter as compared to RM113.1 million for the financial quarter ended 31 March 2022 ("**Preceding Quarter**"). SEA Hibiscus sold 611,800 bbls of crude oil in two cargoes during the Current Quarter as compared to 300,252 bbls from one cargo in the Preceding Quarter. Average realised oil price achieved in the Current Quarter was USD119.80 per bbl whilst USD89.58 per bbl was achieved in the Preceding Quarter. As a result, revenue generated in the Current Quarter almost tripled that recognised in the Preceding Quarter (an increase of RM202.9 million).

In the Current Quarter, the average uptime of the North Sabah production facilities and the average net oil production rate were 85% and 4,460 bbls per day respectively, which were slightly lower than the Preceding Quarter's 86% and 4,482 bbls per day respectively. This was mainly due to the adverse impact from the on-going annual planned major maintenance campaign for CY 2022, which commenced in March 2022 and is expected to complete in September 2022. Operational performance in the Preceding Quarter was impacted by higher unplanned production interruptions in January 2022.

EBITDA achieved by the segment in the Current Quarter amounted to RM155.6 million, which was RM107.5 million higher than the Preceding Quarter's RM48.1 million. The Current Quarter's EBITDA margin of 49.2% was also higher when compared to the 42.5% recorded in the Preceding Quarter. The better profitability level in the Current Quarter was due to the increased volume of crude oil sold and higher average realised oil price attained.

(ii) Malaysia – Kinabalu and Others

The segment recorded an EBITDA and a LBT of RM10.5 million and RM20.6 million respectively in the Current Quarter as compared to that achieved in the Preceding Quarter, i.e. an EBITDA of RM154.7 million and a PBT of RM134.9 million.

The profits in the Preceding Quarter were contributed by two main factors:

- Negative goodwill of RM165.0 million allocated to this segment; and
- Gain on revaluation of the Acquired Underlift Inventory of RM18.7 million.

There was no crude oil offtake in the Preceding Quarter.

In the Current Quarter, Kinabalu recorded revenue of RM179.8 million as 350,236 bbls of crude oil was sold.

Average OPEX per bbl increased to USD10.61 when compared to the Preceding Quarter as a result of increased maintenance and well activities after mobilisation of an Accommodation Work Boat to support the activities.

The average uptime and the average net oil production rate recorded by the segment were 91% and 3,157 bbls per day respectively, which were higher than the Preceding Quarter's 77% and 2,946 bbls per day respectively. This was mainly driven by stable operations and well intervention activities which resulted in better well performance.

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

As the FIPC Acquisition was completed on 24 January 2022, the amortisation of intangible assets and depreciation of oil and gas assets, the depreciation of right-of-use assets and the unwinding of discount on provision for decommissioning costs recognised in the Current Quarter (full three months impact) were higher when compared to the Preceding Quarter (only two months impact) by RM10.3 million, RM0.3 million and RM0.3 million respectively.

(iii) Commercial Arrangement Area

The FIPC Acquisition was completed on 24 January 2022. As such, the operational results for the Preceding Quarter were for two months only, while for the Current Quarter, it was for a full three months.

Total revenue generated in the Current Quarter doubled that attained in the Preceding Quarter, from RM121.1 million in the Preceding Quarter to RM259.4 million in the Current Quarter.

The PM3 CAA PSC sold 293,346 bbls of crude oil in three cargoes during the Current Quarter as compared to 89,669 bbls from one cargo in the Preceding Quarter. Average realised oil price achieved in the Current Quarter was USD113.99 per bbl whilst USD123.69 per bbl was achieved in the Preceding Quarter.

In addition, the PM3 CAA PSC sold 3,429 MMscf of gas in the Current Quarter, compared to 2,553 MMscf in the Preceding Quarter. Average realised gas price of USD8.00 per thousand scf was achieved in the Current Quarter, compared to USD6.98 per thousand scf in the Preceding Quarter.

The PM3 CAA PSC's average uptime and average net oil equivalent production rate in the Current Quarter of 91% and 8,919 boe per day respectively, which were slightly lower than the Preceding Quarter's 96% and 9,679 boe per day respectively. Rectification works performed on the permeate compressor and the flash gas compressor during the Current Quarter was the main cause of this less favourable performance. In addition to the lower production rate, planned increases in operations related to well production enhancement, well maintenance and topside maintenance activities have caused the average OPEX per boe to be higher in the Current Quarter at USD11.34, compared to the Preceding Quarter's USD7.86.

