Corporate and Business Update

(Issued in conjunction with the Quarterly Report for the Quarter Ended 31 December 2020)

Kuala Lumpur, 22 February 2021 – 5.00pm

Maiden Interim Dividend Declared

Highlights

- Hibiscus Petroleum announced earnings before interest, taxes, depreciation and amortisation ("**EBITDA**") of RM63.2 million and a profit after taxation ("**PAT**") of RM12.0 million for the financial quarter ended 31 December 2020 ("**Current Quarter**").
- The Company declared a first interim single-tier dividend of 0.50 sen per ordinary share.
- The Group sold 1,123,163 barrels ("**bbls**") of crude oil in the Current Quarter. Four offtakes were conducted; three from North Sabah and one from Anasuria. For the financial year ending 30 June 2021 ("**FY2021**"), the Group aims to produce 3.4 million bbls of oil safely and efficiently across both assets.
- New United Kingdom ("**UK**") North Sea Licences: Executed the Licence Agreements for interests in three licences in the UK as part of the UK's 32nd Offshore Licensing Round.
- Effective 21 December 2020, Hibiscus Petroleum is a constituent of the FTSE4Good Bursa Malaysia Index, an Environmental, Social and Governance ("**ESG**") focused index.

Introduction

This Corporate and Business Update covers a business update for the Current Quarter and provides commentary on the operational and financial performance of the Group.

Current Reserves and Resources

Figure 1 below depicts our updated net entitlement to oil reserves and resources, as at 1 January 2021, within the licenses in which we have interests.

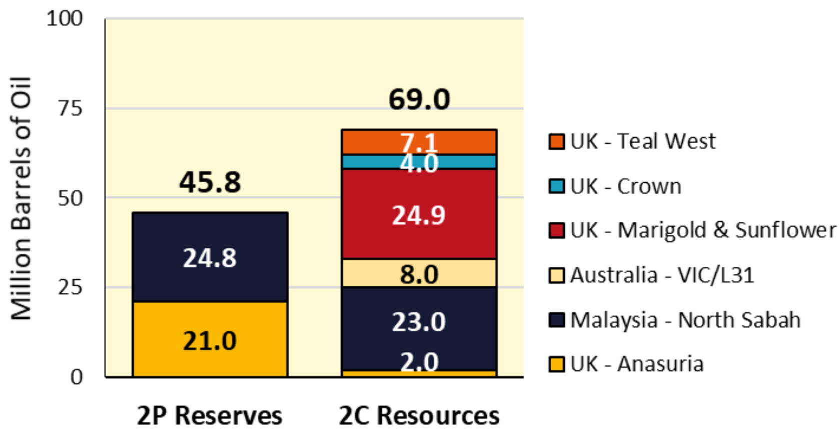


Figure 1: Hibiscus Petroleum's net oil reserves and resources estimates.

Notes to Figure 1:

[1] *Reserves and resources are as of 1 January 2021.*

[2] *Anasuria 2P Reserves and 2C Contingent Resources are based on Anasuria Hibiscus UK Limited ("**Anasuria Hibiscus UK**")'s interest and extracted from Gaffney, Cline & Associates Limited's report as of 1 July 2020, adjusted for actual production for the 6 months ended 31 December 2020.*

[3] *North Sabah 2P Reserves are based on SEA Hibiscus Sdn Bhd ("**SEA Hibiscus**")'s current estimated net entitlement, based on RISC Advisory Pty Ltd's report dated January 2019 adjusted for actual production and internally estimated incremental reserves from executed projects in 2019 and 2020.*

[4] *North Sabah 2C Contingent Resources are based on SEA Hibiscus' current estimated net entitlement, based on RISC Advisory Pty Ltd's report dated January 2019 less 2C contingent resources for executed projects in 2019 and 2020.*

[5] *Marigold & Sunflower 2C Contingent Resources are based on Anasuria Hibiscus UK's interest and extracted from RPS Energy Consultants Limited's report.*

[6] *VIC/L31, Crown and Teal West 2C Contingent Resources are based on internal estimates.*

Inclusion in FTSE4Good Bursa Malaysia Index

As part of our commitment to strong ESG practices, we are pleased to have been included in the FTSE4Good Bursa Malaysia Index effective 21 December 2020.

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) has confirmed that Hibiscus Petroleum was independently assessed according to the FTSE4Good criteria, and satisfied the requirements to become a constituent of the FTSE4Good Index Series.

Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong ESG practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

Operational Updates

Health Safety Security & Environment ("HSSE")

Our initiatives to combat the spread and impact of COVID-19 within our organisation continue, with various measures taken both on land and offshore at North Sabah and Anasuria. These include "work-from-home" rotations for office-based staff and offshore teams being segregated as much as reasonably practical whilst conducting operations in case of any potential quarantine scenario. There is also a focus on having a reasonable level of backup resources to ensure business continuity. Safety attire and procedures to transport personnel by helicopter have also been materially improved. Despite the high number of cases throughout Malaysia, we are pleased to report that to date, operations have proceeded safely without material disruption.

Awards

With measures in place, both the North Sabah and Anasuria assets have been performing satisfactorily. We are pleased to disclose the following awards and achievements for production operations in Malaysia and the UK:

North Sabah Operations:

- Petronas Focused Recognition Award – Awarded in December 2020 for successfully and safely completing the St Joseph Major & Minor Sands Infill Drilling Campaign without a Lost Time Injury, thereby maximising value and cash generation for the North Sabah EOR PSC partnership.

Anasuria Operations:

- Six years without a Lost Time Incident on the Anasuria FPSO achieved in October 2020.

Production

Malaysia South China Sea

North Sabah PSC: Production Operations

The table below provides a summary of key operational statistics for the North Sabah asset, based on SEA Hibiscus' 50% participating interest, for the Current Quarter and for the prior three financial quarters:

	Unit	October to December 2020 [2]	July to September 2020	April to June 2020	January to March 2020
Average uptime	%	92	86	94	89
Average gross oil production	bbl/day	17,660	16,895	18,780	17,395
Average net oil production	bbl/day	6,534	6,251	6,949	6,436
Total oil sold	bbl	870,874	592,453	249,387	611,367
Average realised oil price [1]	USD/bbl	39.91	39.46	31.79	47.72
Average OPEX per bbl (unit production cost)	USD/bbl	13.32	17.08	10.27	13.05

Figure 2: Operational performance for the North Sabah asset.

Notes to Figure 2:

1 *The average realised oil price represents the weighted average price of all Labuan crude sales from SEA Hibiscus.*

2 *Figures for the period October 2020 to December 2020 are provisional and may change subject to the PSC Statement audit and that they are pending Petroliam Nasional Berhad ("**PETRONAS**")'s review.*

The average uptime of the North Sabah production facilities of 92%, achieved during the Current Quarter, is higher when compared to the financial quarter ended 30 September 2020 ("**Preceding Quarter**"). Consequently, average gross oil production increased by 5% during the Current Quarter when compared to the Preceding Quarter. This is primarily attributed to the completion of planned maintenance activities as well as jacket shutdown due to the drilling of the four wells of the St Joseph Minor and Major Sands Redevelopment in the Preceding Quarter. Average OPEX per bbl for North Sabah reduced to USD13.32 when compared to USD17.08 in the Preceding Quarter.

Three crude oil offtakes were conducted in the North Sabah asset in the Current Quarter with a total of 870,874 bbls of oil, net to SEA Hibiscus, sold at an average oil price of USD39.91 per bbl. Under our fixed-price agreement with Trafigura, two offtakes totalling 500,000 bbls of oil were sold in the Current Quarter at an average price of USD35.00 per bbl. As a recap, to mitigate crude oil price volatility and ensure positive cashflow generation, we agreed in April 2020 to lock in sales of 750,000 bbls of oil to Trafigura at a fixed price of USD35.00 per bbl in the second half of Calendar Year 2020 ("**CY2020**").

The deliveries of the committed crude oil volumes have been completed, and as such subsequent offtakes will not be affected by this fixed pricing arrangement.

In terms of capital expenditure, the North Sabah asset incurred RM10.7 million during the Current Quarter mainly due to the post drill works of the St Joseph Minor and Major Sands Redevelopment project.

North Sabah PSC: St Joseph Minor and Major Sands Redevelopment

PETRONAS had on 26 June 2020 approved the St Joseph Minor and Major Sands Redevelopment FDP which entailed drilling of three infill wells targeting the Minor Sands and one infill well targeting the Major Sands of the St Joseph field. Drilling operations commenced after the rig made her final approach on 29 June 2020. All four wells were successfully drilled and completed in the Preceding Quarter and the project completed with the rig demobilising from the platform on 23 September 2020.

