Corporate and Business Update

(Issued in conjunction with the Quarterly Report for the Quarter Ended 31 December 2019)

Kuala Lumpur, 25 February 2020 – 5.00pm

Highlights

- 2nd Quarter Financial Year 2020 (“**FY2020**”) profit after taxation (“**PAT**”) and earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”) of RM51.2m and RM142.3m on the back of revenue of RM271.8m.
- Delivered 1.5 million barrels of oil in the first two quarters of FY2020; on track to meet our FY2020 target of delivering between 3.3 to 3.5 million barrels of oil.
- North Sabah: 20% quarter-on-quarter increase in average gross oil production contributed by new oil production from St Joseph Infill Drilling and South Furious 30 Infill Drilling projects.
- Anasuria Cluster: Successful installation of a gas lift jumper to GUA-P1 side-track will allow enhanced oil production in the future.
- Marigold Cluster: The final investment decision and regulatory approvals for Phase 1 of the Marigold Project are currently on track to be in place by the end of calendar year 2020 (“**CY2020**”).

Introduction

The delivery of our 2021 Mission as shown in Figure 1 is foremost in our mind. There are two elements to our 2021 Mission:

- to secure an asset base with proven and probable (2P) Reserves of 100 million barrels; and
- to deliver a daily production of circa 20,000 bbls per day of oil or oil equivalent.

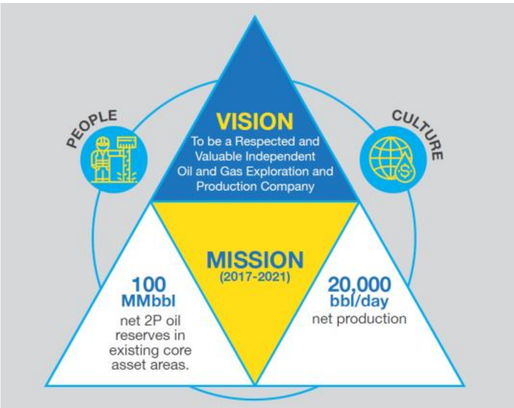

Figure 1: Hibiscus Petroleum’s strategic vision and mission for 2021.

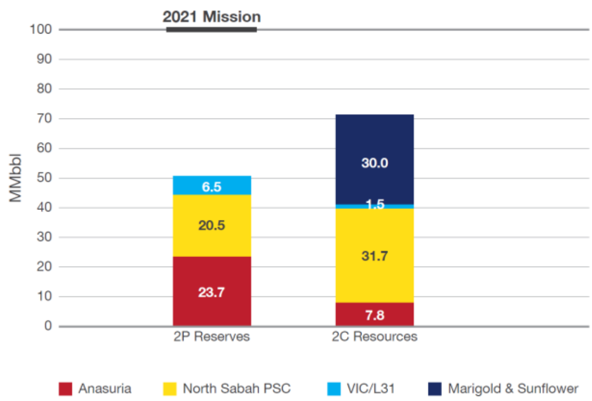

Figure 2: Hibiscus Petroleum’s net reserves and resources estimates.

Notes to Figure 2:

1. *Reserves and resources are as of 1 January 2019.*
2. *Anasuria 2P Reserves and 2C Resources are based on Anasuria Hibiscus UK Limited’s interest and derived from LEAP ENERGY Partners Sdn Bhd’s report, as of 1 July 2018, less actual production until 31 December 2018.*
3. *North Sabah 2P Reserves and 2C Resources are based on SEA Hibiscus Sdn Bhd’s net entitlement and derived by RISC Operations Pty Ltd’s report dated January 2019 for the PSC life.*

Figure 2 depicts our net entitlement to reserves and resources, as of 1 January 2019, within the licenses in which we have interests. As can be seen, achievement of our 2P Reserves target of 100 million barrels is within sight.

Identified projects within our two producing assets should provide a production platform of approximately 12,000 bbls of oil per day by 2021. The gap to achieve our target of 20,000 boe/day could be materially reduced by either the:

- acquisition of a producing asset on a selective basis in, or around our areas of geographic focus; or
- development of our Marigold and Sunflower fields in the United Kingdom (UK) to first oil.

