Corporate & Business Update

Kuala Lumpur, 3 December 2018 – 6.55 p.m

Introduction

Hibiscus Petroleum Berhad ("**Hibiscus Petroleum**" or the "**Company**" or the "**Group**") carried out significant activities in 2018 which included: i) Completion of the acquisition of a 50% participating interest in the North Sabah Enhanced Oil Recovery Production Sharing Contract ("**North Sabah PSC**") in Malaysia and commencement of operations of this second producing asset effective 1 April 2018 under the operatorship of the Group; ii) In the U.K. North Sea, technical work on the opportunities around the Anasuria Cluster (our first producing asset in which the Group has a 50% participating interest) increased the volume of our reserves, and we also drilled a well in the Central North Sea; iii) In October 2018 the Company acquired a 50% participating interest in two discovered fields in Blocks 15/13a and 15/13b in the Central North Sea (together, "**Marigold & Sunflower Blocks**") which are currently non-producing – marking a second major asset in the U.K. North Sea.

Each of the above activities has involved the deployment of capital and technical resources of the Company and from third parties with a view to value accretion. These projects have also increased the scale and profile of our Company, Malaysia's first listed, pure play independent oil and gas exploration and production company. The Company remains committed to achieving its **Mission 2021** of achieving 100 million barrels ("**mmbbls**") of net proved and probable oil reserves and net production of 20,000 barrels ("**bbls**") per day.

With the release on 27 November 2018 of the Company's results for the first quarter ended 30 September 2018 ("**1Q2019**") this update seeks to provide an analysis of the current operating environment and how major recent and upcoming developments may impact the Company's future performance against a backdrop of increased volatility in global oil prices.

Hibiscus Petroleum Today

A. Increased Value, Scale and Market Awareness

As shown in Figure 1 the Company's market capitalisation has increased by approximately RM600 million, or by about 54%, over the past 12 months. As at close of trading on 3 December 2018, the Company had a market capitalisation of approximately RM1.715 billion. Trading liquidity has also been high. Both factors have contributed to the Company's shares being added to the **MSCI Global Small Cap Index** effective 30 November 2018, underscoring increasing international market awareness of Hibiscus Petroleum.

Hibiscus Petroleum Berhad – Capital Market Performance					
		4 Dec 2017	**3 Dec 2018**	**Variance**	**Variance (%)**
Share Price	RM	0.72	1.08	0.36	**+50.0**
No. Of Shares	Million	1,543.9	1,588.2	44.3	+2.9
Market Capitalisation	RM Million	1,111.6	1,715.3*	**603.7**	**+54.3**
Warrants C Price	RM	-	0.51	0.51	
No. Of Warrants C	Million	-	317.6	317.6	
Warrants C Valuation	RM Million	-	162.0	**162.0**	
Total Market Valuation Increase	RM Million	-	-	**765.7**	

Average (30 day) Trading Volume		
Average Share Trading Volume**	Million	**51.4**
Average Warrant C Trading Volume**	Million	**17.9**

Figure 1: Hibiscus Petroleum Berhad – Market Valuation Metrics

Notes: Source of data in Figure 1: Bloomberg.
* Post issuance of 44.3m new shares @RM0.92 each and the conversion of 100 Warrants C in May 2018.
** Up to 3 December 2018.

B. Anasuria Cluster Update

Any increase in the value of a public company share price should normally be driven by fundamental value creation at the level of the assets owned by the public company. For Hibiscus Petroleum, two activities at our North Sea Anasuria asset have recently contributed towards increasing the valuation of our Company.

1) Technical work completed on the asset has enabled independent experts to increase our net proven and probable ("**2P Oil Reserves**") to 24.4 mmbbls (as of 1 July 2018 - LEAP Energy Partners) from 20.2 mmbbls (projected by RPS Energy as of 1 March 2016). Given that we produced 2.5 mmbbls during the intervening period, as shown in Figure 2, this upgrade signifies that 6.7 mmbbls were added to our net reserves as a result of technical work done by our Anasuria sub-surface team.

Independent Assessor	RPS Energy	LEAP Energy Partners
Period Start Date	**1 March 2016**	**1 July 2018**
2P Reserves at Start (mmbbls)	20.2	24.4
Produced (mmbbls)	2.5	n.a.
Added (mmbbls)	6.7	n.a.