Post-drill activities which were supposed to be completed in the Current Quarter had to be suspended and deferred to April 2021 due to adverse weather conditions and the evolving quarantine requirements in Sabah related to COVID-19.

UK North Sea

Anasuria Cluster: Production Operations

As of 31 December 2020, Anasuria Hibiscus UK has been involved in the joint operations of the Anasuria asset for over four years. Figure 3 shows the operational performance achieved by the asset, based on Anasuria Hibiscus UK's 50% participating interest, for the Current Quarter, as well as for the prior three financial quarters:

	Unit	October to December 2020	July to September 2020	April to June 2020	January to March 2020
Average uptime	%	95	94	85	89
Average net oil production rate	bbl/day	2,726	2,753	2,539	2,802
Average net gas export rate @	boe/day	383	330	322	375
Average net oil equivalent production rate	boe/day	3,109	3,084	2,861	3,177
Total oil sold	bbl	252,289	250,337	0	238,605
Total gas exported (sold)	mmscf	212	182	176	205
Average realised oil price	USD/bbl	40.85	41.99	-	50.59
Average gas price	USD/mmbtu	1.48∞/3.87#	0.44∞/ 1.45#	0.39∞/ 1.17#	1.09∞/ 2.80#
Average OPEX per boe	USD/boe	22.00	17.53	14.29	14.92

Figure 3: Operational performance for the Anasuria asset.

Notes to Figure 3:
@ Conversion rate of 6,000 standard cubic feet ("scf") per boe.
∞ For Cook field.
 # For Guillemot A, Teal and Teal South fields.
boe – bbl of oil equivalent.
mmscf – million standard cubic feet.
mmbtu – million British thermal units.
Figures are subject to rounding.

The average uptime and average daily oil equivalent production rate achieved at the Anasuria asset for the Current Quarter of 95% and 3,109 boe per day, respectively, exceeded that recorded in the Preceding Quarter. One crude oil offtake was conducted at Anasuria during the Current Quarter, in which 252,289 bbls of oil net to Anasuria Hibiscus UK was sold at an average realised oil price at USD40.85 per bbl. The average OPEX per boe in Anasuria for the Current Quarter of USD22.00 is higher than USD17.53 in the Preceding Quarter. Several maintenance activities were carried out on the FPSO during the Current Quarter which primarily contributed to the increase in OPEX per boe.

Planning is ongoing for a 45-day offshore turnaround of the Anasuria FPSO in FY2021 ("**2021 Turnaround**"). The 2021 Turnaround is meant to improve the reliability and integrity of the Anasuria FPSO as well as to ensure a safe working environment. Several minor production enhancement projects are also included in the planned scope of the 2021 Turnaround.

In the Current Quarter, Anasuria Hibiscus UK incurred a capital expenditure amount of approximately RM2.6 million primarily for the upgrade and replacement of facilities on the Anasuria FPSO. No major CAPEX is planned for Anasuria in Calendar Year 2021 ("**CY2021**").

UK North Sea – Marigold Cluster

The Marigold Cluster comprises the following licenses and fields with discoveries:

- 50% interest in P198 - Block 15/13a ("**Marigold**");
- 50% interest in P198 - Block 15/13b ("**Sunflower**");
- 100% interest in P2366 - Blocks 15/18d and 15/19b; and
- 100% interest in P2518 - Block 15/17a.

The FDP and Environmental Statement for phase 1 of the development was submitted to the regulatory bodies for approval in December 2020. Phase 1 comprises three subsea production wells in the Marigold Field tied back to an FPSO via a subsea manifold, flexible flowlines and a control umbilical.

In January 2021, the UK Oil and Gas Authority ("**OGA**") requested that Anasuria Hibiscus UK seek to work with Ithaca Energy Limited ("**Ithaca**"), holder of Licence P2158 (Block 15/18b) which is adjacent to the Marigold field, and propose a common development solution for the resources found in both licences. Work is ongoing to determine whether a joint development would maximise economic recovery from the proven resources in Licence P198 and P2158. This work is expected to be concluded on 26 February 2021 and a separate announcement will be made thereafter.

In addition, Anasuria Hibiscus UK entered into a farm-in agreement with Caldera Petroleum (UK) Ltd ("**CPL**"), whereby Anasuria Hibiscus UK shall acquire 37.5% interest in Marigold & Sunflower from CPL. This is subject to, inter-alia, approval from the OGA. Upon completion, Anasuria Hibiscus UK's interest in Marigold & Sunflower will be increased from 50.0% to 87.5%.