This Corporate and Business Update covers the operational update for the Second Quarter of Financial Year 2020 ended 31 December 2019 and an update on the operational initiatives by the Group towards achievement of the 2021 Mission.

Operational Updates

Safe Operations

Both the Anasuria and North Sabah assets have been performing satisfactorily. In addition, we are pleased to disclose the awards and recognitions received for safety and production operations in Malaysia and the United Kingdom as follows:

1. Malaysia
   - North Sabah Operations: Petronas MPM Completions Standardisation Technical Committee (COMSTEC) Awards
     - Highest Completion Uptime – Successfully designed, planned and safely completed seven-well campaign with an uptime of 99.7%, resulting in cost avoidance of USD2 million.
     - Completion Technology Replication – Successfully designed, planned and replicated the Autonomous Inflow Control Device (AICD) in the three-well St Joseph campaign. This replication contributed immensely towards reviving the production level in this field by enabling production commingling of multiple sands through the lowering of GOR from 6000 to 800.
     - Completion Optimisation for Value Creation – Successfully designed, planned and safely implemented new technologies and process optimisation in wells for North Sabah fields resulting in improved life of well.

2. United Kingdom
   - Anasuria Cluster Operations: Five years without a Lost Time Incident on the Anasuria FPSO achieved on 6 October 2019

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 as well as for the prior three financial quarters:

	Unit	October to December 2019 [2]	July to September 2019	April to June 2019	January to March 2019
Average uptime	%	93	85	94	95
Average gross oil production	bbl/day	17,076	14,234	14,873	14,651
Average net oil production	bbl/day	6,318	5,194	5,057	4,801
Total oil sold	bbl	671,452	334,613	490,753	578,487
Average realised oil price [1]	USD/bbl	70.19	63.63	72.59	67.87
Average OPEX per bbl (unit production cost)	USD/bbl	12.23	15.33	13.60	11.77

Figure 3: Operational performance for the North Sabah asset.

Notes to Figure 3:

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 2019 to December 2019 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 93%, achieved during the Current Quarter, is higher when compared to the Preceding Quarter due to the resumption of normal operations following the planned shutdown for maintenance activities in the previous quarter. Consequently, average gross oil production increased by approximately 20% during the Current Quarter. The increase in average gross oil production was also due to new oil production from the Saint Joseph Infill Drilling and South Furious 30 Infill Drilling projects.

Two crude oil offtakes were conducted in the North Sabah asset in the Current Quarter with a total of 671,452 bbls of oil net to SEA Hibiscus sold at an average oil price of USD70.19 per bbl.

Average OPEX per bbl for North Sabah decreased to USD12.23 per bbl when compared to the Preceding Quarter primarily due to higher production volumes and lower production OPEX.

In terms of capital expenditure, the North Sabah asset incurred approximately RM50.8 million (net to SEA Hibiscus) during the Current Quarter attributable to the South Furious 30 Infill Drilling and South Furious 30 Water Flood Phase 1 projects.

North Sabah PSC: South Furious 30 Infill Drilling

PETRONAS had on 1 July 2019 approved the South Furious 30 Infill Drilling project development plan intended to increase production and reserves of the South Furious 30 field. Three wells were drilled from the South Furious Jacket-C ("**SFJT-C**") via the remaining conductor slot.

The first two wells were successfully completed and brought online, with the first well, SF30-2, producing its first oil on 8 October 2019. The well was tested at approximately 1,100 bbls per day, with the production choke at 38/64 setting and no indications of water or sand production at surface. The second well, SF30-4, was brought online on 26 October 2019 with an initial well test of 480 bbls per day. The third well, SF30-6, was drilled in October and was found to be wet. Subsequently, a sidetrack well, SF30-6ST1 was drilled in November following the drilling of the South Furious 30 Water Flood Phase 1 infill water injector. The sidetrack well found hydrocarbons but the well remains suspended pending the completion of the South Furious 30 Water Flood Phase 1 project. The total cost of the project was RM129.2 million, which was shared equally with our joint venture partner.

