HIBISCUS PETROLEUM BERHAD

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

Unaudited Quarterly Financial Report
30 September 2022

(First financial quarter of financial year ending 30 June 2023)

(Note: This Unaudited Quarterly Financial Report is supplemented by the Corporate and Business Update released on the same day, on 22 November 2022.)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Note	QUARTER ENDED 30.09.2022 RM'000	QUARTER ENDED 30.09.2021 RM'000	PERIOD ENDED 30.09.2022 RM'000	PERIOD ENDED 30.09.2021 RM'000
Revenue		604,768	246,690	604,768	246,690
Cost of sales		(217,366)	(89,306)	(217,366)	(89,306)
GROSS PROFIT		387,402	157,384	387,402	157,384
Other income	26	21,617	244	21,617	244
Administrative expenses		(98,742)	(33,810)	(98,742)	(33,810)
Other expenses		(107,747)	(39,174)	(107,747)	(39,174)
Finance costs		(16,989)	(9,764)	(16,989)	(9,764)
Share of results of an associate		(127)	(110)	(127)	(110)
PROFIT BEFORE TAXATION	27	185,414	74,770	185,414	74,770
Taxation	28	(50,152)	(33,247)	(50,152)	(33,247)
PROFIT AFTER TAXATION		135,262	41,523	135,262	41,523
PROFIT AFTER TAXATION ATTRIBUTABLE TO:					
- Owners of the Company		135,262	41,523	135,262	41,523
EARNINGS PER SHARE (SEN)					
Basic	25	6.72	2.07	6.72	2.07
Diluted	25	6.72	2.06	6.72	2.06

Note:

Earnings Before Interest, Taxes, Depreciation and Amortisation ("EBITDA")	298,353	123,635	298,353	123,635

(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 2022 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2022 RM'000	QUARTER ENDED 30.09.2021 RM'000	PERIOD ENDED 30.09.2022 RM'000	PERIOD ENDED 30.09.2021 RM'000
PROFIT AFTER TAXATION	135,262	41,523	135,262	41,523
Other comprehensive income:				
Item that may be subsequently reclassified to profit or loss:				
- Foreign currency translation *	110,824	10,962	110,824	10,962
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER/PERIOD	246,086	52,485	246,086	52,485
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the Company	246,086	52,485	246,086	52,485

* *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 2022 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	UNAUDITED AS AT 30.09.2022 RM'000	AUDITED AS AT 30.06.2022 RM'000
ASSETS			
NON-CURRENT ASSETS			
Intangible assets		1,484,235	1,422,576
Equipment		1,968,095	1,838,981
Right-of-use assets		189,864	175,245
Other receivables		227,485	230,541
Investment in an associate		3,910	4,088
Restricted cash and bank balances		158,161	158,456
Tax recoverable		53,032	50,406
Deferred tax assets		54,350	88,513
		4,139,132	3,968,806
CURRENT ASSETS			
Inventories		171,224	163,900
Trade receivables		185,023	404,730
Other receivables, deposits and prepayments		437,134	415,850
Amount owing by a joint venture		338	328
Amount owing by an associate		-	10
Cash and bank balances		740,648	549,386
Tax recoverable		17,343	9,408
		1,551,710	1,543,612
TOTAL ASSETS		5,690,842	5,512,418
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	966,014	966,014
Other reserves		282,220	171,396
Retained earnings		1,199,869	1,064,607
		2,448,103	2,202,017
NON-CURRENT LIABILITIES			
Other payables		4,154	9,340
Borrowings	29	361,498	364,009
Contingent consideration		30,214	35,372
Deferred tax liabilities		649,144	581,189
Provision for decommissioning costs		617,674	621,611
		1,662,684	1,611,521

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 2022 and the accompanying explanatory notes attached to the financial statements.

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

	Note	UNAUDITED AS AT 30.09.2022 RM'000	AUDITED AS AT 30.06.2022 RM'000
CURRENT LIABILITIES			
Trade payables		21,235	8,458
Other payables and accruals		972,483	1,040,443
Borrowings	29	221,429	193,750
Amount owing to a joint venture		319	319
Amount owing to an associate		8	-
Contingent consideration		34,978	28,552
Provision for decommissioning costs		97,177	90,720
Provision for taxation		232,207	336,419
Redeemable Convertible Preference Shares		219	219
		1,580,055	1,698,880
TOTAL LIABILITIES		3,242,739	3,310,401
TOTAL EQUITY AND LIABILITIES		5,690,842	5,512,418
NET ASSETS PER SHARE (RM)		1.22	1.09

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 2022 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**
3 months to 30.09.2022						
As at 01.07.2022	966,014	-	389	171,007	1,064,607	2,202,017
Profit after taxation	-	-	-	-	135,262	135,262
Other comprehensive income, net of tax: - Foreign currency translation	-	-	-	110,824	-	110,824
Total comprehensive income for the quarter	-	-	-	110,824	135,262	246,086
As at 30.09.2022	966,014	-	389	281,831	1,199,869	2,448,103
3 months to 30.09.2021						
As at 01.07.2021	959,892	246	389	61,530	451,865	1,473,922
Profit after taxation	-	-	-	-	41,523	41,523
Other comprehensive income, net of tax: - Foreign currency translation	-	-	-	10,962	-	10,962
Total comprehensive income for the quarter	-	-	-	10,962	41,523	52,485
Conversion of Islamic Convertible Redeemable Preference Shares ("**CRPS**") to new ordinary shares	3,247	(134)	-	-	-	3,113
Total transactions with owners of the Company	3,247	(134)	-	-	-	3,113
As at 30.09.2021	963,139	112	389	72,492	493,388	1,529,520

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 2022 and the accompanying explanatory notes attached to the financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Quarter Ended	
	30.09.2022	**30.09.2021**
	RM'000	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	185,414	74,770
Adjustments for:		
Depreciation and amortisation of equipment, intangible assets and right-of-use assets	95,950	39,101
Finance costs	16,989	9,764
Share of results of an associate	127	110
Fair value changes on other investment	-	(32)
Interest income	(1,218)	(743)
Unrealised (gain)/loss on foreign exchange	(12,641)	73
Operating profit before working capital changes	284,621	123,043
Inventories	(8,205)	7,794
Trade receivables	238,012	(26,377)
Other receivables, deposits and prepayments	36,699	(38,888)
Trade payables	12,002	(3,181)
Other payables and accruals	(110,771)	18,977
Amount owing by an associate	10	-
Amount owing to an associate	8	(26)
Cash generated from operating activities	452,376	81,342
Tax paid	(109,281)	(20,478)
Movement in restricted cash and bank balances **	(14,300)	(3,299)
Net cash generated from operating activities	328,795	57,565
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(82,395)	(12,101)
Acquisition of intangible assets	(19,624)	(8,170)
Interest received	1,218	743
Other investment	-	(630)
Net cash used in investing activities	(100,801)	(20,158)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net repayment of lease liabilities	(42,094)	(4,641)
Dividend paid	(20,124)	-
Net cash used in financing activities	(62,218)	(4,641)
Net increase in cash and cash equivalents	165,776	32,766
Effects of foreign exchange rate changes	17,113	(2,607)
Cash and cash equivalents at beginning of the financial quarter	544,779	173,889
Cash and cash equivalents at end of the financial quarter	727,668	204,048

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

	Quarter Ended	
	30.09.2022	**30.09.2021**
	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 **	158,161	129,950
Current		
Cash and bank balances	740,648	207,823
Less: Restricted cash and bank balances ***	(12,980)	(3,775)
Cash and cash equivalents	727,668	204,048

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

*** *The balances consist of the following:*

- *30 September 2022*
  - *Hibiscus Oil & Gas Malaysia Limited ("**Hibiscus Oil & Gas**") – Deposit with a financial institution amounting to RM12.980 million as security for banking facility obtained.*
- *30 September 2021*
  - *SEA Hibiscus Sdn Bhd ("**SEA Hibiscus**") – Deposit with a financial institution amounting to RM3.773 million as security for banking facility obtained; and*
  - *Private placement of Islamic CRPS – Balance of proceeds of RM0.002 million, which was fully released in the financial year ended 30 June 2022.*

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 2022 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 2022 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 2022.

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 2022.

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 2022:

Annual Improvements to MFRSs 2018 – 2020	*MFRS 9 Financial Instruments, Illustrative Examples Accompanying MFRS 16 Leases*
Amendments to MFRS 3	*Reference to the Conceptual Framework*
Amendments to MFRS 116	*Property, Plant and Equipment − Proceeds before Intended Use*
Amendments to MFRS 137	*Onerous Contracts − Cost of Fulfilling a Contract*

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**
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

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 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 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 amendments to existing standards.

3 SEASONAL OR CYCLICAL FACTORS

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

4 SIGNIFICANT/UNUSUAL ITEMS

There were no significant or unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the financial quarter ended 30 September 2022 ("**Current Quarter**").