UK's 32nd Offshore Licensing Round

In September 2020, we announced that Anasuria Hibiscus UK was offered the award of three licences for blocks located in the UK North Sea. This was part of the 32nd Offshore Licensing Round launched by the OGA in July 2019.

In January and February 2021, we executed the Licence Agreements for all three licences. Figure 4 below summarises the key features of each licence. The licence terms commenced from 1 December 2020 for a period of four years (Field Development Plan ("**FDP**") phase) with a subsequent term (production phase) to begin for a period of 18 years from the completion of the FDP phase.

We believe Teal West and Kildrummy to be potential tie-back candidates to the Anasuria FPSO and the Marigold development respectively.

Based on our internal estimates, Teal West contains 2C Resources of approximately 7.1 million bbls of oil net to Anasuria Hibiscus UK, with First Oil being targeted by calendar year 2023.

Licence	**Blocks**	**Anasuria Hibiscus UK Interest**	**Asset Type**
P2535	21/24d (Teal West)	70% & Operatorship	Development
P2532	21/19c & 21/20c (contiguous to Cook)	19.3%	Exploration
P2518	15/17a (Kildrummy)	100% & Operatorship	Development

Figure 4: Details of the new UK licences.

Australia – Bass Strait Cluster

The Bass Strait Cluster comprises the following:

- 100% interest in the VIC/L31 Production License ("**VIC/L31**");
- 75.1% interest in the VIC/P57 Exploration Permit ("**VIC/P57**"); and
- 50% interest in the VIC/P74 Exploration Permit ("**VIC/P74**").

In addition, we have a 11.68% interest in 3D Oil Limited ("**3D Oil**"), a company listed on the Australian Stock Exchange.

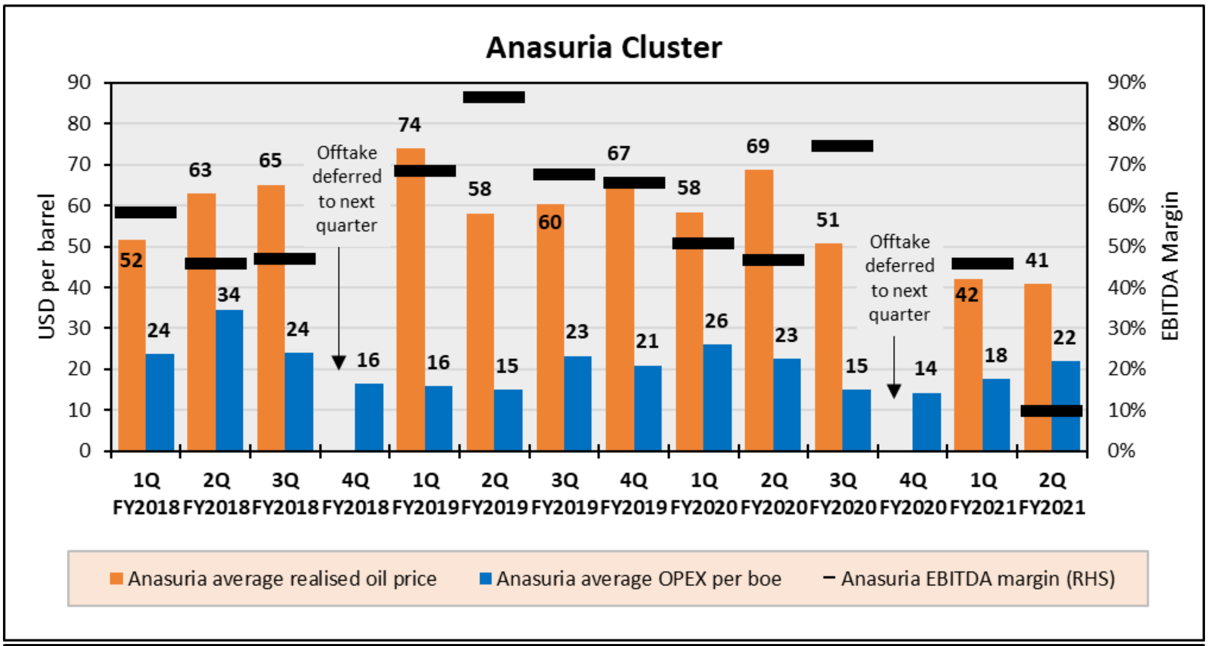
On 8 October 2020, we announced that Carnarvon Hibiscus Pty Ltd, an indirect wholly-owned subsidiary of Hibiscus Petroleum, completed its acquisition of 50% interest in VIC/P74. VIC/P74 covers an area of 1,006km^2, in water depths generally less than 80m with 3D seismic coverage over most of the block. A number of sizeable leads and prospects for oil and gas have been mapped up in VIC/P74. The largest lead, Bigfin, has an estimated Prospective Resource of 502 billion cubic feet of gas and 19 million bbls of condensate and covers an area of 29km^2. The Bigfin lead is about 8km west of the Kingfish Field which has produced over 1 billion bbls of oil. The main exploration focus in VIC/P74 is the deeper Golden Beach in the Lower Latrobe for gas-condensate and the traditional oil play in the shallower Upper Latrobe.

