



Corporate and Business Update

(Issued in conjunction with the Quarterly Report for the Quarter Ended 30 June 2020)

Kuala Lumpur, 24 August 2020 – 5.00pm

Strong Full-Year EBITDA Despite Challenging Market Conditions

Highlights

- Hibiscus Petroleum announced a Financial Year 2020 (“**FY2020**”) earnings before interest, taxes, depreciation and amortisation (“**EBITDA**”) of RM213.3 million and a loss after taxation (“**LAT**”) of RM49.3 million respectively on the back of provisions for the impairment of oil and gas assets amounting to RM196.3 million.
- The Group achieved its FY2020 production target of 3.2 million barrels (“**MMbbl**”) of crude oil and sold 2.6 MMbbl of this volume in FY2020.
- A comprehensive set of value optimisation measures were identified and implemented resulting in a reduction of operating costs across North Sabah and Anasuria with both producing assets realising OPEX per bbl and OPEX per boe metrics of USD10.27 per bbl and USD14.29 per boe respectively for the financial quarter ended 30 June 2020 (“**Current Quarter**”).
- New Opportunities: We note an increase in the number of merger and acquisition (“**M&A**”) opportunities in our areas of geographic focus and are positioning ourselves for growth through acquisitions.

Introduction

This Corporate and Business Update covers a business update for the Current Quarter and also provides some commentary on the FY2020 operational and financial performance of the Group. The Group views FY2020 as a period during which we saw two distinct phases.

Phase 1 covers a period of relative oil price stability from 1 July 2019 until the weekend of 6 March 2020.

Phase 2 covers a period from 9 March until 30 June 2020. During this period, crude oil prices were subject to a high degree of volatility and uncertainty brought about initially, by a price war between various member states of the OPEC+ alliance. This was then overlaid by the demand destructive effects of the COVID-19 pandemic. The rate of spread of the deadly virus required the implementation of drastic controls on the movement of people and the conduct of trade. The subsequent (and ongoing) impact to global commerce and daily lives are recalibrating the manner in which companies operate and we all live.

With the onset of the Phase 2 period of FY2020, the Group immediately undertook various measures to ensure the safety of its employees and contractors. In addition, a comprehensive review of our 2020 calendar year (“CY2020”) Business Plan was undertaken with the primary objectives of conducting uninterrupted, safe operations both at the North Sabah and Anasuria assets and ensuring overall business continuity of the Group through these uncertain times.

The revised Business Plan was presented and adopted by the Board on 9 April 2020.

Reserves and Resources Update

Given the volatility of crude oil prices caused by factors previously mentioned, the Group undertook independent assessments of the reserves of various assets. Thus, Competent Person’s Reports were prepared for the Anasuria and Marigold & Sunflower assets by Gaffney, Cline & Associates Limited and RPS Energy Consultants Limited respectively. The figures below depict our updated net entitlement to oil reserves and resources, as at 1 July 2020, within the licenses in which we have interests.

Asset	2P Reserves, MMbbl	2C Resources, MMbbl
United Kingdom (“UK”) - Anasuria	21.5	2.0
Marigold & Sunflower	-	24.9
Crown	-	4.0
Malaysia - North Sabah PSC	24.6	24.1
Australia - VIC/L31	-	8.0
Total	46.1	63.0

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

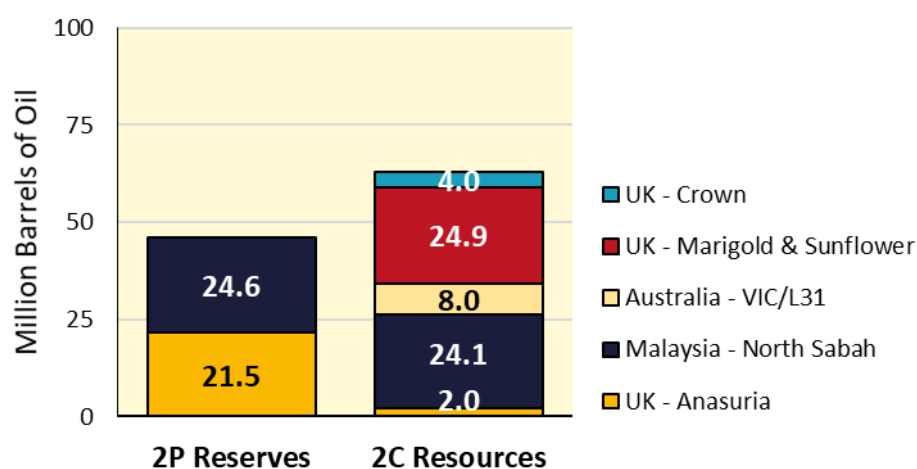


Figure 2: Hibiscus Petroleum’s net oil reserves and resources estimates.