5 MATERIAL CHANGES IN ESTIMATES

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

6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER

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

(i) <u>Transfer of the United Kingdom ("**UK**") Petroleum Production Licence No. P2535</u>

Anasuria Hibiscus UK and NEO Energy (ZPL) Limited ("**NEO Energy**") were awarded 70% and 30% interest respectively in Licence No. P2535 during the UK's 32nd Offshore Licensing Round. Licence No. P2535 (Block 21/24d) contains the Teal West discovery and Anasuria Hibiscus UK is the appointed operator for Block 21/24d.

On 8 July 2022, NEO Energy advised Anasuria Hibiscus UK of its intention to withdraw from Licence No. P2535. Given the advanced state of the technical work that has been done and the value that this project adds to the Anasuria Cluster, Anasuria Hibiscus UK decided to proceed with activities related to Licence No. P2535 on a 100% interest basis. The assignment of NEO Energy's interest to Anasuria Hibiscus UK had earlier been approved by the UK's North Sea Transition Authority ("**NSTA**").

6 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL QUARTER (CONT'D)

On 12 October 2022, Anasuria Hibiscus UK entered into a Deed of Licence Assignment and Deed of Novation and Amendment in Respect of the Affected Agreement relating to Licence No. P2535 with NEO Energy (collectively referred to as "**Deeds**") for NEO Energy to assign its 30% interest in Licence No. P2535 to Anasuria Hibiscus UK, without any compensation.

With the execution of the above Deeds, the transfer of NEO Energy's 30% interest in Licence No. P2535 to Anasuria Hibiscus UK has been completed.

Please refer to our announcement dated 14 October 2022 for further details.

(ii) Proposed reduction of the issued share capital of the Company pursuant to Section 117 of the Companies Act, 2016 ("**Proposed Capital Reduction**") and proposed authority for the Company to purchase its own shares of up to 10% of the total number of issued shares of the Company ("**Proposed Share Buy-Back**") (collectively "**the Proposals**")

On 4 October 2022, CIMB Investment Bank Berhad, on behalf of the Board of Directors of the Company, announced that the Company proposes to undertake the following corporate exercises:

(a) Proposed reduction of RM800 million of the issued share capital of the Company pursuant to Section 117 of the Companies Act, 2016; and

(b) Proposed authority for the Company to purchase its own shares of up to 10% of the total number of issued shares of the Company.

The Proposals are subject to the following approvals being obtained from:

(a) The shareholders of the Company at an Extraordinary General Meeting to be convened on 1 December 2022; and

(b) Any other relevant authorities and/or parties, if required.

The Proposed Capital Reduction and the Proposed Share Buy-Back are inter-conditional. The Proposals are not conditional upon any other corporate exercise of the Company.

Please refer to our announcements dated 4 October 2022 and 31 October 2022 for further details.

7 CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the Current Quarter.

8 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Directors are not aware of any material contingent liabilities or contingent assets, which, upon becoming enforceable, may have a material impact on the profit or loss, or net assets value of the Group.

9 DIVIDENDS PAID

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

10 DEBT AND EQUITY SECURITIES

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

	QUARTER ENDED 30.09.2022	
	Number of shares	**Share capital RM'000**
ORDINARY SHARES		
As at 01.07.2022 / 30.09.2022	2,012,418,743	966,014

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 [(1)]:

(i) Malaysia – North Sabah

Group's investment in its 50% participating interest in the 2011 North Sabah Enhanced Oil Recovery ("**EOR**") Production Sharing Contract ("**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, the Labuan Crude Oil Terminal ("**LCOT**") and all other equipment and assets relating to the PSC.

The segment's functional currency is the United States Dollar ("**USD**"). The average and closing rates adopted for conversion to RM in the Current Quarter are 4.5218 and 4.6391 respectively.

(ii) Malaysia – Kinabalu and Others

Group's investments and operations in the 2012 Kinabalu Oil PSC ("**Kinabalu**") and the PM305 and PM314 PSCs ("**PM305 and PM314**").

<u>Kinabalu</u>
- Group's investment in its 60% participating interest in Kinabalu, located off the coast of Sabah, Malaysia.

<u>PM305</u>
- Group's investment in its 60% participating interest in PM305, located off the eastern coast of Peninsular Malaysia in the Malay Basin.

<u>PM314</u>
- Group's investment in its 60% participating interest in PM314, 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 Quarter are 4.5218 and 4.6391 respectively.

11 OPERATING SEGMENTS (CONT'D)

(iii) Commercial Arrangement Area

Group's investment in its 35% participating interest in the PM3 CAA PSC ("**PM3 CAA**"), located within the Commercial Arrangement Area 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 Quarter are 4.5218 and 4.6391 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 its:
  - (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.

(b) <u>Licence No. P2532</u>
- Group's investment in its 19.3% interest in Licence No. P2532 (Blocks 21/19c and 21/20c) containing the Cook West and Cook North field extensions.

(c) <u>Licence No. P2535</u>
- Group's investment in its 100% interest in Licence No. P2535 (Block 21/24d) containing the Teal West discovered field.

<u>Marigold Area</u>

(a) <u>Marigold West and Sunflower fields</u>
- Group's investment in its 87.5% interest in two blocks under Licence No. P198; (i) Block 15/13a, containing the Marigold West 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) <u>Licence No. P2518</u>
- Group's investment in its 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 Quarter are 4.5218 and 4.6391 respectively.

11 OPERATING SEGMENTS (CONT'D)

(v)	Australia [2],[3]	Group's operations in the VIC/RL17 Petroleum Retention Lease ("**VIC/RL17**") for the West Seahorse field and investment in 3D Oil Limited ("**3D Oil**"). The segment's functional currency is the Australian Dollar ("**AUD**"). The average and closing rates adopted for conversion to RM in the Current Quarter are 3.0594 and 2.9979 respectively.
(vi)	Vietnam	Group's investment in its 70% interest in the Block 46 Cai Nuoc PSC ("**Block 46**"), a tie-back asset to PM3 CAA 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 Quarter are 4.5218 and 4.6391 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.

(1) *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.*

(2) *Carnarvon Hibiscus Pty Ltd ("**Carnarvon Hibiscus**") and 3D Oil submitted an application to surrender the VIC/P57 Exploration Permit ("**VIC/P57**") to the Australian National Offshore Petroleum Titles Administrator ("**NOPTA**"). The surrender was approved and took effect on 11 August 2022. The capitalised costs related to VIC/P57 have been fully impaired in the financial year ended 30 June 2022.*

(3) *3D Oil submitted an application to NOPTA to seek approval for the transfer of Carnarvon Hibiscus's entire interest in the VIC/P74 Exploration Permit ("**VIC/P74**") to 3D Oil. The transfer was approved and took effect on 21 September 2022. The capitalised costs related to VIC/P74 have been fully impaired in the financial year ended 30 June 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 30.09.2022								
Non-current assets	685,757	574,914	1,198,795	1,654,775	18,041	3,910	2,940	4,139,132
Included in the segment assets is: Investment in an associate	-	-	-	-	-	3,910	-	3,910
Additions to non-current assets	13,951	13,444	41,183	44,831	-	-	92	113,501
Quarter ended 30.09.2022								
Project management, technical and other service fees	-	-	-	-	-	-	1,079	1,079
Sales of crude oil and gas	146,078	158,593	215,690	89,392	(6,070) [4]	-	-	603,683
Interest income	-	-	-	-	-	-	6	6
Revenue	146,078	158,593	215,690	89,392	(6,070)	-	1,085	604,768
Depreciation and amortisation	(33,699)	(17,162)	(35,857)	(8,014)	(879)	-	(339)	(95,950)
Profit/(loss) from operations	22,617	57,892	92,446	60,726	(20,473)	(2,560)	(9,330)	201,318
Share of results of an associate	-	-	-	-	-	(127)	-	(127)
Finance costs	(3,347)	2,050 [5]	(5,720)	(6,360)	(107)	-	(3,505)	(16,989)
Interest income	35	85	46	1,046	-	-	-	1,212
Taxation	(7,921)	(30,107)	9,819	(29,134)	7,191	-	-	(50,152)
Profit after taxation ("**PAT**")/ (Loss after taxation ("**LAT**"))	11,384	29,920	96,591	26,278	(13,389)	(2,687)	(12,835)	135,262
EBITDA/(Loss Before Interest, Taxes, Depreciation and Amortisation ("**LBITDA**"))	56,351	75,139	128,349	69,786	(19,594)	(2,687)	(8,991)	298,353

[4] *A charge to revenue was recognised. Please refer to Part B, Note 15.1 (A)(v) of this Quarterly Report for further details.*
[5] *Included effect of discounting on non-current payable.*