Financial Performance

The Group's revenue base has grown stronger since we completed the acquisition of a 50% participating interests in the 2011 North Sabah EOR PSC on 31 March 2018, to add to the contribution from the Anasuria Cluster in the UK.

The careful management of costs to maintain low operational expenditure and the delivery of production enhancement projects have been key towards obtaining a low unit production cost structure in both the North Sabah and Anasuria assets.

Some key financial based performance metrics are shown in the charts below.



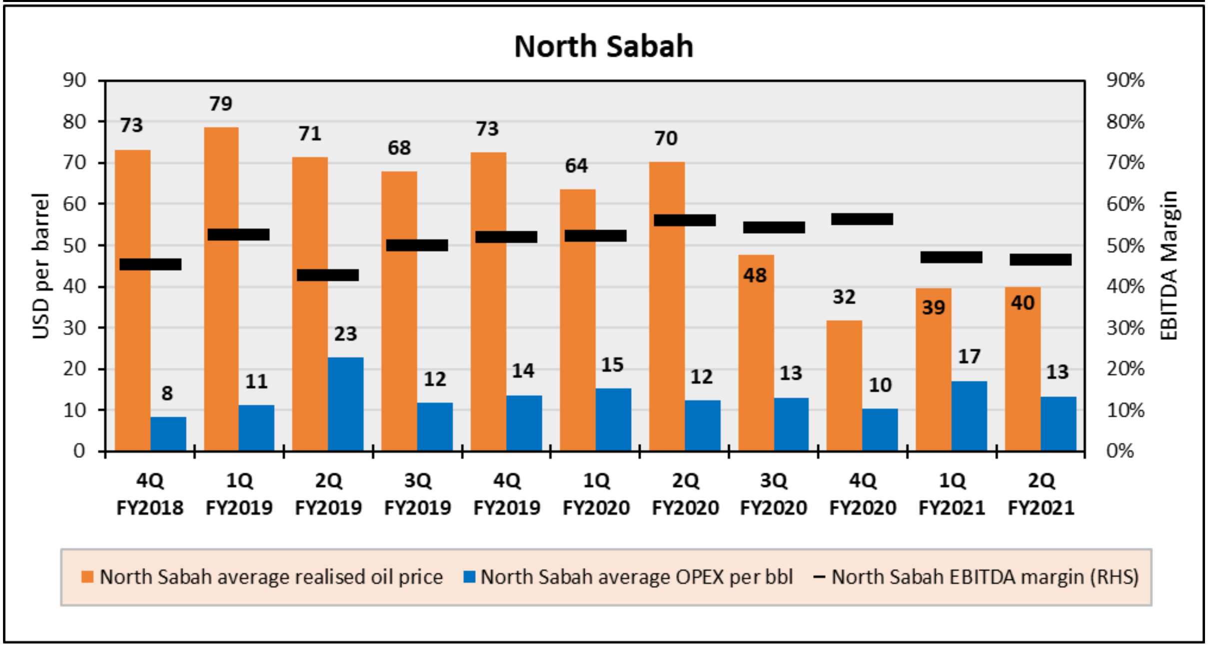


Figure 5: OPEX per bbl, average realised oil price and EBITDA margin by asset.

Notes to Figure 5:

1. *Anasuria's EBITDA margin in 2Q FY2021 was affected by period-end retranslation of GBP-denominated balances which resulted in unrealised foreign exchange losses due to the appreciation of GBP against USD and one-off provisions recognised.*
2. *North Sabah's EBITDA margins in 4Q FY2018 and 4Q FY2020 exclude the impact of negative goodwill of RM93.8 million and reversal of unrecovered recoverable costs of RM78.2 million respectively.*

For the quarter ended	Unit	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Revenue	RM Mil	190.3	145.5	39.5	175.9	271.8
EBITDA/(LBITDA)	RM Mil	63.2	65.3	(100.8)	94.7	142.3
PAT/(LAT)	RM Mil	12.0	10.0	(145.2)	28.5	51.2
Basic earnings/(loss) per share	sen	0.74	0.63	(9.14)	1.79	3.23

Figure 6: Highlights from the Group's Profit or Loss Statement for the last five financial quarters.