Figure 2: Anasuria Cluster - 2P Oil Reserves Assessment

2) In addition to technical work in the office, we also carried out value-accreting activities offshore. In mid-2018, we sidetracked the existing GUA-P2 ("**GUA-P2 ST**") well into a nearby, untapped compartment of the Forties reservoir containing a gross recoverable oil volume of approximately 1.5 mmbbls. This represented our first major capital project in the North Sea. Upon completion of the sidetrack, our net daily production from the Anasuria Cluster increased by more than 33% (as shown in **Figure 3** below).

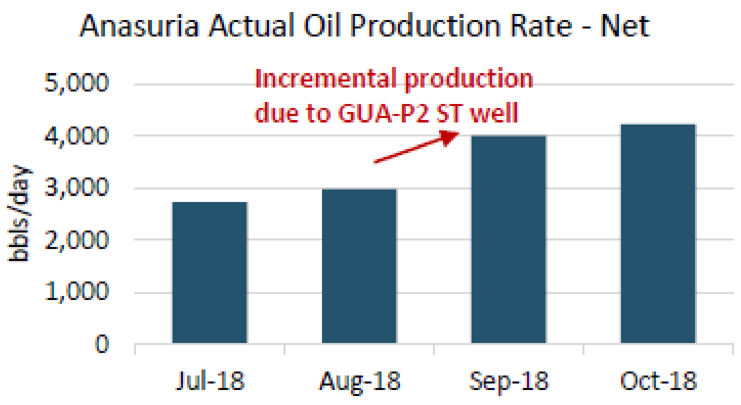


Figure 3: Anasuria Cluster – Enhanced Production from GUA-P2 Sidetrack

In October 2018, the Anasuria Cluster was contributing an average of 4,229 bbls/day net to the Group, compared to an average of 3,197 bbls/day in FY2017.

We will continue to drive towards our target of delivering an average net production of 5,000 bbls/day by the end of FY2020 (as announced on 9 November 2017). In this respect, we have sanctioned a water injection well on the Cook Field with the aim of re-pressurising the reservoir. In this manner, we hope to improve the Recovery Factor from this field thus extending the economic life and lowering future unit operating costs.

We are also working towards the sanctioning of a further drilling project (within the fields at Anasuria). Apart from arresting natural decline, we hope that this proposed well will enhance production. We shall provide details as we progress through internal approvals.

C. <u>Marigold & Sunflower Blocks Update</u>

The acquisition of a 50% participating interest in this asset, completed in October 2018 for a consideration of US$37.5 million will allow the Group to expand its footprint in the U.K. North Sea. It will offer at least two synergies: i) Improve future tax efficiencies for our subsidiary Anasuria Hibiscus UK Limited and ii) It will allow stranded discoveries around the asset, owned by others, to be monetized, thus reducing overall unit development cost and maximizing economic recovery.

Over the next 18 months the Group will invest approximately US$5 million on engineering and technical studies to create a field development plan for this asset. In many cases, an approval of such a plan by regulators positively impacts the value of an asset.

These blocks contain an estimated gross 60 mmbbls of discovered oil (30 mmbbls net to our Company) and our objective is to convert these contingent resources into 2P Oil Reserves by FY2021, thereby bringing us closer to achieving Mission 2021.

D. North Sabah PSC Update

Results disclosed in the first quarter of financial year 2019 ("**Q12019**") represented the second quarter of reporting by the Company of the operations and contribution of the North Sabah PSC, having completed the acquisition of a 50% participating interest in March 2018. The significance of this acquisition – the first in Malaysia for the Company – is that it has provided Hibiscus Petroleum with oil-production footprints on two different continents.

Prior to the completion of this transaction, our Company produced approximately a net of 1.0 mmbbls of crude oil per annum, solely from the Anasuria Cluster. Thus, the Group was subject to business risks concentrated around the performance of a single asset. Periods of unplanned shutdown impacted our revenues and profitability, sometimes, significantly. The North Sabah PSC has mitigated this risk substantially. Our revenues and profits are now delivered across two geographies. In addition, our combined annual production has increased by approximately 2.0 mmbbls, or two-thirds that of total current production.

To further enhance production from the North Sabah PSC, Petroliam Nasional Berhad ("**PETRONAS**") had in August 2018, approved the St Joseph Infill Drilling project through the Milestone Review-4 maturation process, leading to the submission of a Field Development Plan in November 2018. This project entails the drilling of three infill producers, utilizing a triple splitter wellhead on the St Joseph Jacket-A ("**SJJT-A**") platform. From an estimated ultimate recovery ("**EUR**") of a gross of 2.8 million stock tank barrels of oil, the project is expected to add approximately gross 2,600 bbls/day of oil at peak production. This infill drilling program will require minimal modification of topside facilities at the SJJT-A platform.