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 30.09.2021					
Non-current assets	686,078	1,388,037	50,307	3,763	2,128,185
Included in the segment assets is:					
Investment in an associate	-	-	4,367	-	4,367
Additions to non-current assets	6,267	17,048	100	1,080	24,495
Quarter ended 30.09.2021					
Project management, technical and other service fees	-	-	-	952	952
Sales of crude oil and gas	177,679	67,428	-	-	245,107
Interest income	-	-	-	631	631
Revenue	177,679	67,428	-	1,583	246,690
Depreciation and amortisation	(27,495)	(11,294)	-	(312)	(39,101)
Profit/(loss) from operations	74,414	23,754	(1,469)	(12,167)	84,532
Share of results of an associate	-	-	(110)	-	(110)
Finance costs	(4,453)	(5,234)	-	(77)	(9,764)
Interest income	24	88	-	-	112
Taxation	(26,787)	(6,465)	-	5	(33,247)
PAT/(LAT)	43,198	12,143	(1,579)	(12,239)	41,523
EBITDA/(LBITDA)	101,933	35,136	(1,579)	(11,855)	123,635

12 SIGNIFICANT RELATED PARTY TRANSACTIONS

Related party transactions within the Group are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2022 RM'000	QUARTER ENDED 30.09.2021 RM'000	PERIOD ENDED 30.09.2022 RM'000	PERIOD ENDED 30.09.2021 RM'000
Project management, technical and other services fees earned from a related party				
- Ping Petroleum UK PLC	1,079	952	1,079	952
Joint Operating Agreement indirect overheads recovery from an associate				
- 3D Oil	-	1	-	1
Technical and non-technical, and overhead charges reimbursed to an associate				
- 3D Oil	-	(90)	-	(90)

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 September 2022:

	RM'000
Approved and contracted for:	
Group's capital commitments	75,009
Share of a joint operation's capital commitments	3,511
Total capital commitments approved and contracted for	78,520
Share of a joint operation's other material commitments	31,257
	109,777

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

14 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

15 PERFORMANCE REVIEW

OPERATING SEGMENTS	Current Year Quarter 30.09.2022 RM'000	Immediate Preceding Quarter 30.06.2022 RM'000	Current Year Quarter vs Immediate Preceding Quarter (Change in %)
Malaysia – North Sabah			
Revenue	146,078	316,040	(54)
EBITDA	**56,351**	**54,406**	**4**
PBT	19,305	23,018	(16)
Taxation	(7,921)	(23,377)	66
PAT/(LAT)	11,384	(359)	-
Malaysia – Kinabalu and Others			
Revenue	158,593	185,086	(14)
EBITDA/(LBITDA)	**75,139**	**(3,003)**	**-**
PBT/(LBT)	60,027	(34,123)	-
Taxation	(30,107)	50,195	-
PAT	29,920	16,072	86
Commercial Arrangement Area			
Revenue	215,690	259,403	(17)
EBITDA	**128,349**	**252,819**	**(49)**
PBT	86,772	205,012	(58)
Taxation	9,819	12,673	(23)
PAT	96,591	217,685	(56)
United Kingdom			
Revenue	89,392	106,790	(16)
EBITDA	**69,786**	**85,592**	**(18)**
PBT	55,412	64,640	(14)
Taxation	(29,134)	(32,459)	10
PAT	26,278	32,181	(18)
Vietnam			
Revenue	(6,070)	-	-
(LBITDA)/EBITDA	**(19,594)**	**2,004**	**-**
(LBT)/PBT	(20,580)	1,081	-
Taxation	7,191	763	842
(LAT)/PAT	(13,389)	1,844	-
Australia			
Revenue	-	-	-
LBITDA	**(2,687)**	**(5,382)**	**50**
LBT	(2,687)	(5,382)	50
Taxation	-	-	-
LAT	(2,687)	(5,382)	50
Investment holding and group activities			
Revenue	1,085	1,048	4
LBITDA	**(8,991)**	**(2,043)**	**(340)**
LBT	(12,835)	(6,651)	(93)
Taxation	-	-	-
LAT	(12,835)	(6,651)	(93)
Group			
Revenue	604,768	868,367	(30)
EBITDA	**298,353**	**384,393**	**(22)**
PBT	185,414	247,595	(25)
Taxation	(50,152)	7,795	-
PAT	135,262	255,390	(47)

15 PERFORMANCE REVIEW (CONT'D)

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

(A) Statements of Profit or Loss

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

(i) Malaysia – North Sabah

- **Current quarter results**

The Company's indirect wholly-owned subsidiary, SEA Hibiscus, holds 50% participating interests in North Sabah.

The North Sabah segment recorded revenue and gross profit of RM146.1 million and RM103.2 million respectively in the Current Quarter. Gross profit margin achieved was 70.6%.

During the Current Quarter, the segment sold 289,635 bbls of crude oil in one offtake at an average realised oil price of USD111.54 per bbl.

The healthy gross profit margin was largely driven by the high average realised oil price and relatively low average operating costs ("**OPEX**") per barrel ("**bbl**"). Average OPEX per bbl was USD20.56 and included amounts incurred for the annual planned major maintenance campaign for calendar year ("**CY**") 2022. The campaign commenced in March 2022 and was completed in August 2022.

North Sabah's key operational statistics for the Current Quarter were impacted by the planned CY 2022 major maintenance campaign. The average uptime achieved was 93% while the average net oil production rate in the Current Quarter was 4,732 bbls per day.

A relatively high average realised oil price, coupled with careful management of costs and efficient operational performance resulted in an EBITDA margin attained in the Current Quarter of 38.6%. This was despite there being only one crude oil offtake undertaken in the quarter and after incorporating expenses incurred for planned maintenance activities performed. The EBITDA of RM56.4 million was achieved after charging supplemental payment of RM47.5 million and the State Sales Tax imposed by the Sabah State Government ("**SbST**") on crude oil sold in the Current Quarter of RM7.3 million.

As previously announced, in order to create a stable environment for continuing investment and smooth operations in Sabah, the Group on 21 September 2022 proposed, without prejudice to their respective rights as applicable, to pay the claims imposed by the Sabah State Government on revenues earned and to be earned, for the sale of crude oil by North Sabah and Kinabalu respectively ("**SbST Proposal**"). The SbST Proposal was accepted by the Sabah State Government on 27 September 2022. The accrual of the SbST relating to the sale of crude oil sold in the Current Quarter amounted to RM7.3 million.

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 RM19.3 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 RM29.9 million;
- Depreciation of right-of-use assets of RM3.8 million; and
- Unwinding of discount on provision for decommissioning costs of RM1.8 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 Quarter were RM7.9 million. The resulting effective tax rate over PBT was 41.0%, which is broadly consistent with the PITA rate of 38.0%.

(ii) Malaysia – Kinabalu and Others

- **Current quarter results**

	Kinabalu **RM'000**	**Others @** **RM'000**	**Total** **RM'000**
Revenue	154,009	4,584	158,593
EBITDA	68,595	6,544	75,139
PBT	50,740	9,287	60,027
Taxation	(26,646)	(3,461)	(30,107)
PAT	24,094	5,826	29,920

@ *Consists of PM305 and PM314.*

The Malaysia – Kinabalu and Others segment consists of the Kinabalu, PM305 and PM314 PSCs, which were acquired as part of the acquisition of the entire equity interest in Fortuna International Petroleum Corporation ("**FIPC Acquisition**") from Repsol Exploración, S.A. ("**Repsol**") on 24 January 2022 ("**Completion Date**").

In the Current Quarter, from this segment of our business, we generated RM158.6 million revenue and RM113.1 million gross profit.

The revenue of RM158.6 million consisted of the following:

- Kinabalu – 288,540 bbls of crude oil sold at an average realised oil price of USD118.04 per bbl; and
- PM305 and PM314 – 9,028 bbls of crude oil sold at an average realised oil price of USD112.28 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 gross profit of RM109.3 million and a relatively high gross profit margin of 70.9% in the Current Quarter. The high level of profitability was due to the high average realised oil price achieved.

The average uptime in the Current Quarter was 78%. The uptime performance was impacted by activities related to the annual planned major maintenance campaign for CY 2022 which took place from 29 July 2022 to 9 August 2022. These activities included an electrical submersible pump change-out and an underwater campaign. There were also issues encountered with the high pressure ("**HP**") compressor tubular bracing installation, which were successfully resolved in the last week of September 2022.

Average net oil production rate was 2,459 bbls per day. The production rate was low mainly due to the planned major maintenance campaign, during which the production facilities were shut down. It was exacerbated by a slower than planned production ramp up post the shutdown period caused by the unavailability of the HP compressor. Issues encountered with the HP compressor affected the supplies of gas lift to the oil wells. In addition, there was an emergency shutdown at the platform due to a power failure in late September 2022. These events collectively resulted in a relatively high OPEX/bbl of USD21.20.

Kinabalu's EBITDA for the Current Quarter amounted to RM68.6 million. The EBITDA margin over revenue of RM154.0 million was 44.5%.

In the Current Quarter, the segment incurred SbST for the sale of crude oil amounting to RM7.1 million.

The following non-cash items were deducted from EBITDA to arrive at PBT:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM15.9 million;
- Depreciation of right-of-use assets of RM1.3 million; and
- Unwinding of discount on provision for decommissioning costs of RM0.4 million.