Note to Figure 6: Includes provisions for impairment of oil and gas assets of RM196.3 million in 4Q FY2020.

As at	Unit	31 Dec 2020	30 Sep 2020	30 Jun 2020	31 Mar 2020	31 Dec 2019
Total assets	RM Mil	2,615.2	2,492.3	2,426.2	2,619.2	2,567.8
Shareholders' funds	RM Mil	1,241.0	1,196.8	1,221.3	1,366.0	1,290.1
Cash and bank balances *	RM Mil	102.7	96.3	77.3	57.1	87.2
Total debt	RM Mil	(128.6) **	Nil	(49.2)	(48.7)	Nil
Net current assets/(liabilities)	RM Mil	174.8	(91.2)	(48.8)	(41.5)	(53.5)
Net assets per share	RM	0.72	0.75	0.77	0.86	0.81

Figure 7: Highlights from the Group's Balance Sheet for the last five financial quarters.

Notes to Figure 7:

* *Excludes restricted cash and bank balances.*

** *Total debt balance as of 31 December 2020 (RM128.6 million) relates to recognition of the liability component of the CRPS upon the issuance of the first two tranches in November 2020.*

Oil Market Outlook

Over the last few weeks, several factors have positively impacted oil markets.

COVID-19 Vaccine Worldwide Rollouts

According to Our World in Data, as of 8 February 2021, approximately 134 million doses of COVID-19 vaccines have been administered worldwide. Based on analysis by Rystad Energy, Western Europe and North America are expected to reach 50% vaccination levels around the middle of CY2021. It is expected that travel restrictions will be eased as a greater percentage of the world population is vaccinated, subsequently leading to greater oil demand.

Saudi Arabia's Additional One Million bbls per Day Production Cut

In January 2021, Saudi Arabia surprised the oil markets by announcing that it would be voluntarily reducing its production by an additional one million bbls per day ("**bpd**") in February 2021 and March 2021, incremental to previously agreed production cuts under OPEC+. According to Rystad Energy, this extra one million bpd cut will also go a long way in reducing excess crude and products inventories in the first quarter of CY2021, even as countries are again locking down amid a new highly transmissible strain of the coronavirus.