EBITDA achieved by the segment in the Current Quarter amounted to RM187.4 million, compared to the Preceding Quarter's RM216.7 million.

The other significant movements between the Current Quarter and the Preceding Quarter up to PBT level included:

- Higher amortisation of intangible assets and depreciation of oil and gas assets, depreciation of right-of-use assets and unwinding of discount on provision for decommissioning costs in the Current Quarter by RM9.0 million, RM3.0 million and RM1.5 million respectively (due to a full quarter's impact recorded in the Current Quarter compared to the period from Completion Date to 31 March 2022 in the Preceding Quarter); and

- The negative goodwill upon the completion of the FIPC Acquisition that was allocated to this segment in the Preceding Quarter of RM146.0 million did not recur in the Current Quarter.

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

(iv) United Kingdom

The UK segment achieved an EBITDA and a PBT of RM85.6 million and RM64.6 million respectively in the Current Quarter as compared to that achieved in the Preceding Quarter, i.e. an EBITDA of RM48.9 million and a PBT of RM33.9 million.

As mentioned in Part B, Note 15.1 (A) (iv) of the Preceding Quarter's Quarterly Report, the crude oil offtake in the financial quarter ended 31 December 2021 ("**December 2021 Quarter**") included an overlift volume of 90,000 bbls. 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 had been included in both the December 2021 Quarter's revenue and cost of sales at the average realised oil price (i.e. USD72.02 per bbl) for the December 2021 offtake (i.e. RM27.1 million), hence no gross profit was recognised on this overlift transaction in the December 2021 Quarter. In line with the applicable accounting principles, the gross profit from this overlift transaction has been duly included in the Preceding Quarter's gross profit, which amounted to RM27.1 million (in the form of reversal from cost of sales). The "normalised" volume of crude oil sold in the Preceding Quarter, after including these 90,000 bbls was 164,304 bbls, at an "effective" average realised oil price of USD94.75 per bbl (i.e. 74,304 bbls at the average realised oil price of USD122.28 (realised in the Preceding Quarter's offtake) and 90,000 bbls at the average realised oil price of USD72.02 per bbl (realised in the December 2021 Quarter offtake)). The "normalised" volume of 164,304 bbls was fairly consistent with the Current Quarter's crude oil offtake volume of 162,957 bbls.

EBITDA achieved by the segment in the Current Quarter was higher than that achieved in the Preceding Quarter by RM36.7 million largely due to the higher average realised oil price attained. In addition, in the Preceding Quarter, Anasuria Hibiscus UK had charged out the amount paid and payable under the Close Out Deed relating to License No. P2366 (please refer to Part A, Note 4 (ii) of this Quarterly Report for further details), which did not recur in the Current Quarter.

The Anasuria asset experienced relatively weak operational performance in both the Current Quarter and the Preceding Quarter. As highlighted earlier, the adverse impact arising from the malfunction of a critical component of the subsea infrastructure persisted in both quarters. The average uptime, average daily oil production rate and average OPEX per boe achieved in the Current Quarter were 61%, 1,884 boe per day and USD27.41 respectively. In the Preceding Quarter, the average uptime, average daily oil production rate and average OPEX per boe were 68%, 1,983 boe per day and USD25.34 respectively.

The segment recorded a PBT of RM64.6 million in the Current Quarter, which was RM30.7 million higher when compared to the Preceding Quarter's PBT of RM33.9 million, due to the higher EBITDA as highlighted above.

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

(v) Vietnam

This segment recorded a PBT of RM1.1 million in the Current Quarter, which was RM16.9 million lower than the PBT of RM18.0 million reported in the Preceding Quarter.

The higher PBT in the Preceding Quarter was mainly due to a higher gain on revaluation of the Acquired Underlift Inventory of RM12.7 million. That was due to a larger favourable movement in oil price experienced during the Preceding Quarter, which resulted in a higher gain on revaluation being recognised as at 31 March 2022 compared to 30 June 2022.

In addition, the segment's share of the negative goodwill recognised in the Preceding Quarter of RM6.3 million did not recur in the Current Quarter.