Notes to Figures 1 & 2:

- Reserves and resources are as at 1 July 2020.
- 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.
- 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 for the 6 months ended 30 June 2020. These figures are pending Petroliaam Nasional Berhad (“PETRONAS”)’s review.
- 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 for the 6 months ended 30 June 2020. These figures are pending PETRONAS’s review.
- Marigold & Sunflower 2C Contingent Resources are based on Anasuria Hibiscus UK’s interest and extracted from RPS Energy Consultants Limited’s report.
- VIC/L31 and Crown 2C Contingent Resources are based on internal estimates.

We are pleased to report that the values (carried in our Balance Sheet) of each of our key assets have remained largely intact. As part of this exercise, the Group also internally assessed the degree of uncertainty related to the development of the VIC/L31 licence located in the Bass Strait of Australia. We concluded that given the current market environment, a prudent decision would be to downgrade the classification of the discovered oil in the licence from a “2P Reserves” categorisation to that of “2C Contingent Resources”. For reporting purposes, we annually conduct an impairment analysis on all our major assets unless other unforeseen events trigger a more immediate and specific review.

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. We are pleased to report that to date, operations have proceeded 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 received for production operations in Malaysia:

North Sabah Operations:

- Malaysia Upstream Awards 2020
 - Best Emerging Petroleum Arrangement Contractor
 - Wells Excellence Category - GOLD Award
 - Drilling Excellence Category - BRONZE Award
- PETRONAS Focused Recognition Award:
 - Successful delivery of St Joseph Minor and Major Sands Field Development Plan (“FDP”). The citation acknowledged our team for “demonstrating strong commitment and determined effort to review St Joseph OPEX and firm pledge to cost reduction, leading to the timely delivery of cost-effective reserves monetisation. This resulted in a successful FDP formulation within a nine-month stretched timeline”.

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	April to June 2020 ²	January to March 2020	October to December 2019	July to September 2019
Average uptime	%	95	89	93	85
Average gross oil production	bbl/day	18,780	17,395	17,076	14,234
Average net oil production	bbl/day	6,949	6,436	6,318	5,194
Total oil sold	bbl	249,387	611,367	671,452	334,613
Average realised oil price ¹	USD/bbl	31.79	47.72	70.19	63.63
Average OPEX per bbl (unit production cost)	USD/bbl	10.27	13.05	12.23	15.33

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 for the respective quarters.

² Figures for the period April 2020 to June 2020 are provisional and may change subject to the PSC Statement audit and that they are pending PETRONAS's review.

The average uptime of the North Sabah production facilities of 95%, achieved during the Current Quarter, is higher when compared to the 3rd Quarter Ended 31 March 2020 ("**Preceding Quarter**") mainly due to the higher downtime (as a result of the risers repair work) which took place at the South Furious field in the Preceding Quarter and better South Furious wells performance in the Current Quarter. Consequently, average gross oil production increased by 8% during the Current Quarter when compared to the Preceding Quarter.

One crude oil offtake was conducted in the North Sabah asset in the Current Quarter with a total of 249,387 bbls of oil, net to SEA Hibiscus, sold at an average oil price of USD31.79 per bbl.

Average OPEX per bbl for North Sabah decreased to USD10.27 per bbl when compared to the Preceding Quarter due to higher production and lower OPEX in the Current Quarter. The OPEX per bbl metric is expected to increase in the financial quarter ending 30 September 2020 ("**Next Quarter**") as planned maintenance activities ramp-up.

In terms of capital expenditure, the North Sabah asset incurred RM19.9 million during the Current Quarter mainly due to the commencement and execution of the Saint Joseph Minor and Major Sands Redevelopment project. The development plan for this project was approved by PETRONAS on 26 June 2020.