North Sabah PSC: South Furious 30 Water Flood Phase 1

PETRONAS had on 17 October 2019 approved the South Furious 30 Water Flood Phase 1 project development plan which entails the drilling and completion of one infill water injection well intended for reservoir re-pressurisation to scope out the effectiveness of water injection pressure support to help further define the full field water injection project. Topside modification entailed deck strengthening and extension works.

Following the completion of the drilling of the water injector in November, topside modification work was carried out during the Current Quarter. Due to adverse weather and additional work scope, completion of the project is now expected by March 2020. The total capital expenditure is estimated at RM55 million and will be shared equally with our joint venture partner. Of the RM 55 million total, RM 44 million was spent up to 31 December 2019, with the remaining RM11.0 million to be spent in the next financial quarter.

Topside modification works are progressing smoothly, with first water injection expected in February via a Portable Water Injection Module ("PWIM"), which will be under a two-year lease to SEA Hibiscus.

North Sabah PSC: 2020 Drilling Program

SEA Hibiscus is currently working towards maturing its 2020 drilling program which comprises infill wells at the Saint Joseph field, targeting the Major and Minor Sands. More information will be disclosed in our next Quarterly Report.

United Kingdom North Sea

Anasuria Cluster: Production Operations

As of 31 December 2019, the Company's indirect wholly-owned subsidiary, Anasuria Hibiscus UK Limited ("**Anasuria Hibiscus UK**") has been involved in the joint operations of the Anasuria asset for over three 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:

	Units	**October to December 2019**	**July to September 2019**	**April to June 2019**	**January to March 2019**
Average uptime	%	85	77	87	71
Average daily oil production rate	bbl/day	2,680	2,386	2,662	2,504
Average daily gas export rate @	boe/day	288	204	390	274
Average daily oil equivalent production rate	boe/day	2,968	2,589	3,053	2,778
Total oil sold	bbl	249,704	272,345	302,139	249,116
Total gas exported (sold)	mmscf	159	112	213	148
Average realised oil price	USD/bbl	68.67	58.41	66.84	60.39
Average gas price	USD/mmbtu	1.62∞/ 4.02#	1.04 ∞/ 2.52 #	1.42 ∞/ 3.39 #	2.63 ∞/ 5.98 #
Average OPEX per boe	USD/boe	22.64	26.04	20.93	23.27

Figure 4: Operational performance for Anasuria.

Notes to Figure 4:
@ 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.

The average uptime and average daily oil equivalent production rate at the Anasuria asset achieved for the Current Quarter of 85% and 2,968 boe per day exceeded that of the Preceding Quarter. One crude oil offtake was conducted at Anasuria during the Current Quarter, in which 249,704 bbls of oil net to Anasuria Hibiscus UK was sold at an average realised oil price of USD68.67 per bbl. The average OPEX per boe in Anasuria for the Current Quarter was USD22.64 per boe, which is lower than USD26.04 per boe in the Preceding Quarter.

In October 2019, a diving campaign to conduct well inspections and maintenance, as well as to install a gas lift jumper to the recently drilled GUA-P1 side-track well, was successfully executed. Whilst production was partially impacted, the gas lift jumper will allow future production from the GUA-P1 side-track well to be enhanced once we commence gas lifting the well.

After the diving campaign, an extensive well test programme was undertaken in November 2019 to identify the optimal well configuration with focus on the Guillemot A field. The production from this field is currently limited due to a bottleneck in the existing subsea infrastructure. The well test programme, the first extensive flow trial since the acquisition of Anasuria, achieved its objective as an optimal well configuration has been identified. Furthermore, data obtained is being used in the assessment to debottleneck the Guillemot A subsea infrastructure ("**Subsea Debottlenecking Project**").