15 PERFORMANCE REVIEW (CONT'D)

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

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

	Kinabalu **RM'000**
Income taxation	**(780)**
- PITA	-
- Corporate income tax ("**CITA**")	(5)
- Barbados tax	(775)
Deferred taxation	**(25,866)**
- PITA	(25,912)
- CITA	(104)
- Barbados tax	150
Total taxation	**(26,646)**

Total net tax expenses recognised in the Current Quarter amounted to RM26.6 million.

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 PBT (for Barbados tax purposes) for the Current Quarter, a tax expense for Barbados tax was allocated.

Deferred taxation:

- The net deferred tax expense recognised in the Current Quarter was due to the reversal of deferred tax assets arising from the utilization of brought forward tax losses to off-set against Kinabalu's tax payable under PITA as mentioned above.

15 PERFORMANCE REVIEW (CONT'D)

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

Others

Gross profit for PM305 and PM314 was RM3.9 million, while gross profit margin was at 84.6%.

EBITDA and PBT attained were RM6.5 million and RM9.3 million respectively. During the Current Quarter, the decommissioning work relating to PM305 and PM314 was completed. A reassessment of the actual amounts incurred for such work was performed and it was determined that the accruals previously made exceeded the actual amounts incurred by RM2.6 million. This amount has been reversed as a gain to the profit and loss in the Current Quarter.

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

	Others **RM'000**
Income taxation	**(85)**
- PITA	-
- CITA	-
- Barbados tax	(85)
Deferred taxation	**(3,376)**
- PITA	(3,118)
- CITA	(2)
- Barbados tax	(256)
Total taxation	**(3,461)**

Total net tax charge amounted to RM3.5 million.

Income taxation:

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

- Tax expense allocated for Barbados income tax amounted to RM0.09 million.

Deferred taxation:

- There was a net deferred tax expense of RM3.4 million in the Current Quarter due to the realisation (or reversal) of deferred tax assets relating to decommissioning activities carried out.

15 PERFORMANCE REVIEW (CONT'D)

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

(iii) Commercial Arrangement Area

- **Current quarter results**

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

During the Current Quarter, the PM3 CAA PSC contributed RM215.7 million to the Group's revenue from the sale of crude oil and gas. It consisted of the following:

- Crude oil – RM138.8 million (272,867 bbls at the average realised oil price of USD112.46 per bbl); and
- Gas – RM76.9 million (2,944 million standard cubic feet ("**scf**") ("**MMscf**") at the average realised price of USD5.78 per thousand scf).

Gross profit was RM128.5 million while gross profit margin recorded was 59.6%.

The PM3 CAA PSC achieved an average uptime of 93% and an average net oil and condensate production rate of 2,279 bbl of oil equivalent ("**boe**") per day. Average OPEX per boe recorded was relatively high, at USD18.00. The operational performance was impacted by activities related to the annual planned major maintenance campaign for CY 2022 which took place from 20 August 2022 to 2 September 2022. OPEX incurred in the Current Quarter included a higher level of activities related to topside maintenance, well integrity and intervention campaigns and inspection and maintenance work scopes performed during the annual planned major maintenance campaign.

Oil production was further impacted by a production ramp up delay caused by the mobilisation of a drilling rig to the Bunga Raya B platform for an infill well drilling program. Production was also impacted by poorer performance of the PM3 North gas injection compressor which disrupted gas lift supply to the oil wells.

Despite a high OPEX per boe, the gross profit margin was relatively healthy largely driven by the high average realised prices obtained for the sale of both gas and crude oil.

The segment achieved an EBITDA of RM128.3 million and an EBITDA margin of 59.5% in the Current Quarter. Segment PBT was RM86.8 million after deducting 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 RM9.1 million; and
- Unwinding of discount on provision for decommissioning costs of RM2.8 million.

15 PERFORMANCE REVIEW (CONT'D)

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

The tax regime governing this segment is PITA, at the rate of 38.0%. A net tax credit of RM9.8 million was recognised in the Current Quarter. The tax credit arose from a reversal of an overprovision of tax for calendar year 2021 amounting to RM40.2 million. The overprovision amount was finalised upon submission of the tax returns to the Inland Revenue Board of Malaysia ("**IRB**") in August 2022. Omitting the impact of this adjustment results in a "normalised" net tax expense of RM30.4 million in the Current Quarter, delivering a "normalised" effective tax rate over PBT of 35.0%.

(iv) United Kingdom

- **Current quarter results**

Total revenue generated by the UK segment in the Current Quarter amounted to RM89.4 million. The split to this total from the sale of crude oil and gas was as follows:

- Crude oil – RM64.8 million (143,728 bbls at the average realised oil price of USD97.12 per bbl); and
- Gas – RM24.6 million.

Included in the 143,728 bbls of crude oil sold was an overlift volume of 10,460 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 has been included in the segment's revenue and cost of sales at the average realised oil price for the offtake (i.e. RM4.6 million), hence no gross profit has been recognised on this overlift transaction in the Current Quarter.

Contribution to revenue from the sale of gas remained significant in the Current Quarter due to significantly higher gas prices. The average price per therm rose sharply commencing from October 2021 onwards.

In the Current Quarter, average OPEX per boe recorded by the Anasuria asset was USD37.02. The high OPEX per boe was due to operational factors described in the following paragraphs. Both the average daily oil equivalent production rate and the average uptime in the Current Quarter were low, at 1,468 boe per day and 53% respectively.

Operational performance in the Current Quarter for the UK segment 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 and was completed over a period of 30 days against a planned duration of 35 days.

15 PERFORMANCE REVIEW (CONT'D)

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

Additionally, the unavailability of a production riser which malfunctioned in May 2021 adversely affected operational performance throughout the Current Quarter. This riser, which transports produced crude oil from the subsea well to the Anasuria FPSO was temporarily isolated from the primary production system. The impact of this temporary isolation was a lower overall daily production rate from the Anasuria Cluster which therefore adversely affected OPEX per boe and CY 2022 offtake volumes. The project to replace the malfunctioned riser has been completed and the riser returned to service in September 2022.

Despite the abovementioned operational considerations, the UK segment achieved healthy profit margins in the Current Quarter. The segment recorded a gross profit and EBITDA amounting to RM61.0 million (68.2% margin over revenue) and RM69.8 million (78.1% margin over revenue) respectively.

The EBITDA includes unrealised foreign exchange gains of RM12.4 million due to the period-end retranslation of the segment's Great Britain Pound ("**GBP**")-denominated balances. The USD, being the segment's functional currency appreciated against the GBP during the Current Quarter when compared to 30 June 2022.

PBT stood at RM55.4 million after deducting the following non-cash items from EBITDA:

- Amortisation of intangible assets and depreciation of oil and gas assets of RM8.0 million; and

- Unwinding of discount on provision for decommissioning costs and contingent consideration of RM5.1 million and RM0.8 million respectively.

<u>Ring fence corporation tax, supplementary charge and Energy Profits Levy</u>

	RM'000
Income taxation	**(5,360)**
- Ring fence corporation tax and supplementary charge	(5,360)
- Energy Profits Levy	-
Deferred taxation	**(23,774)**
- Ring fence corporation tax and supplementary charge	(16,743)
- Energy Profits Levy	(7,031)
Total taxation	**(29,134)**

15 PERFORMANCE REVIEW (CONT'D)

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

- Ring fence corporation tax and supplementary charge

  The tax regime which applies to the exploration for, and production of, oil and gas in the UK, and is thus applicable to Anasuria Hibiscus UK, currently comprises of a ring fence corporation tax and a supplementary charge. The current rates 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 Quarter amounting to RM22.1 million, representing an effective tax rate over PBT of 39.9%.

- Energy Profits Levy

  A new inclusion in the fiscal 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, introduced an additional 25.0% levy on UK oil and gas profits on top of the existing ring fence corporation tax and supplementary charge. The EPL regime included an enhanced deduction such that 180.0% of certain categories of capital expenditure can be offset against taxable income.

  The estimated additional deferred tax liability arising from the EPL regime as at 30 September 2022 was RM7.0 million based on the taxable temporary differences expected to reverse during the window for which the EPL regime applies, i.e. up to 31 December 2025. Anasuria Hibiscus UK also does not expect a significant income taxation liability arising from the EPL regime as currently enacted as Anasuria Hibiscus UK foresees there will be significant capital allowances in the future as allowed in the EPL regime to offset any additional income taxation liability.

  On 17 November 2022, the UK government announced changes to the EPL regime which will come into effect from 1 January 2023. The revised EPL regime will include an increased levy rate of 35.0% (from 25.0% currently) on UK oil and gas profits on top of the existing ring fence corporation tax and supplementary charge. This will mean that the UK upstream oil and gas industry will face a 75.0% marginal rate of tax. The enhanced deduction for certain categories of capital expenditure to off-set against taxable EPL income will be reduced to 129.0% except in the case of decarbonisation expenditures which will retain the 180.0% enhanced deduction. The EPL regime will now apply until 31 March 2028 and despite it being a tax on windfall profits, the UK government has stated that they do not intend on phasing out the EPL even if oil and gas price levels move back to more normal levels. At this stage, the Group's intention remains to phase our UK capital expenditure program such that we optimise the incentives offered as part of the EPL being imposed. The EPL amendments are expected to come into law before 31 December 2022. It is also clear that the UK government is incentivising decarbonisation initiatives within the UK oil and gas sector and this encourages us to identify further opportunities that will reduce our overall carbon footprint.

