Company No.

9696268

ANASURIA HIBISCUS UK LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the financial year ended 30 June 2021.

FUTURE DEVELOPMENT

In respect of the Anasuria Assets, the capital expenditure projects undertaken serve not only to increase production, but also to provide an opportunity to further improve the geological and reservoir understanding of the fields in the Anasuria Assets. In addition, consistent with the Company's strategy to grow its business and footprint in the UK, the Company has been investigating opportunities and activities to extend the economic life of the Anasuria Assets, unlock value and maximise the economic recovery from the area surrounding the Anasuria FPSO.

In respect of the Marigold and Sunflower fields, the Company has identified several stranded discoveries around the Marigold and Sunflower fields. The potential collaboration with concession owners of these stranded discoveries located around the Marigold and Sunflower fields could allow a reduction in overall unit development and unit production cost for all parties. This, in turn, could potentially enable a higher volume of oil over a greater area to be economically produced. Such an outcome would deliver greater value overall, in line with the UK MER Strategy (Maximising Economic Recovery Strategy for the UK).

The recent addition of License No. 2535 which contains the Teal West discovery is a positive development and is expected to increase Company's daily production rate in the future. The Teal West field is planned to be produced to the Anasuria FPSO where the fluids will be processed and exported via the Anasuria Assets' infrastructure.

Further information on the future development is included at an aggregate level in the Annual Report of its ultimate holding company, Hibiscus Petroleum.

STREAMLINED ENERGY AND CARBON REPORTING

Global greenhouse gas ("GHG") emissions and energy use data for the financial year ended 30 June 2021 of the Anasuria Assets are as follows:

	Units	2020	2021[5]
Scope 1 GHG emissions[1]	tonnes CO_2e	158,840	128,651
Scope 2 GHG emissions[2]	tonnes CO_2e	0	0
Scope 3 GHG emissions – Business travel[3]	tonnes CO_2e	0	0
Scope 1 and Scope 2 GHG emissions per boe	kg CO_2e/boe	44.56	39.34
Gas consumption on the Anasuria FPSO[4]	kWh	347,342,263	351,090,428
Diesel consumption on the Anasuria FPSO[4]	kWh	25,888,563	20,486,873

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DIRECTORS' REPORT (CONTINUED)

STREAMLINED ENERGY AND CARBON REPORTING (CONTINUED)

Notes:

1. *GHG emissions comprise of carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulphur hexafluoride and nitrogen trifluoride. Leak tests to measure the fluorinated gases are typically conducted once annually. The global warming potential factors used are in accordance with the UK Government's guidance for reporting of GHG emissions.*
2. *Scope 2 – GHG emissions is zero as there is no purchased electricity for the Anasuria FPSO operations, as all activities are conducted offshore. Office use of electricity are not measured separately as these are included in the office rent.*
3. *Scope 3 – Business travel GHG emissions is zero as there is no vehicle that is owned or rented by AOCL, or whereby AOCL is responsible for purchasing fuel for the purposes of business travel. GHG emissions from air travel, helicopters and supply vessels have not been accounted for. The Scope 3 category is included in the fulfilment of UK Government's SECR requirements.*
4. *The 2020 UK Government GHG conversion factors for company reporting have been used to convert fuel consumption from tonnes to kWh.*
5. *Emission figures from 1 January 2021 to 30 June 2021 are provisional.*

Methodologies and Energy efficiencies measures

The total operational GHG emissions cover the operations on the Anasuria FPSO. Power generation and flaring of gas are the main sources of atmospheric emissions. CO_2 emissions from fuel and flare are calculated and tracked monthly by Petrofac Facilities Management Limited (the Duty Holder of the Anasuria FPSO) as part of the reporting requirement under the EU/UK Emissions Trading Scheme.

Several opportunities for energy (and hence associated GHG) reduction are being assessed for economic viability and some of them will be considered as part of the long-term operational plan for the asset. The team has been assessing these opportunities and they form a part of the Emissions Management Strategy and will be addressed in the upcoming years. Furthermore, additional opportunities have been identified as part of AOCL's emissions reduction strategy.

The Anasuria FPSO and the related facilities are designed to last the entire field lifecycle and are likely not to be frequently replaced. Thus, opportunity for energy savings is challenging. However, if a requirement to replace or procure new equipment arises, we would endeavour to procure new equipment that could offer the opportunity to save energy. Whilst AOCL recognises that some investment will be required as part of the emissions reduction/energy transition drive, each opportunity will be reviewed individually with a thorough cost benefit analysis.

FINANCIAL RISK MANAGEMENT

The Company's operations expose it to a variety of financial risks that include the effects of changes in commodity prices, credit risk, liquidity risk, interest rate risk and foreign exchange rate risk.

Price risk

Commodity price risk related to crude oil is the Company's significant market risk exposure. Crude oil prices and quality differentials are influenced by worldwide factors such as OPEC actions, political events and supply and demand fundamentals. The Company is also exposed to natural gas price movements. Natural gas prices are generally influenced by oil prices and local market conditions. The Company's expenditures are subject to the effects of inflation, and prices received for the product sold are not readily adjustable to cover any increase in expenses from inflation. The Company may periodically use different types of derivative instrument to manage its exposure to price volatility, thus mitigating fluctuation in commodity-related cash flows. No such derivative instrument was used by the Company during the financial year.