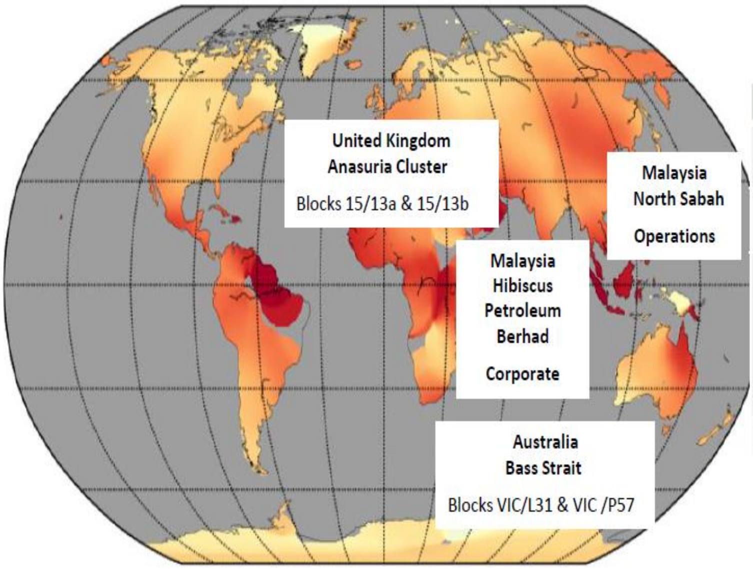
The total capital commitment to this project is anticipated to be approximately RM142.5 million, which will be shared equally with our joint venture partner, Petronas Carigali Sdn Bhd ("**Petronas Carigali**"). Drilling is expected to commence in April 2019 and first oil production expected in June 2019.

Additional projects are also being matured that will increase production in the mid-term.

E. Company Wide Internal Efficiencies

Against a backdrop of volatile oil prices, the Company believes that a disciplined approach to safe operations and cost management can contribute to improved overall operational performance. Our objective is to (as safely as practically possible) minimize operating expenditure per barrel of oil equivalent ("**OPEX/boe**") as it is critical for the long-term sustainability of our business. The key lies in developing a unified work culture that can achieve productivity gains across a global footprint.

In recent months, we have scaled up from a human resources perspective. A year ago, approximately 50 people were directly employed by the Group, providing business and operational support to our sole asset in the North Sea, the Anasuria Cluster. Our people were mostly located in Kuala Lumpur, Malaysia and Aberdeen in the United Kingdom.



Location	Headcount
Hibiscus Petroleum Berhad	
• Corporate (Kuala Lumpur)	31
Anasuria Hibiscus UK Ltd	
• Operations (Aberdeen)	1
North Sabah	
• Operations (KL)	55
• Operations (Kota Kinabalu) (includes offshore)	151
• Labuan (Supply Base & Crude Oil Terminal)	90
TOTAL	**328**

Figure 4: Hibiscus Petroleum Berhad – Operational Footprint & Headcount

Today, as shown in **Figure 4**, the Hibiscus family has more than 300 people dispersed over several locations. Apart from Kuala Lumpur and Aberdeen, we now also have operational teams located in Kota Kinabalu and Labuan, supporting our interests in the North Sabah PSC. Many within these operational teams have previously worked for reputable industry players, particularly the Shell Group, and add considerable capability, energy and technical depth to our organization.

We have also developed new business relationships with reputable partners and strengthened other existing working relationships. In Malaysia, we are now partners with Petronas Carigali for the North Sabah PSC and we have also established a long-term arrangement to sell our crude oil to Trafigura, a global commodity trading group. In the North Sea, BP Oil International Limited, a subsidiary of BP plc, markets our oil to European refineries, also on a long-term contract. These relationships will be important as we grow the Company further in the coming years.

F. <u>Stable and Safe Operations</u>

Both the Anasuria and North Sabah fields have been performing satisfactorily. We track three controllable operational indicators, and these are specified in **Figure 5** below. In both assets, all key indicators currently show a stable operational performance.

We are also pleased by our performance in the area of Health, Safety and care for the Environment ("**HSE**"). In the United Kingdom, the Royal Society for the Prevention of Accidents ("**ROSPA**") recognized the team on the Anasuria FPSO with two awards:

- continuation of Gold award for the 19th consecutive year; and
- the Order of Distinction for 19 consecutive Gold awards for HSE performance for calendar 2017.

In Malaysia, the team operating the St Joseph platform offshore Sabah was a Gold Class 1 award winner for HSE performance in calendar 2017.