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 entailed the drilling and completion of one infill water injection well intended for reservoir re-pressurisation. The objective of Phase 1 is to scope out the effectiveness of water injection pressure support to further define the full field water injection project. Some topside modifications were required which entailed deck strengthening and extension works.

Following the completion of the drilling of the water injector in November 2019, topside modification works were completed in the Current Quarter. A leased Portable Water Injection Module was commissioned in June 2020, leading to First Water Injection shortly thereafter.

North Sabah PSC: Saint Joseph Minor and Major Sands Redevelopment

PETRONAS had on 26 June 2020 approved the plan for the Saint Joseph Minor and Major Sands Redevelopment. This project entails the drilling of three infill wells targeting the Minor Sands and one infill well targeting the Major Sands. This project commenced with the spudding of the first well on 7 July 2020.

Looking forward, given current production performance and barring unforeseen circumstances, at the date of this report, we target to deliver approximately eight crude oil offtakes from our North Sabah asset for Financial Year 2021 (“FY2021”). In normal circumstances, for each offtake, approximately 300,000 barrels of crude oil (net to SEA Hibiscus) is sold.

As previously disclosed, in order to mitigate risks of business continuity caused by a low oil price environment during this period of uncertainty, the Group had entered into a contract in April 2020 to sell 750,000 bbls of crude oil at an average price of USD35 per barrel, to be delivered during the remaining period of CY2020.

UK North Sea

Anasuria Cluster: Production Operations

As of 30 June 2020, the Company’s indirect wholly-owned subsidiary, Anasuria Hibiscus UK has been involved in the joint operations of the Anasuria asset for over four years. Figure 4 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	April to June 2020	January to March 2020	October to December 2019	July to September 2019
Average uptime	%	89	90	85	77
Average net oil production rate	bbl/day	2,539	2,802	2,680	2,386
Average net gas export rate @	boe/day	322	375	288	204
Average net oil equivalent production rate	boe/day	2,861	3,177	2,968	2,589
Total oil sold	bbl	0	238,605	249,704	272,345
Total gas exported (sold)	mmscf	176	205	159	112
Average realised oil price	USD/bbl	-	50.59	68.67	58.41
Average gas price	USD/mmbtu	0.39 [∞] / 1.17 [#]	1.09 [∞] / 2.80 [#]	1.62 [∞] / 4.02 [#]	1.04 [∞] / 2.52 [#]
Average OPEX per boe	USD/boe	14.29	14.92	22.64	26.11

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 achieved at the Anasuria asset for the Current Quarter was 89% and 2,861 boe per day respectively. The crude oil offtake initially planned for Current Quarter was deferred to the next quarter. This offtake was conducted in early July and 250,337 bbls of crude oil (net to Anasuria Hibiscus UK) were lifted and sold.

The average OPEX per boe in Anasuria for the Current Quarter was USD14.29 per boe. This was marginally lower than USD14.92 per boe achieved in the Preceding Quarter.

Consistent with the Preceding Quarter, a combination of a reduction in cost of oilfield services due to the lower oil price environment, a deferral of maintenance activities to mitigate COVID-19 risks as well as an overall optimisation in the timing of maintenance activities for the CY2020 has contributed towards a reduction in OPEX per boe. The OPEX per boe is expected to increase in the Next Quarter as we intend to conduct several planned offshore maintenance activities.

A comprehensive review of our operating strategies, maintenance systems, and organisational capability is being continuously conducted as part of an overall initiative to carefully manage costs. The performance of the Anasuria wells is also being actively monitored and efforts are being continuously expended to optimise production. Overall, we are currently on track to achieve our target of reducing the OPEX per boe to USD18.5 per boe over CY2020.

Planning also continues for a 40-day offshore turnaround of the Anasuria FPSO. This is expected to be executed in the second half of FY2021. This turnaround will be 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 this turnaround.

In terms of capital expenditure, Anasuria Hibiscus UK incurred a relatively minor amount of approximately RM2.0 million primarily for the upgrade and replacement of facilities on the Anasuria FPSO.

No major CAPEX is planned for Anasuria in CY2020.

Given current production performance and barring unforeseen circumstances, at the date of this report, we target to deliver approximately four crude oil offtakes from our Anasuria asset for FY2021. In normal circumstances, for each offtake at Anasuria, approximately 250,000 barrels of crude oil (net to Anasuria Hibiscus UK) is sold.