15 PERFORMANCE REVIEW (CONT'D)

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

(v) Vietnam

- **Current quarter results**

The Vietnam segment consists of the Block 46 PSC, which was acquired as part of the FIPC Acquisition. The Group has 70% interest in Block 46, a tie-back asset to PM3 CAA located in Vietnamese waters, held by Talisman Vietnam Limited ("**Talisman Vietnam**"). The remaining 30% interest is held by PetroVietnam Exploration Production Corporation Ltd ("**PVEP**"), a wholly-owned subsidiary of Vietnam Oil & Gas Group ("**PVN**").

LAT recorded for the Current Quarter amounted to RM13.4 million.

Block 46 recognised a loss from the revaluation of its share of the opening underlift inventory acquired as part of the FIPC Acquisition ("**Acquired Underlift Inventory**") of 81,418 bbls amounting to RM13.5 million in the Current Quarter, in cost of sales. There was no sale of crude oil by the Block 46 PSC from Completion Date to 30 September 2022 and as a result, the Acquired Underlift Inventory remained part of the Group's receivables balance as at 30 September 2022. This Acquired Underlift Inventory represents the right to receive crude oil in future offtakes or cash from other participants to the PSC and was measured at fair value at Completion Date. It was then subsequently remeasured at fair value as at 30 September 2022 (in accordance with the provisions of MFRS 9 *Financial Instruments*), which resulted in the loss on revaluation stated above.

In the Current Quarter, there was a charge to revenue of RM6.1 million. This adjustment to the profit or loss was made despite there being no sale of crude oil by Block 46 in the Current Quarter. As a background, for Block 46, income tax of 50.0% is taken "at source" and PVN settles the income tax due to the Vietnamese tax authorities on behalf of the PSC participants. Accordingly, the oil entitlement delivered to the Block 46 participants is net of the related income tax amount and also net of royalty and export duty. Despite remittance of the income tax amount to the Vietnamese tax authorities not being made by Talisman Vietnam directly, a deemed income tax expense is recognised for each tax year for the sale of crude oil, with a corresponding credit recognised in revenue (as if Talisman Vietnam 'sold' a portion of the crude oil and utilised the proceeds to settle the income tax liability). Practically, the provisional income tax amount due is confirmed by the Vietnamese tax authorities at a later date when a Corporate Income Tax Certificate ("**Tax Cert**") is issued to the Block 46 participants. Upon the issuance of the Tax Cert, Talisman Vietnam reflects the finalised income tax amount in the profit or loss under taxation, with a corresponding entry under revenue. The RM6.1 million adjusted to revenue in the Current Quarter's profit or loss was related to the crude oil offtake that took place in May 2021, conducted prior to the FIPC Acquisition. A Tax Cert for Year of Assessment ("**YA**") 2021 was issued in July 2022, which confirmed the actual income tax amount for this offtake to be lower than the deemed income tax expense originally estimated by Repsol. Hence, Talisman Vietnam reduced both the income tax expense and the corresponding revenue in the Current Quarter.

15 PERFORMANCE REVIEW (CONT'D)

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

Furthermore, the depreciation of oil and gas assets and the unwinding of discount on provision for decommissioning costs amounted to RM0.9 million and RM0.1 million respectively.

(vi) Australia

- **Current quarter results**

During the Current Quarter, the segment recorded LAT of RM2.7 million.

The AUD, being the segment's functional currency, depreciated against the USD during the Current Quarter when compared to 30 June 2022. The period-end retranslation of the segment's USD-denominated payables resulted in unrealised foreign exchange losses of RM2.3 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.

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

- **Current quarter results**

Segment LAT in the Current Quarter was RM12.8 million.

The segment recognised interest expenses of RM3.5 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 Quarter relate largely to corporate overheads, professional and consultancy fees, business development activities 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 September 2022 amounted to RM4,139.1 million, an increase of RM170.3 million from RM3,968.8 million as at 30 June 2022.

During the Current Quarter, net unrealised foreign exchange gains recognised due to the quarter-end retranslation of the Group's non-current assets denominated in non-MYR currencies amounted to RM205.4 million. The USD had appreciated against MYR as at 30 September 2022 when compared to 30 June 2022, which positively affected the quarter-end retranslation of these non-current assets.

Capital expenditure invested by Anasuria Hibiscus UK in the Current Quarter amounted to RM53.2 million (RM34.7 million for the Anasuria Cluster, RM12.5 million for the Marigold West and Sunflower fields and RM6.0 million for Teal West).

In addition, in the PM3 CAA PSC, RM40.7 million capital expenditure was incurred mainly for the H4 development drilling campaign while Kinabalu and North Sabah incurred capital expenditure valued at RM8.4 million and RM7.4 million respectively.

The above transactions that increased the non-current assets balance were partly off-set by depreciation and amortisation of equipment, intangible assets and right-of-use assets of RM96.0 million and lower deferred tax assets by RM37.8 million.

(ii) Current Assets

As at 30 September 2022, the Group's current assets amounted to RM1,551.7 million. That was RM8.1 million higher than the balance as at 30 June 2022 of RM1,543.6 million.

Cash and bank balances increased from RM549.4 million as at 30 June 2022 to RM740.6 million as at 30 September 2022, largely due to the collection of proceeds from crude oil offtakes and the sale of gas from the Group's producing assets.

The Group's other receivables, deposits and prepayments balance as at 30 September 2022 increased by RM21.3 million mainly caused by the higher amounts to be reimbursed by the respective joint venture partners for PM3 CAA and North Sabah.

In addition, when compared to 30 June 2022, both the current tax recoverable and inventories balances as at 30 September 2022 increased by RM7.9 million and RM7.3 million respectively.

15 PERFORMANCE REVIEW (CONT'D)

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

The above transactions that increased the Group's current assets balance were largely off-set by lower trade receivables balance of RM219.7 million. The trade receivables balances at the end of the respective reporting periods were impacted by the timing of receipts of proceeds from crude oil offtakes and the sale of gas in the Group's producing assets.

(iii) Total Liabilities

Total liabilities decreased from RM3,310.4 million as at 30 June 2022 to RM3,242.7 million as at 30 September 2022.

The provision for taxation balance as at 30 September 2022 reduced by RM104.2 million when compared to RM336.4 million as at 30 June 2022. The reduction was mainly due to the settlement of taxation obligations related to North Sabah, the Anasuria Cluster and the PM3 CAA PSC in the Current Quarter.

As at 30 September 2022, the outstanding operations-related payables and accruals for the Kinabalu and North Sabah assets decreased by RM25.3 million and RM20.6 million respectively when compared to 30 June 2022 mainly due to lower accruals for supplemental payments.

In addition to the above, the amount owing to Trafigura as at 30 September 2022 was lower by RM83.6 million when compared to the balance as at 30 June 2022 due to repayments made throughout the Current Quarter.

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

Our total liabilities were partly off-set by:

- Higher operations-related payables and accruals recorded for PM3 CAA and Anasuria Hibiscus UK by RM64.0 million and RM37.4 million respectively mainly caused by expenses incurred for planned maintenance activities carried out during the Current Quarter; and

- Higher deferred tax liabilities balance as at 30 September 2022 of RM68.0 million mainly due to additional deferred tax liabilities recognised on capital expenditures invested for the Anasuria Cluster, PM3 CAA and North Sabah and net unrealised foreign exchange losses recognised as a result of quarter-end retranslation of the USD-denominated deferred tax liabilities balance caused by the appreciation of the USD against MYR as at 30 September 2022 when compared to 30 June 2022.

15 PERFORMANCE REVIEW (CONT'D)

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

(iv) Total Equity

Total equity as at 30 September 2022 increased by RM246.1 million when compared to 30 June 2022.

This was mainly attributable to net earnings generated by the producing oil and gas assets of the Group.

In addition, the Group is required to revalue the assets and liabilities of subsidiaries whose functional currencies are denominated in currencies other than MYR at each reporting date. The resulting unrealised foreign exchange differences will be posted to other reserves. As at 30 September 2022, the Group had recognised the resulting unrealised favourable foreign exchange differences from this revaluation amounting to RM110.8 million due to the appreciation of USD compared to 30 June 2022.

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

(i) Cash flows generated from operating activities

Net cash generated from the Group's operating activities during the Current Quarter amounted to RM328.8 million.

It comprised mainly the aggregate of funds received from operations at the Group's producing oil and gas assets in Malaysia and the UK, partly off-set by group-wide operating overheads, payment of taxation obligations and payment of decommissioning liabilities.

