Corporate and Business Update

Kuala Lumpur, 10 March 2020 – 6.30pm

Highlights

- The confluence of the COVID-19 outbreak and OPEC+ alliance breakup has adversely impacted crude oil prices.
- On track to deliver three offtakes in 3Q FY2020 across North Sabah and Anasuria; two offtakes already conducted in February 2020. Three further offtakes expected in 4Q FY2020.
- Total production is still on track to hit target of 3.3 – 3.5 MMbbls of oil delivered in FY2020.
- Maintaining net positive operating cashflows by managing OPEX.
- CAPEX to be selectively deferred if period of low crude prices is prolonged.
- Initiatives on new ventures to continue.

Market Environment

Oil prices are currently being impacted by:

- A supply overhang caused by increasing US production, and demand overhang caused by the US-China trade war;
- A reduction in global oil demand caused by the coronavirus, COVID-19, as sectors like transportation are affected due to restrained movement and travel. As shown in Figure 1 below, in February 2020, global oil demand contracted by 2.0 million barrels per day ("**MMbbls/day**") y-o-y, mostly from China. While there is some downside risk to the forecast, the expectation is for a recovery in the second half of calendar year 2020; and

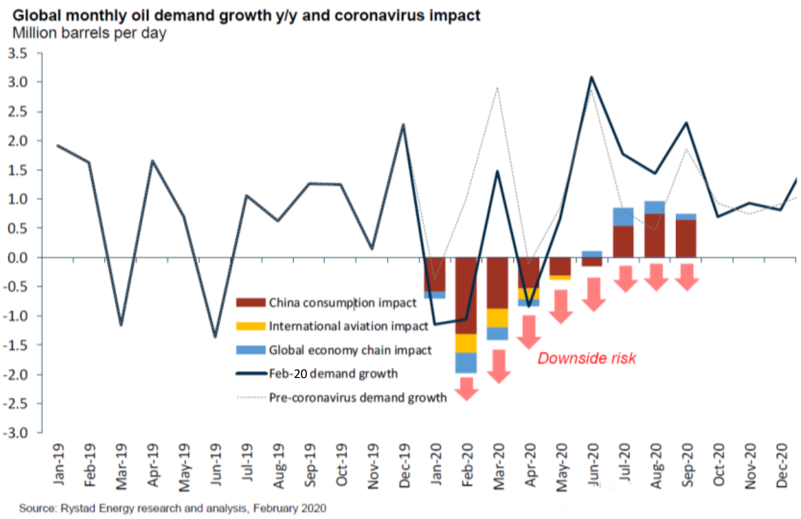

Figure 1 – Projected impact of COVID-19 on oil demand

- The failure of OPEC and Russia to come to an agreement on further production cuts amid the coronavirus outbreak and the subsequent price war initiated by Saudi Arabia have resulted in a reduction of over 30% to oil prices. Saudi Arabia's price war and intention to increase its oil production are believed to be an attempt to secure a positive outcome from the next meeting of the OPEC Conference in June 2020.

Our Situation

Hibiscus Petroleum Berhad ("**We**" or the "**Company**") provide the following guidance on our situation:

<u>Offtakes and Revenue</u>

At times of low oil prices, produced volumes are important and in this regard, we confirm that a total of three crude oil offtakes were planned for the Quarter ending 31 March 2020 ("**3Q FY2020**") across both the North Sabah and Anasuria assets. Two crude oil offtakes were conducted before the sharp drop in crude oil prices, with the third planned for March 2020. Looking ahead to the Quarter ending 30 June 2020 ("**4Q FY2020**"), we target a further three offtakes, bringing the total offtakes for FY2020 to 11.

For the Quarter ending 31 December 2019 ("**2Q FY2020**"), net daily oil production at the North Sabah and Anasuria assets were 6,318bbls/day and 2,680bbls/day respectively. For the months of January and February 2020, the production from both assets has exceeded the levels recorded in 2Q FY2020. Total production remains on track to achieve our FY2020 target of delivering between 3.3 – 3.5 MMbbls of oil. There may be revisions to this target as there could be an advantage to execute maintenance activities which require a shutdown, during this period of low prices. This will allow future production to be optimised through higher uptime and potentially higher realised prices.

<u>Initiatives to Reduce Costs Remain a High Priority</u>

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. This is particularly important in times of low crude oil prices.

For guidance, we highlight in Figure 2 below, the historical average unit production costs (OPEX per boe or OPEX per bbl) for both the Anasuria and the North Sabah assets. These have been below the average realised oil price achieved in previous quarters. Furthermore, in times of low crude prices, costs of oilfield services generally reduce and the Company has already commenced discussions with key service providers to determine if any efforts can be made in this area so that unit production costs are further reduced.