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**”); and
- 100% interest in P2366 - Blocks 15/18d and 15/19b (“**Crown**”).

Based on an independent report by RPS Energy Consultants Limited, Marigold & Sunflower, 2C Resources are estimated to be 49.8 MMbbls of oil (24.9 MMbbls of oil net to Anasuria Hibiscus UK).

The development concept for the Marigold Cluster continues to be optimised to take advantage of the low crude oil price environment and the resultant reduction in oilfield service company rates. Given the current COVID-19 situation, it is likely that the Final Investment Decision for this project is now expected in 2021 with first oil being achieved in 2023.

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”)
- 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.

Given the Group’s focus on Malaysia and the UK, we have deferred our development plans for our Bass Strait Cluster. As a result, we have recognised provisions for impairment in licences within this Cluster (specifically VIC/L31 and VIC/P57) amounting to RM183.5 million in the Current Quarter.

Assets Valuation and Provisions for Impairment

The Management periodically assesses the values of the Group’s assets to ensure that a true and fair view of the financial position of the Group is presented. Inputs considered for the assessments are derived from, but are not limited to, assumptions or views on the long-term oil price curve, operating costs, development expenditure plans and the interpretation of datasets from reservoir and geological models.

Following the assessments carried out as at 30 June 2020, the Group recognised provisions for impairment for the following operating segments:

Operating Segment	Provisions for Impairment recognised in Q4 FY2020 (RM Mil)	Non-Current Assets as at 30 June 2020 (RM Mil)
Malaysia - North Sabah	-	669.4
UK - Anasuria Hibiscus ¹	4.2 ²	1,346.0
Australia - 3D Oil, VIC/P57 & VIC/L31	183.5	48.3
Investment Holding and Group Activities	8.6 ³	9.0
Total	196.3	2,072.7

Figure 5: Provisions for impairment by operating segment.

Notes to Figure 5:

¹ Anasuria Hibiscus includes the Anasuria Cluster, Marigold, Sunflower and Crown.

² Impairment made for the Crown licence.

³ Impairment made for the Britannia Rig.

Please note that both of our producing assets, namely the North Sabah PSC and the Anasuria Cluster, did not require any provisions for impairment.

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. During the Current Quarter, both the North Sabah and Anasuria assets recorded relatively low OPEX levels. North Sabah's OPEX per bbl was USD10.27 and Anasuria achieved an OPEX per boe metric of USD14.29.

The Current Quarter's financial performance was adversely impacted by the recognition of provisions for impairment of oil and gas assets amounting to RM196.3 million. In addition, there was only one crude oil offtake in the Current Quarter, from North Sabah. Two further offtakes initially planned for the Current Quarter (one each in North Sabah and the Anasuria Cluster) were deferred to the Next Quarter in an attempt to realise higher crude oil prices.

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

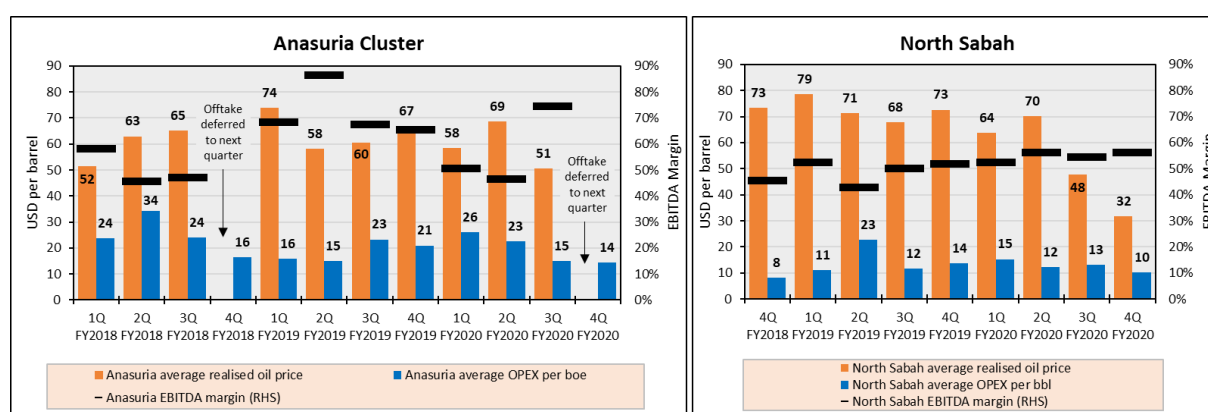


Figure 6: OPEX per bbl, average realised oil price and EBITDA margin by asset.