Oil Price Outlook

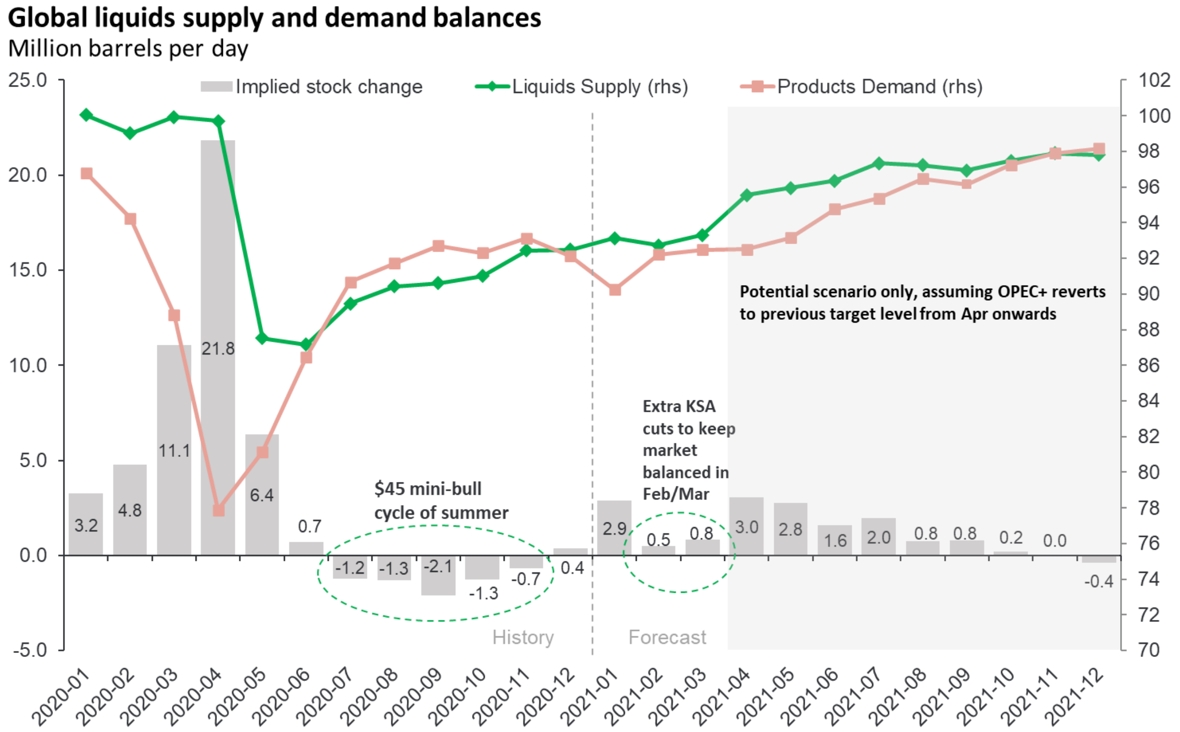


Figure 8: Rystad Energy global liquids supply and demand, as of 2 February 2021.

In summary, as shown in Figure 8 above, the extra production cut announced by Saudi Arabia for February 2021 and March 2021, together with OPEC+ compliance to previously agreed cuts, has helped balance the market. Demand is expected to recover; however, Rystad Energy believes that the extension of OPEC+ cuts past March 2021 would be vital to ensuring a balanced oil market and consequently a stable oil price. The decision on production cut tapering will likely be made during the 3-4 March 2021 OPEC Joint Ministerial Monitoring Committee and OPEC+ meetings.

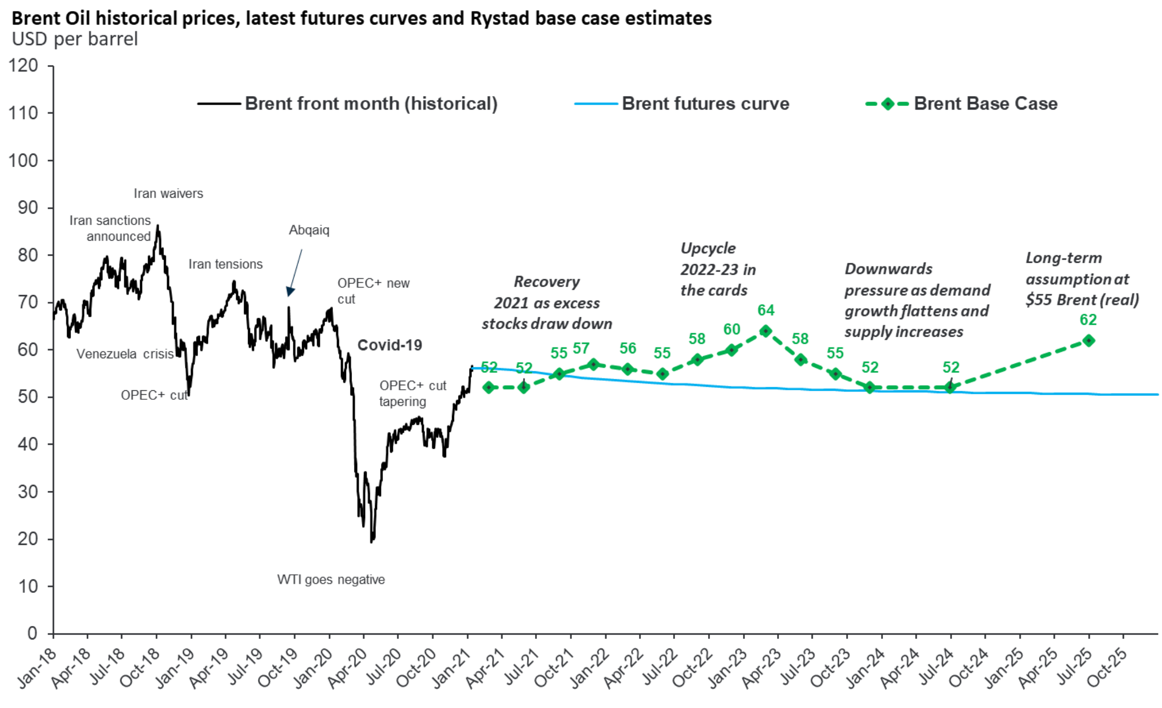
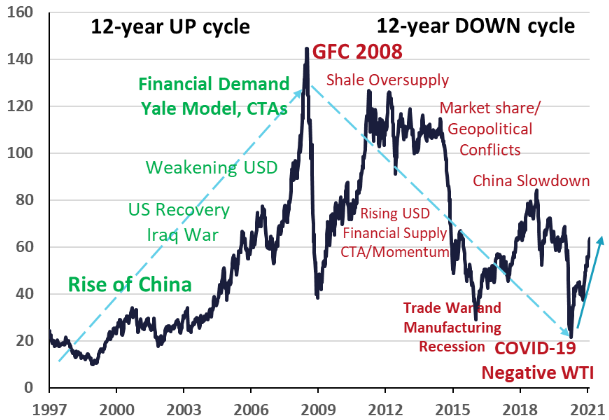