Operationally, a significant review of our operating strategies, maintenance systems, and organisational capability is underway as part of an overall initiative to carefully manage costs. Planning is ongoing for a 40-day offshore turnaround of the Anasuria FPSO in FY2021 to improve the reliability and integrity of the Anasuria FPSO as well as to continuously ensure a safe working environment. Several minor production enhancement projects are also included in the scope of this turnaround.

In the Current Quarter, Anasuria Hibiscus UK invested approximately RM16.5 million in capital expenditure in the Anasuria Cluster which is primarily attributed to the GUA-P1 Side-Track Project as well as for the upgrade and replacement of facilities related to the Anasuria FPSO.

<u>United Kingdom North Sea – Anasuria Cluster: Cook Water Injection Project Update</u>

Anasuria Hibiscus UK together with its partners in the Cook field had, in May 2018, sanctioned the Cook WI project. Ithaca is the operator of the Cook field. This project involved the drilling of a water injection well into the Cook field to increase its reservoir pressure. It is expected that an increased reservoir pressure will result in an improved oil and gas production rate as well as an improved recovery of hydrocarbons from this field.

The water injection well was completed as planned on 25 May 2019. Subsequently, the installation of a subsea pipeline to link the water injection well to the Anasuria FPSO was carried out in the Current Quarter and injection of water into the Cook field reservoir commenced on 3 October 2019. The total capital expenditure net to Anasuria Hibiscus UK estimated for this project is RM52.0 million.

In December 2019, the injection of water ceased due to a failure of a subsea component. Ithaca, the operator of this field, is currently undertaking an investigation into the root cause of the failure and will provide an update to the Cook joint-venture on the way forward in due course. At this point in time, production from the Cook field is still continuing.

<u>United Kingdom North Sea – Anasuria Cluster: GUA-P1 Side-Track Project Update</u>

The GUA-P1 Side-Track project ("**GUA-P1 ST**") was an opportunity to re-enter the existing GUA-P1 wellbore and drain additional volumes of hydrocarbons from the Guillemot A field. Operations on

GUA-P1 ST commenced in May 2019 and subsequently completed in August 2019. Additionally, the final scope of this project to install a gas lift jumper to enhance production was conducted as part of a diving campaign executed in October 2019. Since completion of the project, the well has been placed in production and is being monitored for sand and H_2S production. More recently, gas lifting of this well has also commenced. The total capital expenditure net to Anasuria Hibiscus for this project was approximately RM97.1 million.

United Kingdom North Sea – Marigold Cluster

On 17 October 2018, the Group announced that its indirect wholly-owned subsidiary, Anasuria Hibiscus UK, had completed the transaction to acquire a 50% interest in the UK Continental Shelf Petroleum Production Licence No. P.198 Block 15/13a and Block 15/13b (collectively referred as "**Blocks**") from Caldera Petroleum (UK) Ltd for a purchase consideration of USD37.5 million. The Blocks are located offshore, in 140 meters water depth, in the UK sector of the North Sea, approximately 250km northeast of Aberdeen.

On 12th December 2019, the Group announced that Anasuria Hibiscus UK completed the Sale and Purchase Agreement ("**SPA**") to acquire 100% interest in Blocks 15/18d and 15/19b (Licence No. P2366) containing the Crown oil and gas discovery from United Oil and Gas Plc ("**United**") and Swift Exploration Ltd. ("**Swift**") for a total cash consideration of up to USD5.0 million, to be paid based on a combination of a series of milestones and an overriding royalty scheme.

The Group has defined the Marigold Cluster to currently include the following licenses (and fields):

- P198 - Block 15/13a (Marigold Discovery);
- P198 - Block 15/13b (Sunflower Discovery); and
- P2366 - Blocks 15/18d and 15/19b (Crown Discovery).