Note to Figure 6: 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	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019
Revenue	RM Mil	39.5	175.9	271.8	159.3	237.1
(LBITDA)/EBITDA	RM Mil	(100.8)	94.7	142.3	77.1	127.1
(LAT)/PAT	RM Mil	(145.2)	28.5	51.2	16.2	24.7
Basic (loss)/earnings per share	sen	(9.14)	1.79	3.23	1.02	1.56

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

Note to Figure 7: Includes provisions for impairment of oil and gas assets of RM196.3 million in 4Q FY2020.

As at	Unit	30 Jun 2020	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019
Total assets	RM Mil	2,426.2	2,619.2	2,567.8	2,553.2	2,393.1
Shareholders' funds	RM Mil	1,221.3	1,366.0	1,290.1	1,261.6	1,237.5
Cash and bank balances *	RM Mil	77.3	57.1	87.2	179.5	206.7
Total debt	RM Mil	(49.2)	(48.7)	Nil	Nil	Nil
Net current (liabilities)/assets	RM Mil	(48.8)	(41.5)	(53.5)	(103.9)	14.0
Net assets per share	RM	0.77	0.86	0.81	0.79	0.78

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

* Omits restricted cash and bank balances.

New Opportunities

The COVID-19 pandemic and low oil price environment initially slowed down M&A activity globally in the first half of the year. However, with the ramp up of economic activity globally, the outlook for the oil and gas sector is also improving. In addition, a focus on developing opportunities in the renewable energy space has caused established E&P players, particularly those headquartered in Europe to assess their portfolios and restart their oil and gas asset divestment programmes.

As an organisation, Hibiscus Petroleum is focused on building scale in areas where we are already present. Priority will be given to assets that demonstrate strong production potential coupled with cost optimisation opportunities.

Oil Market Outlook

Global liquids supply and demand balances

Million barrels per day

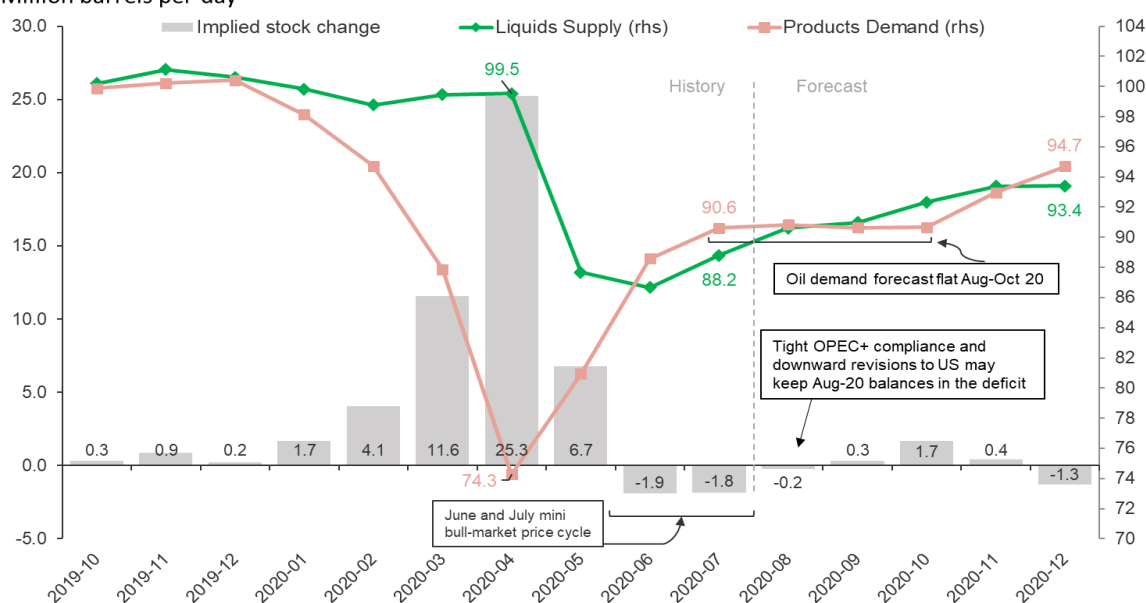


Figure 9: Global liquids supply and demand, as of 14 August 2020.