(ii) Cash flows used in investing activities

During the Current Quarter, net cash utilised for investing activities amounted to RM100.8 million.

RM102.0 million was invested by the Group in various capital expenditure programs throughout the Current Quarter, mainly by Anasuria Hibiscus UK and the PM3 CAA PSC.

(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 revenue and gross profit of RM146.1 million and RM103.2 million respectively in the Current Quarter. In the financial quarter ended 30 June 2022 ("**Preceding Quarter**"), revenue and gross profit attained were RM316.0 million and RM219.0 million respectively. There was a lower volume of crude oil sold in the Current Quarter. SEA Hibiscus sold 289,635 bbls of crude oil in a single offtake during the Current Quarter as compared to 611,800 bbls from two offtakes in the Preceding Quarter.

Average realised oil price achieved in the Current Quarter of USD111.54 per bbl was fairly consistent with the USD119.80 per bbl achieved in the Preceding Quarter.

Operational performance in the North Sabah asset improved in the Current Quarter. The average uptime of the North Sabah production facilities of 93% recorded during the Current Quarter was higher than the 85% reported for the Preceding Quarter. In the Current Quarter, the average net oil production rate was 4,732 bbls per day, which was higher than that of the Preceding Quarter of 4,275 bbls per day. The average OPEX per bbl for North Sabah improved to USD20.56 when compared to USD27.94 in the Preceding Quarter.

The annual planned major maintenance campaign for CY 2022 took place from March 2022 to August 2022. As such, activities related to this campaign in the Preceding Quarter were higher as they covered the full three months of the quarter compared to two months in the Current Quarter. In addition, 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 Preceding Quarter.

Despite the above, EBITDA achieved by the segment in the Current Quarter amounted to RM56.4 million, which was RM2.0 million higher than the Preceding Quarter's RM54.4 million. This was mainly caused by the materially different amounts accrued for SbST in the respective quarters.

As mentioned in earlier paragraphs, the SbST Proposal had been accepted by the Sabah State Government. Accordingly, upon the SbST Proposal being made by the Group followed by its acceptance by the Sabah State Government, SEA Hibiscus duly accrued all estimated liabilities related to this matter amounting to RM101.2 million as at 30 June 2022. The accrued amount was for all crude oil sales made by North Sabah since 1 April 2020, which was the day the Sabah State Government imposed the SbST on petroleum products sold by SEA Hibiscus in relation to crude oil being sold from LCOT. In comparison, the SbST incurred during the Current Quarter for the sole offtake in the quarter amounted to RM7.3 million.

Lastly, the higher production levels in the Current Quarter resulted in higher amortisation of intangible assets and depreciation of oil and gas assets of RM3.2 million when compared to the Preceding Quarter.

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

(ii) Malaysia – Kinabalu and Others

Total segment	Current Year Quarter RM'000	Immediate Preceding Quarter RM'000	Variance RM'000
Revenue	158,593	185,086	(26,493)
EBITDA/(LBITDA)	75,139	(3,003)	78,142
PBT/(LBT)	60,027	(34,123)	94,150

Kinabalu	Current Year Quarter RM'000	Immediate Preceding Quarter RM'000	Variance RM'000
Revenue	154,009	179,806	(25,797)
EBITDA	68,595	7,067	61,528
PBT/(LBT)	50,740	(23,677)	74,417

Others	Current Year Quarter RM'000	Immediate Preceding Quarter RM'000	Variance RM'000
Revenue	4,584	5,280	(696)
EBITDA/(LBITDA)	6,544	(10,070)	16,614
PBT/(LBT)	9,287	(10,446)	19,733

The segment recorded an EBITDA and a PBT of RM75.1 million and RM60.0 million respectively in the Current Quarter as compared to the Preceding Quarter's LBITDA of RM3.0 million and LBT of RM34.1 million.

Kinabalu

The Kinabalu PSC's EBITDA of RM68.6 million and PBT of RM50.7 million in the Current Quarter were achieved on the back of 288,540 bbls of crude oil being sold at an average realised oil price of USD118.04 per bbl. In the Preceding Quarter, 350,236 bbls of crude oil were sold at an average oil price of USD121.15 per bbl.

From an operational performance perspective, Kinabalu performed less favourably in the Current Quarter when compared to the Preceding Quarter. This was due to the annual planned major maintenance campaign for CY 2022 which took place from 29 July 2022 to 9 August 2022. Average OPEX per bbl increased from USD7.35 in the Preceding Quarter to USD21.20 in the Current Quarter.

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

The average uptime and the average net oil production rate recorded by the segment in the Current Quarter were 78% and 2,459 bbls per day respectively, which were lower than the Preceding Quarter's 92% and 3,475 bbls per day respectively.

Despite this favourable operational performance, the Kinabalu PSC recorded lower profitability levels in the Preceding Quarter, when EBITDA was RM7.1 million and a LBT of RM23.7 million was recorded compared to the Current Quarter's PBT of RM50.7 million.

The PSC's EBITDA and LBT in the Preceding Quarter included the impact of the "consumption" of its Acquired Underlift Inventory (of 92,471 bbls). The crude oil offtake that took place in the Preceding Quarter, i.e. in May 2022, was the first offtake undertaken by the Kinabalu PSC post 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 have been the case had the weighted average costs been used, by approximately RM45.0 million. Omitting the impact which arose from this transaction (or accounting entry) would have resulted in a "normalised" EBITDA of approximately RM52.1 million and the "normalised" result before taxation would have then been a PBT of approximately RM21.3 million, instead of the LBT of RM23.7 million shown in the table above.

The "normalised" EBITDA and PBT in the Preceding Quarter were both lower than the Current Quarter's EBITDA and PBT due to the following:

- Higher accrual of supplemental payments by RM47.5 million in the Preceding Quarter when compared to the Current Quarter due to a lower profit oil volume achieved by Kinabalu as a result of lower production levels coupled with higher costs incurred for activities related to the annual planned major maintenance campaign for CY 2022 in the Current Quarter; and

- Higher amortisation of intangible assets and depreciation of oil and gas assets in the Preceding Quarter of RM13.2 million when compared to the Current Quarter due to higher production levels in the Preceding Quarter.

<u>Others</u>

The results before taxation of PM305 and PM314 for the Current Quarter and the Preceding Quarter were largely impacted by the quantum of the decommissioning expenditure recognised in the respective quarters.

In the Current Quarter, the PSCs performed a reassessment of the actual amounts incurred for decommissioning work upon the completion of such work and it was determined that the accruals previously made exceeded the actual amounts. The net gain which arose from the reversal of the over accruals amounted to RM2.6 million and was recognised as a gain to the profit and loss in the Current Quarter.

In the Preceding Quarter, decommissioning expenditure of RM13.2 million was recognised as an expense.

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

(iii) Commercial Arrangement Area

In the Current Quarter, the Commercial Arrangement Area segment recorded revenue of RM215.7 million. This was lower in comparison to the Preceding Quarter's revenue of RM259.4 million.

The PM3 CAA PSC sold 272,867 bbls of crude oil during the Current Quarter as compared to 293,346 bbls in the Preceding Quarter. Average realised oil price achieved in the Current Quarter was USD112.46 per bbl whilst USD113.99 per bbl was achieved in the Preceding Quarter.

In addition, the PM3 CAA PSC sold 2,944 MMscf of gas in the Current Quarter, compared to 3,429 MMscf in the Preceding Quarter. Average realised gas price of USD5.78 per thousand scf was achieved in the Current Quarter, compared to USD8.00 per thousand scf in the Preceding Quarter.

PM3 CAA's operational performance in respect of oil and condensate production, in the Current Quarter was also less favourable. In the Current Quarter, the average net oil equivalent production rate was 7,912 boe per day. This was lower than that of the Preceding Quarter of 8,950 boe per day. The operational performance in the Current Quarter was impacted by activities related to the annual planned major maintenance campaign for CY 2022 which took place from 20 August 2022 to 2 September 2022. Due to higher OPEX incurred on higher level of activities related to major maintenance, well integrity and intervention campaigns and inspection and maintenance work scopes, the average OPEX per boe in the Current Quarter of USD18.00 was higher compared to the Preceding Quarter's USD10.16. Accordingly, gross profit decreased from RM191.2 million in the Preceding Quarter to RM128.5 million in the Current Quarter.

EBITDA and PBT achieved by the segment in the Current Quarter amounted to RM128.3 million and RM86.8 million respectively. These were much lower when compared to an EBITDA and a PBT of RM252.8 million and RM205.0 million respectively which were achieved in the Preceding Quarter. In addition to the more favourable operational performance in the Preceding Quarter as mentioned above, there was a one-off adjustment of additional taxes and associated penalties levied on the PM3 CAA PSC for YA 2014, YA 2015 and YA 2016 under PITA as at 30 June 2022.