Block 15/13a contains a significant oil-bearing discovered field ("**Marigold**"), whilst Block 15/13b which lies northeast of Block 15/13a contains a smaller discovered field ("**Sunflower**"). Based on an independent report by AGR TRACS International Limited (which was conducted as part of the due diligence exercise to acquire the Blocks in October 2018), 2C Resources in the Blocks is estimated to be 60.0 million bbls of oil (30.0 million bbls of oil net to Anasuria Hibiscus UK). The Company is currently performing Independent Reserves Assessments of Marigold, Sunflower and Crown and expects to make further disclosure regarding the Marigold Cluster 2C Resources once these assessments have been completed.

We were appointed Exploration Operator of the Blocks effective 12 February 2019 and ahead of the 31 March 2019 target date set by the UK Oil and Gas Authority ("**OGA**"). A dedicated project team, located in Kuala Lumpur with a modest presence in Aberdeen, Scotland, has been established to execute the project. The project team has been tasked to conduct the subsurface field development and engineering studies and, with the support of third-party contractors, execute the project.

The first project phase called "Concept Select" has been completed. The selected concept will develop the fields via directionally and horizontally drilled subsea wells tied back to a Floating Production, Storage and Offloading Facility ("**FPSO**") with flexible flowlines and control umbilicals. This concept was approved by the OGA on 15 October 2019.

Since that time, an expanded project team has been finalising the field development plan and conducting Front End Engineering Design ("**FEED**") studies to establish a field development plan, environmental impact assessment and production facilities required for the development. The project will be executed in two phases to reduce project risks due to subsurface uncertainties. The first phase of the development will involve the drilling of three subsea wells in Marigold alone and if this development phase is successful will result in a second project phase where additional wells will be drilled in Marigold. Other fields including Sunflower and Crown will be also be drilled and tied back to the FPSO. A final investment decision and regulatory approvals for Marigold Project Phase 1 are expected by the end of CY2020.

Licence No. P2366 is located offshore in the UK sector of the North Sea, approximately 250km northeast of Aberdeen and 12km southeast of the Marigold field, and includes the Crown discovered field which consists of 2C Resources of between 4 to 8 million bbls of oil, subject to an independent third-party expert's assessment.

The rationale for this transaction was to secure additional 2C Resources (from the Crown discovery) at a competitive unit cost per barrel and integrate these contingent resources as part of the Marigold area-wide development with the objective of reducing overall unit development and production costs.

Australia – Bass Strait

The Group has interests in three licenses located in the Bass Strait of Australia of which we operate two; VIC/L31 and VIC/P57. In addition, we have a 11.68% interest in 3D Oil Limited ("**3D Oil**"), a company listed on the Australian Stock Exchange ("**ASX**").

Bass Strait Cluster: VIC/L31 Production License

Retention Lease application was submitted on 4 December 2018. However, discussions are ongoing with NOPTA on whether to maintain the existing Production License or continue the application for a Retention License. The decision will be dependent on discussions with nearby infrastructure owners on the potential to tieback the West Seahorse field.

Bass Strait Cluster: VIC/P57 Exploration License

The Minimum Guaranteed Work Programme has been completed and. two key prospects have been identified, the first being Felix, with a best estimate prospective resources of gross 30 million bbls of oil, and the second being Pointer, with a best estimate prospective resources of gross 170 billion cubic feet of gas. A process to farm out the block for a carry on a well to be drilled in 2021/2022 is ongoing.

Bass Strait Cluster: VIC/P74 Exploration License

On 26 July 2019, the Group announced that 3D Oil has been awarded the VIC/P74 Exploration Permit in the offshore Gippsland Basin by the National Offshore Petroleum Titles Administrator ("**NOPTA**"). VIC/P74 spans an acreage of 1,006 km^2 which is located on the southern side of the Gippsland Basin. Under the terms of a pre-bid agreement, the Group has elected to enter into a joint venture with 3D Oil for a 50% working interest in this permit on a ground floor basis. 3D Oil will be the Operator through the Primary 3-year Prospect Generation Term and is currently undertaking Geoscience studies of the Permit.