(vi) Australia

The Australia segment recorded a LBT of RM5.4 million in the Current Quarter, which was RM38.5 million lower than the LBT of RM43.9 million reported in the Preceding Quarter.

This reduced LAT in the Current Quarter was due to the higher provision for impairment made as at 31 March 2022 for VIC/RL17, VIC/P57 and VIC/P74 amounting to RM44.9 million.

(vii) Investment holding and group activities

This segment recorded a LBT of RM6.7 million in the Current Quarter, which was lower than the LBT of RM13.3 million reported in the Preceding Quarter.

This was mainly attributed to higher foreign exchange gains (both unrealised and realised) of RM6.3 million recognised in the Current Quarter. The gains were mainly due to the positive impact arising from a stronger USD on inter-company balances.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

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

18 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 from July 2021 to end-July 2022:

As shown above, Brent oil prices have improved to levels above USD100.00 per bbl, due to supply increases being unable to keep up with increasing levels of oil demand from countries reopening their economies to pre-pandemic levels. This has been exacerbated by the Russia-Ukraine war and the sanctions placed on Russian oil and gas whilst concerns of global inflation and demand destruction are also having an impact.

2. Any premium or discount that we may receive on the price of the Brent crude oil benchmark for our specific cargoes from the Anasuria Cluster, North Sabah, PM3 CAA, Kinabalu, PM305, PM314 and Block 46 licences 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 Cluster gas sale and purchase agreement.

4. Gas price for PM3 CAA based on the Upstream Gas Sales Agreement which is linked to the price of High Sulphur Fuel Oil.

18 PROSPECTS OF THE GROUP (CONT'D)

5. Movement of foreign exchange rates, mainly:

   - USD vs RM:
     - As our revenues from our producing assets are secured in USD;
     - As the base currency used for our producing assets valuations is in USD; and
     - As the majority of our operating costs in North Sabah, PM3 CAA, Kinabalu, PM305 and PM314 are incurred in RM.

   - GBP vs USD:
     - As the majority of our operating costs for the Anasuria Cluster are incurred in GBP.

6. Operational performance of our producing assets, more specifically:

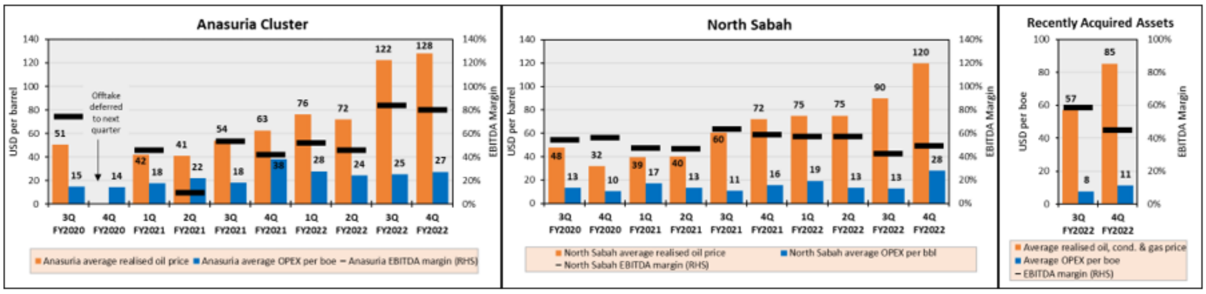
   - Production performance of the wells; and

   - Facilities availability.

7. Management of operational expenses for our producing assets and general corporate overheads.

As the joint operator of the Anasuria Cluster and the operator of the North Sabah, PM3 CAA, Kinabalu, PM305, PM314 and Block 46, 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 at other times, higher than at the current time. Through these fluctuations, the Group has managed to remain profitable. This is primarily because our average unit production costs for our producing 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 1: North Sabah's EBITDA margin in the fourth financial quarter of the financial year ended 30 June 2020 excludes the reversal of unrecovered recoverable costs of RM78.2 million.
Note 2: Recently Acquired Assets' EBITDA margin in the third financial quarter of the Current Year excludes negative goodwill of RM317.3 million.
Note 3: Average OPEX per boe is computed based on gross production OPEX divided by gross oil, condensate and gas production.
Note 4: Recently Acquired Assets' average realised oil, condensate and gas price is the weighted average realised price of both oil and condensate offtakes and gas sales in the respective financial quarter. The Anasuria Cluster's average realised oil price does not include gas prices as gas production in the Anasuria Cluster is not material.