PM3 CAA is a "chargeable person" under PITA. Prior to Completion Date, the IRB had raised assessments for YA 2014, YA 2015 and YA 2016 under PITA against PM3 CAA for additional taxes and penalties. PM3 CAA had disputed these assessments and instituted a Judicial Review action against the IRB. In September 2022, PM3 CAA and the IRB reached an amicable settlement on this matter which resulted in the issuance of revised/reduced assessments by the IRB on 27 September 2022 ("**Settlement**"). Following the Settlement, the provisions for the additional taxes and penalties made by Repsol prior to Completion Date were updated and the resulting gain to the profit or loss were recorded by this segment, amounting to RM125.5 million. Out of the RM125.5 million adjusted, RM65.4 million was the penalties portion while RM60.1 million was the additional taxes portion. The RM65.4 million for penalties was adjusted to other expenses and as a result, the gain which arose from the adjustment formed part of the Preceding Quarter's EBITDA and PBT. The RM60.1 million adjusted for additional taxes was adjusted to taxation in the profit or loss. Please refer to Part B, Note 23 of this Quarterly Report for further details.

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

The other significant movement between the Current Quarter and the Preceding Quarter up to PBT level was a lower amortisation of intangible assets and depreciation of oil and gas assets in the Current Quarter by RM7.1 million due to lower production levels.

(iv) United Kingdom

The segment achieved an EBITDA of RM69.8 million in the Current Quarter as compared to the Preceding Quarter's EBITDA of RM85.6 million.

The lower EBITDA in the Current Quarter was due to the lower volume of crude oil sold and the lower average realised oil price achieved. In the Current Quarter, Anasuria Hibiscus UK sold a "normalised" (i.e. after omitting the overlift volume of 10,460 bbls, as mentioned in Part B, Note 15.1 (A) (iv) of this Quarterly Report) 133,268 bbls of crude oil as compared to 162,957 bbls of crude oil in the Preceding Quarter. Average realised oil price achieved in the Current Quarter was USD97.12 per bbl whilst USD127.91 per bbl was obtained in the Preceding 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 equivalent production rate and average OPEX per boe achieved in the Current Quarter were 53%, 1,468 boe per day and USD37.02 respectively. In the Preceding Quarter, the average uptime, average daily oil equivalent production rate and average OPEX per boe were 61%, 1,884 boe per day and USD27.41 respectively.

The segment recorded a PBT of RM55.4 million in the Current Quarter, which was RM9.2 million lower when compared to the Preceding Quarter's PBT of RM64.6 million, due to the lower EBITDA as highlighted above.

(v) Vietnam

This segment recorded a LBT of RM20.6 million in the Current Quarter as compared to a PBT of RM1.1 million reported in the Preceding Quarter.

The results before taxation were mainly impacted by the amounts recognised on the difference which arose from the revaluation of the Acquired Underlift Inventory in the respective quarters. In the Current Quarter, a loss on revaluation of RM13.5 million was recognised, while in the Preceding Quarter, a gain of RM2.0 million was recognised.

In addition, in the Current Quarter, a charge to revenue of RM6.1 million was recognised to correct the income tax related to the crude oil offtake that took place in May 2021, as explained in Part B, Note 15.1 (A) (v) of this Quarterly Report. This contributed to the LBT reported for the Current Quarter. Please note that the Current Quarter's results after taxation for the Vietnam segment was not affected by this adjustment as the corresponding entry was to taxation in the profit or loss.

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

(vi) Australia

The Australia segment recorded a LBT of RM2.7 million in the Current Quarter, which was half that of the Preceding Quarter's LBT of RM5.4 million.

In the Preceding Quarter, 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.

(vii) Investment holding and group activities

This segment recorded a LBT of RM12.8 million in the Current Quarter, which was RM6.1 million higher than the LBT of RM6.7 million reported in the Preceding Quarter.

This was caused by higher net adverse foreign exchange differences recognised in the Current Quarter. The differences arose mainly from the appreciation of the USD and depreciation of the GBP against MYR, which adversely impacted the quarter-end retranslation of the USD-denominated inter-company payables and the GBP-denominated inter-company receivables.

17 STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

Saved as disclosed below, there are no corporate proposals announced but not completed as at the date of this Quarterly Report.

(i) <u>Proposed Capital Reduction and Proposed Share Buy-Back</u>

Please refer to Part A, Note 6 (ii) of this Quarterly Report for further details.

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, the FSO[1] Orkid, the FSO[1] PM3 CAA and LCOT. The graph below illustrates the oil price trends for the Brent crude oil benchmark for the period from October 2021 to end-October 2022:

As shown above, Brent oil prices have improved to levels above USD90.00 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 supply whilst concerns of global inflation and demand destruction are also having an impact.

(1) *FSO – Floating storage and offloading.*

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 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:

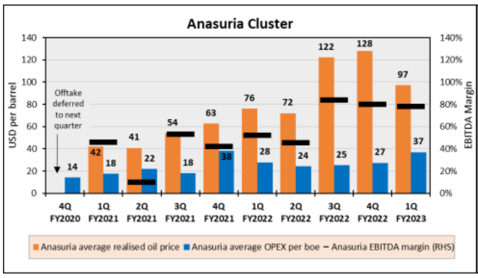
   - Production performance of the wells; and

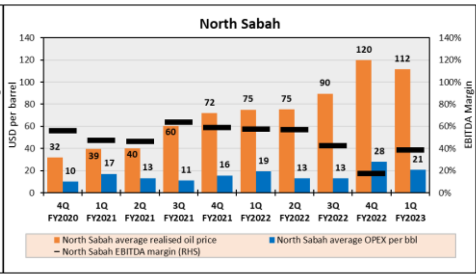
   - Facilities availability.

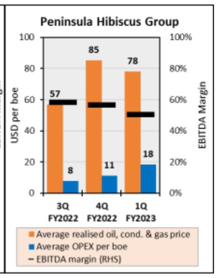
7. Management of operational expenses for our producing assets and general corporate overheads.

As the joint operator of the Anasuria Cluster and the operator of the North Sabah, PM3 CAA, Kinabalu, PM305, PM314 and Block 46 PSCs, 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: Peninsula Hibiscus Sdn Bhd and its subsidiaries ("**Peninsula Hibiscus Group**") assets' EBITDA margin in the third financial quarter of the financial year ended 30 June 2022 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: Peninsula Hibiscus Group 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 from the Kinabalu PSC, the PM3 CAA PSC, the PM305 PSC, the PM314 PSC and the Block 46 PSC. 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 1,003,798 bbls of crude oil were sold in the Current Quarter: 570,435 bbls from the Peninsula Hibiscus Group assets (PM3 CAA, Kinabalu, PM305 and PM314), 289,635 bbls from North Sabah and 143,728 bbls from the Anasuria Cluster. A total of 3,086 MMscf of gas was sold in the Current Quarter: 2,944 MMscf from PM3 CAA and 142 MMscf from the Anasuria Cluster.

Overall, the Group is well-positioned to build on its successful operational track record in its producing assets in Malaysia and the UK.

In summary, 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 Quarter.

21 PURCHASE OR DISPOSAL OF QUOTED SECURITIES

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

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) Notice of Additional Assessment for YA 2014 under PITA against PM3 CAA

The contractors of PM3 CAA are Hibiscus Oil & Gas, Hibiscus Oil & Gas Malaysia (PM3) Limited ("**Hibiscus Oil & Gas (PM3)**"), PETRONAS Carigali Sdn Bhd and PVEP (collectively, "**PM3 CAA Partners**"). PM3 CAA is a chargeable person under PITA. On 27 December 2019, the IRB raised a Notice of Additional Assessment for YA 2014 under PITA against PM3 CAA 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 certain PM3 CAA Partners. Of this total amount, the portion potentially attributable to Hibiscus Oil & Gas and Hibiscus Oil & Gas (PM3) was estimated to be up to RM79,168,229.90.

23 MATERIAL LITIGATION (CONT'D)

On 9 January 2020, Hibiscus Oil & Gas (on behalf of PM3 CAA) filed a notice of appeal (i.e. Form Q) to the Special Commissioners of Petroleum Income Tax ("**SCPIT**") against the Notice of Additional Assessment for YA 2014. On the 3 October 2022 mention date, the SCPIT was informed that an amicable settlement has been reached between the IRB and PM3 CAA in September 2022 ("**Settlement**") for the additional tax and penalty payable under the Notice of Additional Assessment for YA 2014 and also under the Notices of Assessment for YA 2015 and YA 2016. The SCPIT will be notified of the Settlement at its next mention date scheduled to be held on 23 November 2022.

On 17 January 2020, the 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 penalty 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 relating to the Notice of Additional Assessment for YA 2014 is required to be made.

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 hearings for both appeals took place on 21 September 2022 and 5 October 2022.

(ii) Notices of Assessment for YA 2015 and YA 2016 under PITA against PM3 CAA

On 31 December 2020, the IRB raised Notices of Assessment for YA 2015 and YA 2016 under PITA against PM3 CAA 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 certain PM3 CAA Partners. Of this total amount, the portion potentially attributable to Hibiscus Oil & Gas and Hibiscus Oil & Gas (PM3) was estimated to be up to RM16,446,882.48.