Figure 9: Rystad Energy Brent Oil forecast, as of 2 February 2021.

Based on the analysis by Rystad Energy (as shown in Figure 9), oil prices have recovered to levels not seen since February 2020 due to the COVID-19 vaccine rollout and continuing OPEC+ production cuts. Downside risk remains owing to concerns about how fast demand will recover and how effective the vaccine rollouts will be.



<u>Potential drivers of the new commodity supercycle</u>

- End of pandemic and reopening of economies
- Uptick in global economic growth (Roaring '20s)
- End of trade war and manufacturing recession
- Ultra loose monetary policies across the world
- Increased and tolerated Inflation
- Weakening USD
- Fiscal measures, infrastructure
- Financial inflows to hedge inflation and bond/equity correlation
- Financial inflows to follow asset momentum
- ESG - metals for new infrastructure/EVs/Batteries
- ESG - erosion of capital/production capacity for oil
- ESG - inefficiencies/instabilities of wind/solar

Figure 10: The Oil Supercycle (J.P. Morgan Quantitative and Derivatives Strategy, as of 10 February 2021)

Analysis conducted by J.P. Morgan has shown that in the last 100 years, there have been four commodity supercycles, and that the last oil supercycle started in 1996. J.P. Morgan believe that the last supercycle peaked in 2008 (after 12 years of expansion), bottomed in 2020 (after a 12-year contraction) and has likely entered an upswing phase of a new commodity supercycle (Figure 10). Main drivers to this upswing are a postpandemic recovery, ultra-loose monetary and fiscal policies, weak US Dollar, stronger inflation and unintended consequences of environmental policies and their friction with physical constraints related to energy consumption and production.

Decarbonisation Strategy

In view of the urgency to address climate change, oil and gas exploration & production companies have been urged to act as responsible stewards in the world's efforts towards carbon management. At Hibiscus Petroleum, we strongly believe that stewardship and business sustainability go hand in hand.

The importance of ESG compliance and sustainability goals have been demonstrated by the increasing number of countries and large corporations setting net-zero carbon targets. In light of these developments, we are pleased to have been included as a constituent of the FTSE4Good Bursa Malaysia Index in December 2020. We are also developing a structured approach to gradually meeting net zero objectives both in the North Sea and Malaysia and over the course of 2021, we will disclose our near-term strategy in this area.

Concluding Remarks

CY2021 has commenced on a positive note with Brent oil prices returning to levels not seen since prior the onset of the pandemic. Vaccination programs are being aggressively rolled out and infection rates are falling. Notwithstanding the positive market sentiment, we remain focused on:

- our cost optimisation initiatives; and
- ensuring safe and efficient business continuity.

In the first half of FY2021, we conducted seven offtakes, in which we sold a total of 1.97 million bbls. We remain on track to deliver 3.4 million bbls in FY2021.

Given the steadily improving oil market outlook, our Board has declared our maiden dividend; an interim single-tier dividend of 0.50 sen per ordinary share, to be paid on 8 April 2021 to shareholders of ordinary shares whose names appear on the Record of Depositors on 9 March 2021.

In the UK, we finalised the awards of three licences as part of the OGA's 32nd Offshore Licensing Round. The Teal West discovery holds the most promise with its close proximity to the Anasuria Cluster making it an ideal tieback candidate to existing infrastructure by calendar year 2023.

Finally, we are continuing to work on potential merger and acquisition opportunities, focusing on producing assets in the Southeast Asia region.

By Order of the Board of Directors
Hibiscus Petroleum Berhad
22 February 2021