18 PROSPECTS OF THE GROUP (CONT'D)

A total of 1,428,721 bbls of crude oil were sold in the Current Quarter; 653,964 bbls from our newly acquired assets (PM3 CAA, Kinabalu, PM305 and PM314), 611,800 bbls from North Sabah and 162,957 bbls from the Anasuria Cluster. A total of 3,560 MMscf of gas was sold in the Current Quarter; 3,429 MMscf from PM3 CAA and 131 MMscf from the Anasuria Cluster.

As operator of the newly acquired assets, the Group is well-positioned to build on its successful operational track record in its other producing assets in Malaysia and the UK.

Overall, we remain focused on delivering optimal performance in a strong oil price environment.

19 PROFIT FORECAST AND PROFIT GUARANTEE

The Group has not announced or disclosed any profit forecast or profit guarantee in any public documents.

20 SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There was no sale of unquoted investments and/or properties during the Current Year.

21 PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

22 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.

23 MATERIAL LITIGATION

Save as disclosed below, as at the date of this Quarterly Report, the Group is not engaged in any material litigation, claim and/or arbitration either as plaintiff or defendant, which may materially and adversely affect its financial position or business, and there is no proceeding, pending or threatened, or of any fact likely to give rise to a proceeding which may materially and adversely affect the financial position or business of the Group:

(i) On 27 December 2019, the IRB raised a Notice of Additional Assessment for YA2014 under the PITA against HML/PCSB/HMPM3/PVEP – Block PM3 CAA Production Sharing Contract dated 16 February 1989 as amended ("**PM3 CAA PSC**") that is deemed to be a chargeable person under the PITA for additional tax and penalty amounting to RM95,641,365.08 ("**Notice of Additional Assessment for YA 2014**"), disallowing several PSC costs and sole costs of HML. Of this total amount, the portion potentially attributable to HML and HMPM3 is estimated to be an amount of up to RM79,168,229.90.

    On 9 January 2020, HML (on behalf of the PM3 CAA Partners) filed a notice of appeal (Form Q) to the Special Commissioners of Petroleum Income Tax ("**SCPIT**") against the Notice of Additional Assessment for YA 2014. The next mention for this appeal is scheduled for 3 October 2022.

23 MATERIAL LITIGATION (CONT'D)

On 17 January 2020, HML, PCSB, HMPM3 and PVEP ("**PM3 CAA Partners**") also filed an application for judicial review at the High Court in Kuala Terengganu against the Notice of Additional Assessment for YA 2014. On 20 January 2021, the High Court delivered its decision in relation to the judicial review. The High Court did not quash/invalidate the Notice of Additional Assessment for YA 2014 or declare it as being invalid but had instead granted an Order of Prohibition ("**Prohibition Order**") to prohibit the IRB from taking any steps/actions to, amongst others, demand or collect the additional tax and penalties purportedly assessed under the Notice of Additional Assessment for YA 2014, until the Form Q appeal is determined/concluded before the SCPIT including any further appeals therefrom. Therefore, no payment is required to be made in respect of YA 2014 yet.

The IRB subsequently filed an appeal to the Court of Appeal ("**CA**") against the grant of Prohibition Order by the High Court while the PM3 CAA Partners have also filed an appeal with the CA against that part of the High Court's decision which did not quash/invalidate the Notice of Additional Assessment for YA 2014. The next case management for both appeals is scheduled for 7 September 2022, while the hearing for both appeals has been scheduled for 21 September 2022.

(ii) On 31 December 2020, the IRB raised Notices of Assessment for YA 2015 and YA 2016 under the PITA against the PM3 CAA PSC for additional taxes and penalties totaling RM166,282,868.93 ("**Notices of Assessment for YA 2015 and YA 2016**"), disallowing several PSC costs and sole costs of HML. Of this total amount, the portion potentially attributable to HML and HMPM3 is estimated to be an amount of up to RM16,446,882.48.