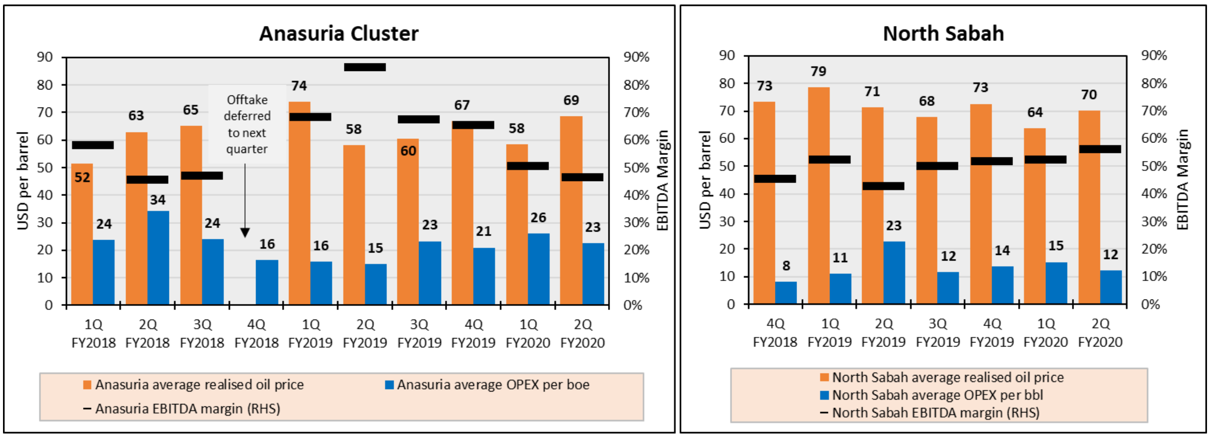

Figure 2: Comparison between the OPEX per barrel and the average realised oil price, and the resulting EBITDA margin for the respective quarters

Note to Figure 2:

North Sabah EBITDA margin in 4Q FY2018 excludes the impact of negative goodwill of RM93.8m.

CAPEX

As part of the Company's initiative to preserve cash, capital projects to enhance production scheduled for calendar year 2020 execution will be revisited and oilfield service contractors will be requested to further optimise their pricing levels. Only projects showing viability and a reasonable payback period will be pursued, while projects that promise only mid to long term returns will not be pursued as aggressively as originally anticipated.

Impairment Assessment

The Company, in conjunction with its external auditors, conducts impairment assessments on all of its assets on an annual basis at the end of each financial year. We will continue this practice as a normal course of business. Figure 3 below shows our Net Assets per Share at the end of the last five financial years.

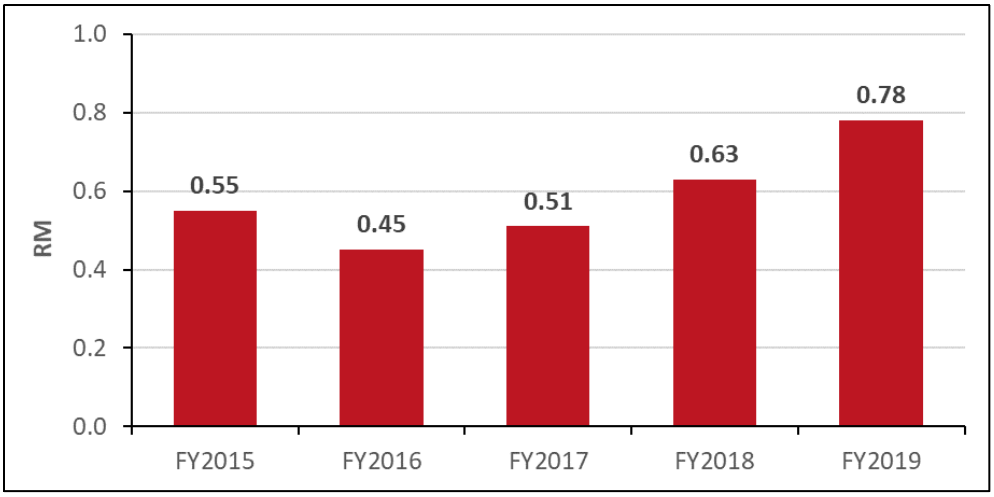

Figure 3: Net Assets per Share at the end of the last five financial years

New Ventures

Oil and gas producing assets have been coming onto the market, partially spurred by supermajors looking to rationalise their portfolio. Due to lower oil prices, there could be a slowdown in these type of M&A opportunities.

Despite the weaker sentiment, the Company remains focused on new ventures. This lower oil price environment could potentially be advantageous in acquiring assets at a reasonable price to boost the Company's oil production.

HSSE Measures in Dealing with COVID-19

The Company takes the threat of the COVID-19 outbreak seriously and has enacted various directives to counteract its spread and impact. Guidelines issued apply to all staff, contractors and visitors to any of the Company's locations.

By Order of the Board of Directors
Hibiscus Petroleum Berhad
10 March 2020