Quarter Ending	30 September 2018	30 June 2018	31 March 2018	31 December 2017
Uptime (%)				
• *North Sabah* • *Anasuria*	93 88	97 94	96 82	93 57
Average Net Daily Oil Equivalent Production Rate * (boe/day)**				
• *North Sabah* • *Anasuria*	4,797 3,581	5,903 3,736	5,674 3,102	5,500 2,212
OPEX/boe * (US$/boe)**				
• *North Sabah* • *Anasuria*	11.54 15.93	8.15 16.39	12.50 23.96	18.50 34.33

Figure 5: Operational Performance of Producing Assets in the Group

*** **Note:** We do not sell any gas from the North Sabah asset. Therefore, barrel of oil equivalent ("**boe**") for North Sabah is equivalent to a barrel of oil.

G. Improving Financial Performance

The financial health of the Company has been improving. As of 30 September 2018, total cash balances stood at RM 302 million, total assets have increased to RM 2.2 billion, net assets per share stood at 70 sen and we continue to operate without debt.

	As at 30 Sep 2018 (RM)	As at 30 Jun 2018 (RM)	As at 31 Mar 2018 (RM)	As at 31 Dec 2017 (RM)	As at 30 Sep 2017 (RM)
Total assets	2,216.7m	1,974.0m	1,633.0m	1,289.7m	1,286.8m
Shareholders' funds	1,114.9m	995.8m	865.9m	779.2m	769.1m
Cash and bank balances	302.2m	136.0m	116.3m	10.0m	32.0m
Cash	288.1m	122.1m	109.1m	10.0m	32.0m
Restricted cash****	14.1m	13.9m	7.2m	-	-
Total debt	Nil	Nil	Nil	Nil	Nil
Net current assets	226.0m	166.7m	199.9m	42.3m	1.0m
Net assets per share	0.70	0.63	0.55	0.50	0.51

Figure 6: Financial Performance of the Company (last 5 quarters)

**** **Note:** For more information, please refer to page 6 of the Unaudited Quarterly Financial Report for the quarter ended 30 September 2018.

Hibiscus Petroleum's Key Initiatives for 2019

A. Mission 2021

All our actions are guided by our Mission 2021 as shown in Figure 7 below.

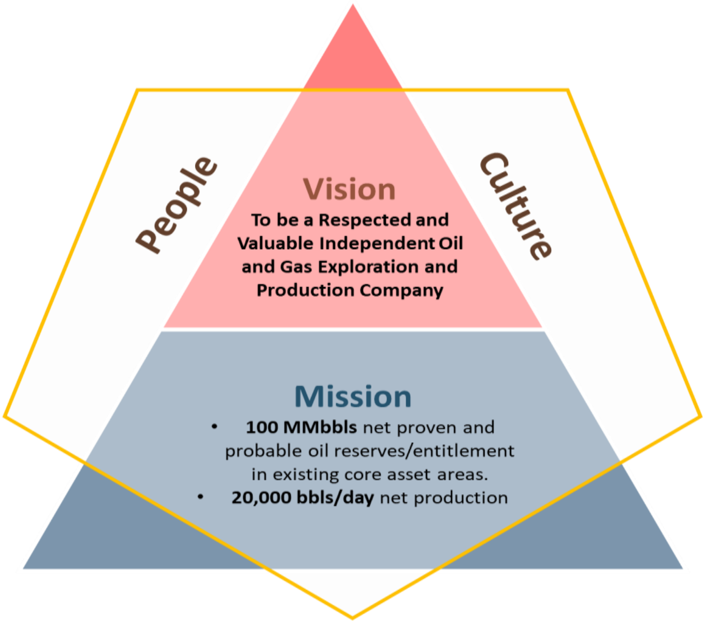


Figure 7: The Company's Mission 2021

Figure 8 below charts the value of our company at the fundamental level. As can be seen, through acquisitions and technical work that we have done, we have accumulated circa 46 mmbbls of net 2P Oil Reserves/Entitlement. In addition, we have also acquired approximately 68.5 mmbbls of net 2C Contingent Oil Resources. This is oil that has been discovered but requires further investment before it is classified as Reserves. We believe that the work we have done has put in place the building blocks to make the achievement of Mission 2021 a reality.