On 12 January 2021, HML (on behalf of the PM3 CAA PSC) filed notices of appeal (Forms Q) to the SCPIT against the Notices of Assessment for YA 2015 and YA 2016. The next mention for these appeals is scheduled for 3 October 2022.

Separately on 31 December 2020, the PM3 CAA Partners filed an application for judicial review at the High Court in Kuala Terengganu against the Notices of Assessment for YA 2015 and YA 2016.

On 9 February 2021, the High Court delivered its decision. The High Court did not quash/invalidate the Notices of Assessment for YA 2015 and YA 2016 or declare those Notices as being invalid but had instead granted a Prohibition Order to prohibit the IRB from taking any steps/actions to, amongst others, demand or collect the additional taxes and penalties purportedly assessed under the Notices of Assessment for YA 2015 and YA 2016, until the Forms Q appeals are determined/concluded before the SCPIT including any further appeal therefrom. Therefore, no payment is required to be made in respect of YA 2015 and YA 2016 yet.

The IRB has subsequently filed an appeal to the CA against the grant of Prohibition Order by the High Court while the PM3 CAA Partners have also filed an appeal with the CA against that part of the High Court's decision which did not quash/invalidate the Notices of Assessment for YA 2015 and YA 2016. The next case management for both appeals is scheduled for 7 September 2022, while the hearing for both appeals has been scheduled for 21 September 2022.

24 DIVIDEND

The Board of Directors do not recommend any dividend for the Current Quarter.

The total dividends declared for the Current Year is 1.0 sen per ordinary share (financial year ended 30 June 2021: 1.5 sen).

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/year.

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/year.

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30.06.2022	QUARTER ENDED 30.06.2021	YEAR ENDED 30.06.2022	YEAR ENDED 30.06.2021
Profit after taxation attributable to owners of the Company (RM'000)	(A)	215,507	49,598	613,058	103,676
Weighted average number of shares for basic earnings per share computation ('000)	(B)	2,012,419	1,990,630	2,008,539	1,754,277
Effects of dilution of CRPS ('000)		-	21,789	3,880	94,273
Weighted average number of shares for diluted earnings per share computation ('000)	(C)	2,012,419	2,012,419	2,012,419	1,848,550
Basic earnings per share (sen)	(A/B)	10.71	2.49	30.52	5.91
Diluted earnings per share (sen)	(A/C)	10.71	2.46	30.46	5.61

26 OTHER INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.06.2022 RM'000	QUARTER ENDED 30.06.2021 RM'000	YEAR ENDED 30.06.2022 RM'000	YEAR ENDED 30.06.2021 RM'000
Sundry income	21	890	133	14,058
Interest income	398	94	824	402
Fair value changes on other investment	-	74	130	162
Unrealised gain on foreign exchange #	902	-	3,656	-
Realised gain on foreign exchange #	5,919	-	4,150	-
	7,240	1,058	8,893	14,622

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

27 PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.06.2022 RM'000	QUARTER ENDED 30.06.2021 RM'000	YEAR ENDED 30.06.2022 RM'000	YEAR ENDED 30.06.2021 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Depreciation and amortisation of equipment, intangible assets and right-of-use assets	112,704	41,740	280,227	171,047
Finance costs	24,094	10,249	61,007	42,179
Impairment of intangible assets	2,036	-	46,942	-
Share of results of an associate	119	100	415	1,062
Fair value changes on other investment	-	(74)	(130)	(162)
Loss on disposal of equipment	-	19	-	2,228
Reversal of contingent consideration	-	(1)	-	(2,330)
Negative goodwill from business combination	-	-	(317,319)	-
Interest income	(402)	(898)	(1,883)	(2,464)
Unrealised (gain)/loss on foreign exchange ##	(902)	3,153	(3,656)	10,476
Realised (gain)/loss on foreign exchange ##	(5,919)	(540)	(4,150)	1,316

The unrealised and realised gains and 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 Year.