Investment in 3D Oil: T/49P Exploration Licence

On 18 December 2019, 3D Oil announced that it has farmed out 75% interest and operatorship of the T/49P Exploration Permit to ConocoPhillips Australia SH1 Pty Ltd ("**ConocoPhillips Australia**"). 3D Oil will receive a cash consideration of AUD5 million, in recognition of previous permit expenditure. ConocoPhillips Australia will undertake the acquisition of a 3D seismic survey of not less than 1,580km^2 within the Permit and is currently planned to be undertaken in the third quarter of CY2020. In the event they elect to drill an exploration well, ConocoPhillips Australia will carry up to the first USD30 million of drilling costs.

Corporate Updates

Fundraising

All our activities and acquisitions to-date have been funded with equity and internally generated funds. Over the course of the next year, we anticipate that we shall undertake certain fundraising activities to ensure that projects and opportunities that we have in hand, which are expected to enhance production and create value, may be executed smoothly.

The Group is currently in a position to gear up to a conservative level as the need arises, based on our recurring EBITDA. Looking ahead to the projects we have planned, we envisage that some borrowings may be required and we are currently considering various debt options that are on offer; bearing in mind factors such as long term capital requirements, preference for the Group to maintain a certain level of agility and financial flexibility and overall weighted average cost of capital. In this regard, we shall make the relevant disclosures to the market as our funding plans mature.

Claims Against Rex Companies and Other Parties

In 2016, the Group fully impaired its early investments in the Lime Group and HIREX. However, the rights and legal position of the Group are fully reserved against the Rex Companies and all other parties in connection with those investments. The Group will continue to pursue appropriate legal, regulatory and other avenues to (among others) seek compensation for wrongs committed against the Group. Such avenues may, or may not, be successful due to a number of factors (including those outside the Group's control) and we will provide relevant updates in this regard from time to time (as may be applicable).

Concluding Comments

Macro

In December 2019, a new strain of coronavirus (officially named COVID-19), which caused respiratory diseases in China was identified. By February 2020, it had spread to more than 25 other countries and has been declared a public health emergency of international concern ("**PHEIC**") by the World Health Organisation ("**WHO**").

Given the scale of the cases that have been confirmed in China (the epicentre of the outbreak) and the impact that a slowdown of the Chinese economy has on the overall global economy and oil demand, crude oil prices have softened since the outbreak of COVID-19.

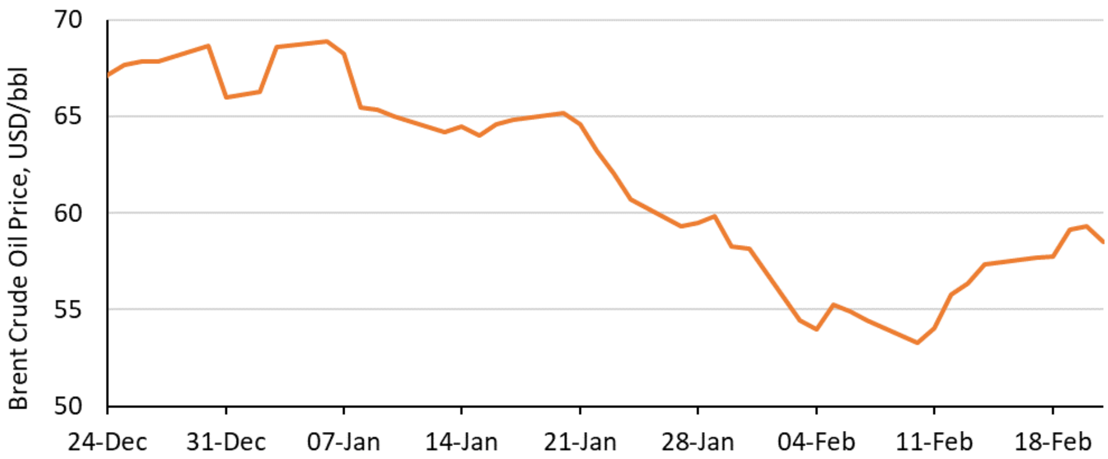

Figure 5: Daily Brent Crude Oil Prices from 24 December 2019 onwards

At the time of disclosing these results, it appears that oil prices have stabilised between USD55 - 60/bbl (Brent) but given that this is only the sixth time that the WHO has declared a PHEIC, we will be further stress testing some of the capital projects we intend to implement to ensure the economics remain robust in case the COVID-19 outbreak prevails for an extended period.