As shown in Figure 9 by Rystad Energy above, the extension of OPEC+ cuts in July 2020 helped to balance the oil market, resulting in the oil price stabilising above USD40 per barrel. Total demand exceeded the 90-million-barrel mark in July 2020 and is forecast to be flat until October 2020. The end of the year will see another increase in demand, with stock draws expected in December 2020.

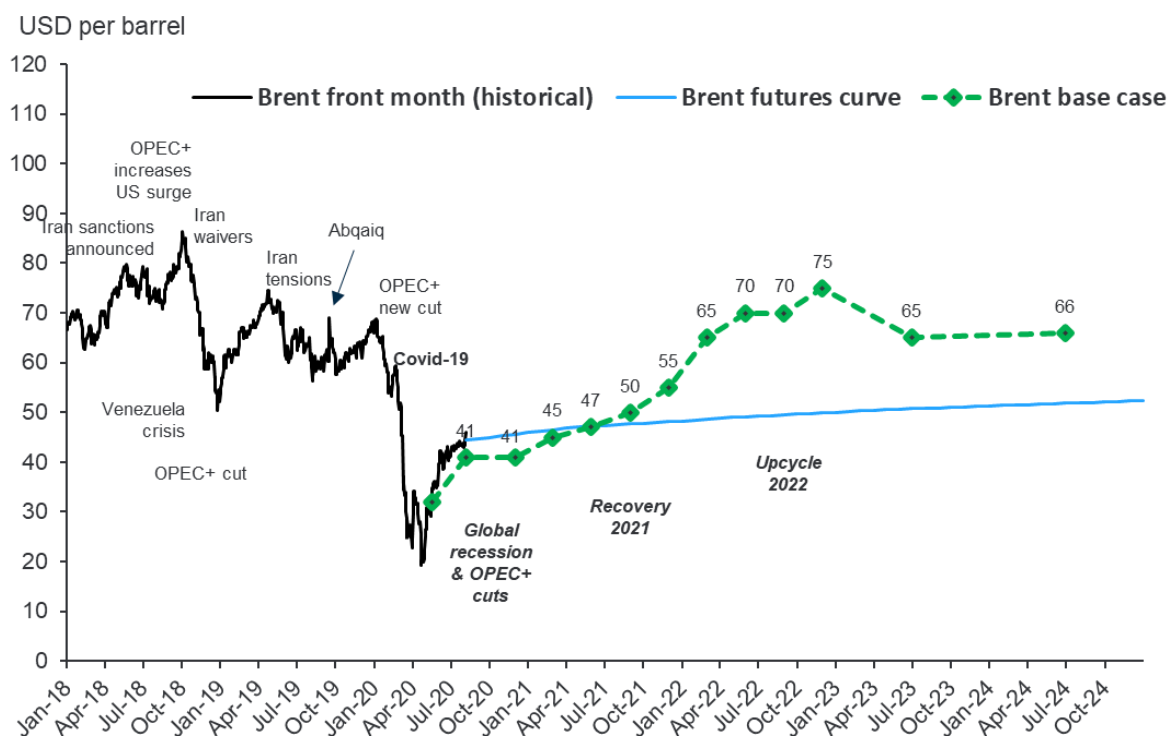


Figure 10: Rystad Energy Brent Oil forecast, as of 7 August 2020.

Based on the analysis by Rystad Energy (as shown in Figure 10), a recovery in oil prices is expected from early 2021 onwards, with Brent oil prices projected to rise to levels above USD50 per barrel by end-2021 and peaking at approximately USD70 per barrel in 2022. In the shorter term, the Brent flat price has remained relatively stable since early July despite a flurry of bearish news on oil demand and the macro environment. Rystad Energy views this development as a sign of strength.

Concluding Remarks

We believe that the steps we are taking should protect the business continuity objectives of the Group in the near term whilst our business development initiatives will provide us the opportunity to grow our asset base.

**By Order of the Board of Directors
Hibiscus Petroleum Berhad
24 August 2020**