On 12 January 2021, Hibiscus Oil & Gas (on behalf of PM3 CAA) filed notices of appeal (i.e. Forms Q) to the SCPIT against the Notices of Assessment for YA 2015 and YA 2016. On the 3 October 2022 mention date, as mentioned above, the SCPIT was informed that the IRB and PM3 CAA has achieved an amicable settlement in September 2022 for the additional taxes and penalties payable under the Notices of Assessment for YA 2015 and YA 2016. The SCPIT will be notified of the Settlement at its next mention date scheduled to be held on 23 November 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.

23 MATERIAL LITIGATION (CONT'D)

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 them 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 appeals therefrom. Therefore, no payment relating to the Notices of Assessment for YA 2015 and YA 2016") was required to be made.

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 hearings for both appeals took place on 21 September 2022 and 5 October 2022.

As per the Settlement:

- The total amount of additional tax and penalty payable by PM3 CAA for YA 2014 is now reduced from RM95,641,365.08 to RM25,123,705.66. Out of this reduced amount, RM12,567,449.89 is attributable to Hibiscus Oil & Gas and Hibiscus Oil & Gas (PM3); and

- The total amount of additional taxes and penalties payable by PM3 CAA for YA 2015 and YA 2016 is now reduced from RM166,282,868.93 to RM18,171,995.98. Out of this reduced amount, RM4,777,032.70 is attributable to Hibiscus Oil & Gas and Hibiscus Oil & Gas (PM3).

The Consent Orders recording the Settlement were presented to the CA at its scheduled hearing date of 5 October 2022, during which the Consent Orders were formally recorded before the CA. The Sealed Consent Orders have been issued by the CA and received by PM3 CAA.

The Notices of Reduced Assessment for YA 2014, YA 2015 and YA 2016 were issued by the IRB on 20 October 2022, 18 October 2022 and 19 October 2022 respectively. As per the terms of the Settlement, payment of the agreed settlement sum is to be made by PM3 CAA within 30 days from the date of their receipt of the respective Notices of Reduced Assessment issued by the IRB.

24 DIVIDEND

The Directors do not recommend any dividend for the Current Quarter (previous year corresponding quarter ended 30 September 2021: Nil).

On 4 October 2022, the Directors recommended the payment of a final single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 30 June 2022, which is subject to the approval by the Company's shareholders at the forthcoming Annual General Meeting on 1 December 2022. The financial statements for the financial year ended 30 June 2022 did not reflect this dividend. This dividend, if approved by the Company's shareholders, will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 30 June 2023, and is to be paid on 18 January 2023 with an entitlement date of 4 January 2023.

25 EARNINGS PER SHARE

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

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

		INDIVIDUAL QUARTER		**CUMULATIVE QUARTER**	
		QUARTER ENDED 30.09.2022	**QUARTER ENDED 30.09.2021**	**PERIOD ENDED 30.09.2022**	**PERIOD ENDED 30.09.2021**
Profit after taxation attributable to owners of the Company (RM'000)	(A)	135,262	41,523	135,262	41,523
Weighted average number of shares for basic earnings per share computation ('000)	(B)	2,012,419	2,006,804	2,012,419	2,006,804
Effects of dilution of Islamic CRPS ('000)		-	5,615	-	5,615
Weighted average number of shares for diluted earnings per share computation ('000)	(C)	2,012,419	2,012,419	2,012,419	2,012,419
Basic earnings per share (sen)	(A/B)	6.72	2.07	6.72	2.07
Diluted earnings per share (sen)	(A/C)	6.72	2.06	6.72	2.06

26 OTHER INCOME

	INDIVIDUAL QUARTER		**CUMULATIVE QUARTER**	
	QUARTER ENDED 30.09.2022 RM'000	**QUARTER ENDED 30.09.2021 RM'000**	**PERIOD ENDED 30.09.2022 RM'000**	**PERIOD ENDED 30.09.2021 RM'000**
Sundry income	-	83	-	83
Interest income	1,212	112	1,212	112
Fair value changes on other investment	-	32	-	32
Unrealised gain on foreign exchange #	12,641	-	12,641	-
Realised gain on foreign exchange #	7,764	17	7,764	17
	21,617	244	21,617	244

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

27 PROFIT BEFORE TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2022 RM'000	QUARTER ENDED 30.09.2021 RM'000	PERIOD ENDED 30.09.2022 RM'000	PERIOD ENDED 30.09.2021 RM'000
Profit before taxation is arrived at after charging/(crediting):				
Depreciation and amortisation of equipment, intangible assets and right-of-use assets	95,950	39,101	95,950	39,101
Supplemental payments ##	70,439	11,308	70,439	11,308
Finance costs	16,989	9,764	16,989	9,764
SbST ###	14,399	-	14,399	-
Share of results of an associate	127	110	127	110
Fair value changes on other investment	-	(32)	-	(32)
Interest income	(1,218)	(743)	(1,218)	(743)
Unrealised (gain)/loss on foreign exchange ####	(12,641)	73	(12,641)	73
Realised gain on foreign exchange ####	(7,764)	(17)	(7,764)	(17)

Supplemental payments represent amounts paid/payable by North Sabah, Kinabalu and PM305 and PM314 in relation to their profit oil, when the weighted average oil price exceeds the base price stated in the respective PSCs. The supplemental payments incurred by the North Sabah, Kinabalu and PM305 and PM314 in the Current Quarter amounted to RM47.5 million (previous year corresponding quarter ended 30 September 2021: RM11.3 million), RM22.5 million (previous year corresponding quarter ended 30 September 2021: Not applicable) and RM0.4 million (previous year corresponding quarter ended 30 September 2021: Not applicable) respectively. The supplemental payments are included in administrative expenses in the profit or loss.

SbST represents State Sales Tax imposed by the Sabah State Government on SEA Hibiscus and Hibiscus Oil & Gas in relation to crude oil produced under their respective PSCs and sold from LCOT. The SbST is included in other expenses in the profit or loss.

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

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

28 TAXATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED 30.09.2022 RM'000	QUARTER ENDED 30.09.2021 RM'000	PERIOD ENDED 30.09.2022 RM'000	PERIOD ENDED 30.09.2021 RM'000
Income taxation	13,983	(38,368)	13,983	(38,368)
Deferred taxation	(64,135)	5,121	(64,135)	5,121
	(50,152)	(33,247)	(50,152)	(33,247)

28 TAXATION (CONT'D)

Breakdown by operating segments:

OPERATING SEGMENTS	Individual Quarter		Cumulative Quarter	
	Quarter Ended 30.09.2022 RM'000	Quarter Ended 30.09.2021 RM'000	Period Ended 30.09.2022 RM'000	Period Ended 30.09.2021 RM'000
Malaysia – North Sabah				
Income taxation	(6,964)	(35,606)	(6,964)	(35,606)
Deferred taxation	(957)	8,819	(957)	8,819
Total	**(7,921)**	**(26,787)**	**(7,921)**	**(26,787)**
Malaysia – Kinabalu and Others				
Income taxation	(865)	N/A	(865)	N/A
Deferred taxation	(29,242)	N/A	(29,242)	N/A
Total	**(30,107)**	N/A	**(30,107)**	N/A
Commercial Arrangement Area				
Income taxation	20,504	N/A	20,504	N/A
Deferred taxation	(10,685)	N/A	(10,685)	N/A
Total	**9,819**	N/A	**9,819**	N/A
United Kingdom				
Income taxation	(5,360)	(2,762)	(5,360)	(2,762)
Deferred taxation	(23,774)	(3,703)	(23,774)	(3,703)
Total	**(29,134)**	**(6,465)**	**(29,134)**	**(6,465)**
Vietnam				
Income taxation	6,668	N/A	6,668	N/A
Deferred taxation	523	N/A	523	N/A
Total	**7,191**	N/A	**7,191**	N/A
Australia				
Income taxation	-	-	-	-
Deferred taxation	-	-	-	-
Total	**-**	**-**	**-**	**-**
Investment holding and group activities				
Income taxation	-	-	-	-
Deferred taxation	-	5	-	5
Total	**-**	**5**	**-**	**5**
Group				
Income taxation	13,983	(38,368)	13,983	(38,368)
Deferred taxation	(64,135)	5,121	(64,135)	5,121
Total	**(50,152)**	**(33,247)**	**(50,152)**	**(33,247)**

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 inclusion in the fiscal regime, namely the EPL was enacted when the Energy (Oil and Gas) Profits Levy Act 2022 received Royal Assent on 14 July 2022. Please refer to Part B, Note 15.1 (A)(iv) of this Quarterly Report for further details.

- 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 September 2022 were as follows:

	As at 30.09.2022 RM'000	As at 30.06.2022 RM'000
Non-current		
Secured		
Lease liabilities	361,498	364,009
Current		
Secured		
Lease liabilities	127,042	104,936
Unsecured		
Revolving credit	94,387	88,814
	221,429	193,750

By Order of the Board of Directors
Hibiscus Petroleum Berhad
22 November 2022