28 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.06.2022 RM'000	QUARTER ENDED 30.06.2021 RM'000	YEAR ENDED 30.06.2022 RM'000	YEAR ENDED 30.06.2021 RM'000
Income taxation	(139,733)	(45,245)	(232,519)	(63,205)
Deferred taxation	58,378	16,885	54,879	(722)
	(81,355)	(28,360)	(177,640)	(63,927)

28 TAXATION (CONT'D)

Breakdown by operating segments:

OPERATING SEGMENTS	Individual Quarter		Cumulative Quarter	
	Quarter Ended 30.06.2022 RM'000	Quarter Ended 30.06.2021 RM'000	Year Ended 30.06.2022 RM'000	Year Ended 30.06.2021 RM'000
Malaysia – North Sabah				
Income taxation	(66,113)	(35,664)	(135,448)	(48,457)
Deferred taxation	17,100	9,086	22,916	(14,774)
Total	**(49,013)**	**(26,578)**	**(112,532)**	**(63,231)**
Malaysia – Kinabalu and Others				
Income taxation	725	N/A	1,246	N/A
Deferred taxation	46,044	N/A	57,499	N/A
Total	**46,769**	N/A	**58,745**	N/A
Commercial Arrangement Area				
Income taxation	(43,266)	N/A	(56,454)	N/A
Deferred taxation	(4,149)	N/A	(3,951)	N/A
Total	**(47,415)**	N/A	**(60,405)**	N/A
United Kingdom				
Income taxation	(31,025)	(9,581)	(41,150)	(14,748)
Deferred taxation	(1,434)	7,781	(22,789)	13,745
Total	**(32,459)**	**(1,800)**	**(63,939)**	**(1,003)**
Vietnam				
Income taxation	(54)	N/A	(713)	N/A
Deferred taxation	817	N/A	1,191	N/A
Total	**763**	N/A	**478**	N/A
Australia				
Income taxation	-	-	-	-
Deferred taxation	-	-	-	-
Total	**-**	**-**	**-**	**-**
Investment holding and group activities				
Income taxation	-	-	-	-
Deferred taxation	-	18	13	307
Total	**-**	**18**	**13**	**307**
Group				
Income taxation	(139,733)	(45,245)	(232,519)	(63,205)
Deferred taxation	58,378	16,885	54,879	(722)
Total	**(81,355)**	**(28,360)**	**(177,640)**	**(63,927)**

N/A - *Not applicable, as the FIPC Acquisition was completed on 24 January 2022.*

28 TAXATION (CONT'D)

Income Taxation

- Malaysia

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

- Commercial Arrangement Area

  The tax regime for PM3 CAA is the tax regime applicable to Malaysian oil and gas activities, which is PITA at the rate of 38.0%.

  Pursuant to the memorandum of understanding entered into between the Government of Malaysia and the Government of Vietnam, the said governments agreed to mutually cooperate in the exploration for and exploitation of petroleum in the overlapping area of the continental shelves located off the northeast coast of Peninsular Malaysia and the southwest coast of Vietnam. Hence, the taxes are paid on an equal basis to the Government of Malaysia and the Government of Vietnam.

- United Kingdom

  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.

  A new tax regime, namely the Energy Profits Levy ("**EPL**") was enacted when the Energy (Oil and Gas) Profits Levy Act 2022 received Royal Assent on 14 July 2022. The EPL, which took effect from 26 May 2022, is an additional 25.0% tax on UK oil and gas profits on top of the existing ring fence corporation tax and supplementary charge. The EPL is temporary and could be phased out when oil and gas prices return to historically more normal levels although this is not specified in the law. The legislation has included a sunset, or expiry, clause that would ensure the tax does not apply beyond 31 December 2025. Any tax that may arise from the EPL regime for the period from 26 May 2022 to 30 June 2022 has not been included in Current Year's taxation for Anasuria Hibiscus UK as it was not yet enacted on 30 June 2022. The financial quarter ending 30 September 2022 will be the first quarter where any tax payable under the EPL regime will be reported as part of the Group's financial statements.

- Vietnam

  The tax rate in Vietnam for the oil and gas, and other extractive industries varies from 32.0% to 50.0%.

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.

29 BORROWINGS

Details of borrowings as at 30 June 2022 were as follows:

	As at 30.06.2022 RM'000	As at 30.06.2021 RM'000
Non-current		
Secured		
Lease liabilities	364,009	11,230
Current		
Secured		
Lease liabilities	104,936	15,540
Unsecured		
Revolving credit	88,814	-
	193,750	15,540

By Order of the Board of Directors
Hibiscus Petroleum Berhad
24 August 2022