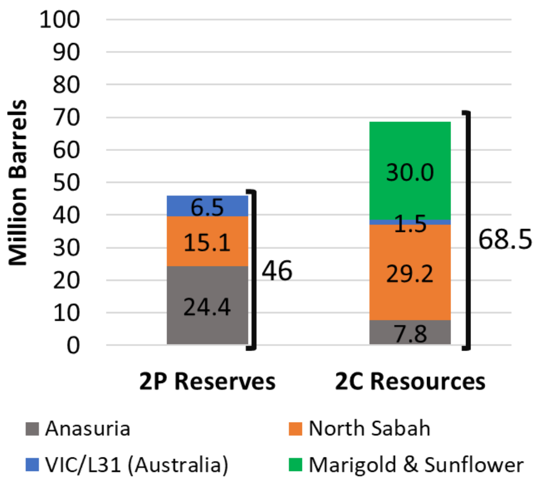
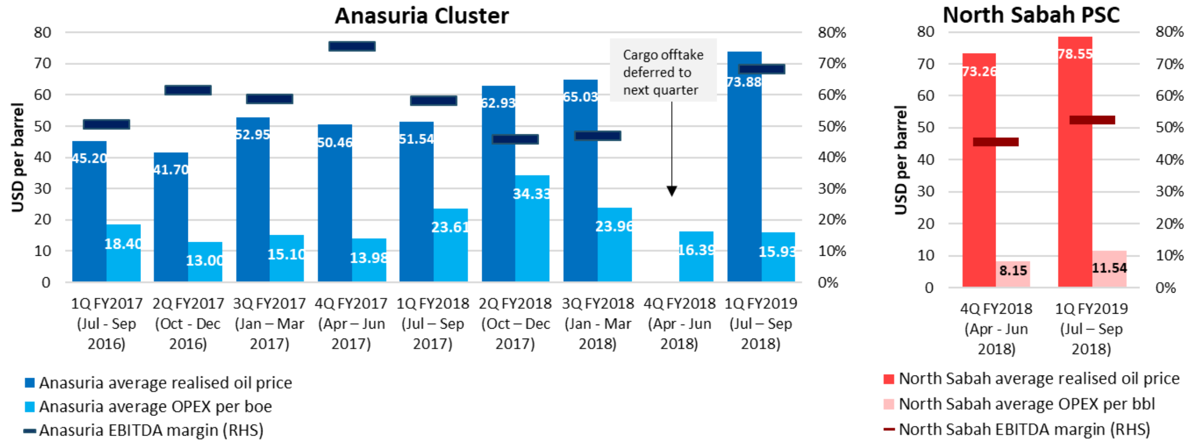


Figure 8: Hibiscus Petroleum Group: Net 2P Oil Reserves/Entitlement and 2C Contingent Oil Resources

B. Production and Cost Management to Remain Focus Areas

Another area of focus will be our cost structure. Figure 9 below demonstrates our historical financial performance at various oil prices.



EBITDA: Earnings before interest, tax, depreciation and amortisation

Figure 9: Historical Financial Performance at Various Oil Prices

We have seen oil prices which have been higher and lower than currently being experienced. While crude oil prices may fluctuate, our business sustainability depends how we maintain stability in our cost structure. In addition, we recognize that unit operating costs are a function of the volumes of oil (and gas) produced and thus, it is extremely important to keep our production uptime levels relatively high. Subject to being able to maintain current operational trends, being prudent in our general and administration expenditure and efficient in the execution of projects, we will be able to remain cashflow positive and continue to operate as a sustainable business.

C. Outlook

In summary, the Group:
1. is working towards achieving net production of 5,000 bbls/day at the Anasuria Cluster by the end of FY2020.
2. barring unforeseen circumstances, intends to deliver total oil production attributable to the Group in FY2019 of approximately 2.7 mmbbls to 3.0 mmbbls. Total offtakes in FY2019 are expected to rise to approximately 10 (or 11), compared to an average of four per year, previously. This increase in the number of offtakes will help smoothen the average selling price per barrel of oil over the financial year.
3. is focused on managing costs amidst volatility in global oil prices and is striving to maintain its OPEX/boe at a level below US$20/boe. This compares with an average selling price of crude oil achieved by the Company of US$65.69/bbl for FY2018 and US$76.36/bbl for Q12019.
4. has, with the addition of the North Sabah PSC and a recent upgrade of reserves at the Anasuria Cluster, increased the combined 2P Oil Reserves of the Company to approximately 46 mmbbls.
5. is commencing engineering and technical studies costing approximately US$5 million and working towards the submission of a field development plan (for the Marigold & Sunflower Blocks) to the relevant authorities for approval in about 18 months.

By Order of the Board of Directors
Hibiscus Petroleum Berhad
3 December 2018