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 United Kingdom, which has resulted in consistent profitability levels, as clearly demonstrated in both the Group's EBITDA and PAT in each of the most recent five financial quarters highlighted below.

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 addition, we wish to highlight we continue to operate without debt.

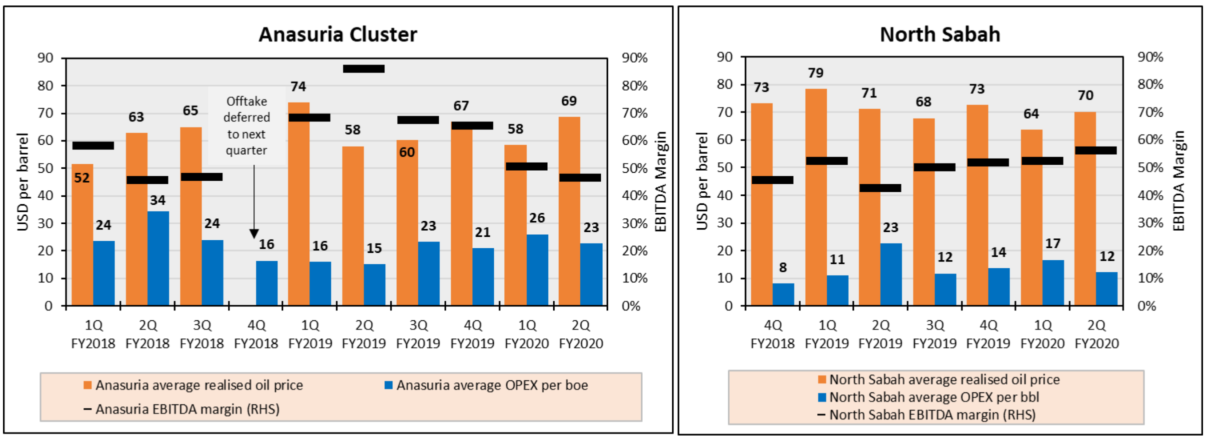

Figure 6: Comparison between the OPEX per barrel and the average realised oil price, and the resulting EBITDA margin for the respective quarters.

Note to Figure 6: North Sabah EBITDA margin in 4Q FY2018 excludes the impact of negative goodwill of RM93.8m.

For the quarter ended	Unit	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
Revenue	RM Mil	271.8	159.3	237.1	226.1	165.2
EBITDA	RM Mil	142.3	77.1	127.1	115.1	98.0
PAT	RM Mil	51.2	16.2	24.7	55.2	50.1
Basic earnings per share	sen	3.23	1.02	1.56	3.47	3.15

Figure 7: Highlights from the Company's Profit and Loss Statement for the last five financial quarters.

As at	Unit	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018
Total assets	RM Mil	2,567.8	2,553.2	2,393.1	2,222.6	2,189.4
Shareholders' funds	RM Mil	1,290.1	1,261.6	1,237.5	1,201.4	1,158.0
Cash and bank balances*	RM Mil	90.7	179.5	206.7	160.1	176.3
Total debt	RM Mil	Nil	Nil	Nil	Nil	Nil
Net current (liabilities)/assets	RM Mil	(53.5)	(103.9)	14.0	90.7	66.5
Net assets per share	RM	0.81	0.79	0.78	0.76	0.73

Figure 8: Highlights from the Company's Balance Sheet for the last five financial quarters.

**Omits non-current restricted cash and bank balances*

In summary, whilst there may be fluctuations primarily in crude oil prices, barring unforeseen circumstances, we anticipate delivering between 3.3 million and 3.5 million bbls during the 2020 financial year.

By Order of the Board of Directors
Hibiscus Petroleum Berhad
25 February 2020