Corporate and Business Update

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

Kuala Lumpur, 19 May 2020 – 5.00pm

Highlights

- Hibiscus Petroleum announced 3rd Quarter Financial Year 2020 ("**FY2020**") profit after taxation ("**PAT**") and earnings before interest, taxes, depreciation and amortisation ("**EBITDA**") of RM28.5m and RM94.7m on the back of revenue of RM175.9m.
- The Group delivered 2.4 million barrels of oil in the first three quarters of FY2020, with the financial year production target being maintained at 3.2 million barrels of oil.
- North Sabah: Calendar Year 2020 ("**CY2020**") production enhancement drilling program to continue with targeted optimisation of both operating and development expenditure to USD 15 per bbl and USD 10.5 per bbl respectively.
- Anasuria Cluster: Significant reduction in OPEX per boe in the Current Quarter to USD14.9 per boe together with ongoing initiatives targeted to reduce overall OPEX per boe over CY2020 to USD 18.5 per boe.
- Marigold Cluster: The regulatory approvals for Phase 1 of the Marigold Project are currently on track to be in place by the end of CY2020.
- Various measures have been enacted to mitigate the spread and impact of COVID-19 within the Group, with zero positive cases reported.
- Offtake schedule for fourth quarter of FY2020 likely revised to capitalise on higher price outlook towards end of CY2020.
- Prudent view on crude oil prices to be used as inputs to test impairment of assets. Process has been initiated and technical work is ongoing.

Introduction

The delivery of our 2021 Mission as shown in Figure 1 is foremost in our mind.

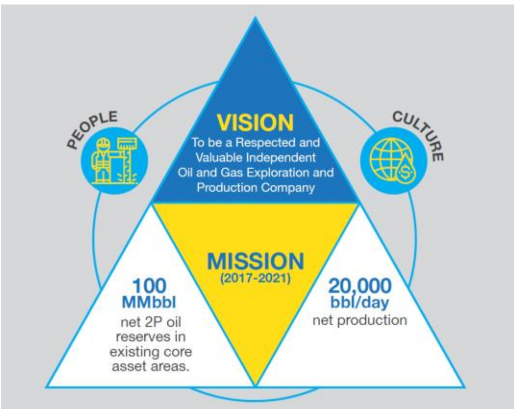


Figure 1: Hibiscus Petroleum's strategic vision and mission for 2021.

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.

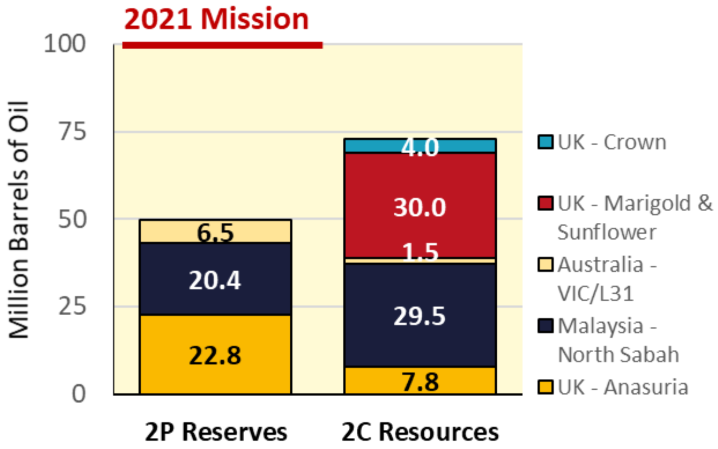


Figure 2 depicts our net entitlement to reserves and resources, as of 1 January 2020, within the licenses in which we have interests.

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

Notes to Figure 2:

1. *Reserves and resources are as of 1 January 2020.*
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 2019.*
3. *North Sabah 2P Reserves are based on SEA Hibiscus Sdn Bhd's current estimated net entitlement, derived based on RISC Operations Pty Ltd's report dated January 2019 adjusted for actual production and internally estimated incremental reserves from executed projects in 2019.*
4. *North Sabah 2C Contingent Resources are based on SEA Hibiscus Sdn Bhd's current estimated net entitlement, derived from RISC Operations Pty Ltd's report dated January 2019 less 2C contingent resources for executed projects in 2019.*

Whilst we already have the necessary contingent resources to achieve a 2P Reserves target of 100 million bbls, given current market conditions, it may be difficult to put in place all the necessary capital to execute the work necessary to convert some of our contingent resources to producible reserves.

For our production target, the gap to achieve our target of 20,000 bbl/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 Third Quarter of Financial Year 2020 ended 31 March 2020 and an update on the operational initiatives by the Group towards achievement of the 2021 Mission.

Operational Updates

Safe Operations

We have continued to operate throughout Malaysia's Movement Control Order period and, as part of our business continuity plan, have enacted various measures to mitigate the spread and impact of COVID-19 within our organisation as the health and safety of our personnel remains of upmost importance.

For North Sabah, measures include work-from-home rotations for office-based staff, with teams formed to manage critical operational areas. Offshore teams have been segregated in case of any potential quarantine scenario, with the focus being on having a reasonable level of backup resources to ensure business continuity.

At the Anasuria FPSO, non-perishable food stocks have been increased to cover a period of a month in case supply becomes restricted. The total number of offshore personnel has been reduced to enable the provision of quarantine cabins if they become required. Safety attire and procedures to transport personnel by helicopter have also been materially improved.

With measures in place, both the North Sabah and Anasuria assets have been performing satisfactorily. In addition, we are pleased to disclose the following awards which have been received for production operations in Malaysia as follows:

North Sabah Operations:

- Drilling Award – Successfully demonstrated the Most Effective Well Planning for 2019. Drilled and completed SF30-6ST and SJ-105C wells with a variance of only 0.09% on cost and 0.39% on schedule compared to planned figures. This was able to maximise long term value to the asset and meet production demand at an effective cost.
- 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.

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	January to March 2020 [2]	October to December 2019	July to September 2019	April to June 2019
Average uptime	%	89	93	85	94
Average gross oil production	bbl/day	17,395	17,076	14,234	14,873
Average net oil production	bbl/day	6,436	6,318	5,194	5,020
Total oil sold	bbl	611,367	671,452	334,613	490,753
Average realised oil price [1]	USD/bbl	47.72	70.19	63.63	72.59
Average OPEX per bbl (unit production cost)	USD/bbl	13.16	12.23	15.33	13.60

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 January 2020 to March 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 89%, achieved during the Current Quarter, is lower when compared to the Preceding Quarter mainly due to repair work executed on the South Furious risers which took place early in the Current Quarter. Despite the lower average uptime, average gross oil production marginally increased during the Current Quarter when compared to the Preceding Quarter.

Two crude oil offtakes were conducted in the North Sabah asset in the Current Quarter with a total of 611,367 bbls of oil, net to SEA Hibiscus, sold at an average oil price of USD47.72 per bbl.

Average OPEX per bbl for North Sabah increased marginally to USD13.16 per bbl when compared to the Preceding Quarter primarily due to commencement of commissioning activities of leased equipment related to South Furious 30 Water Flood Phase 1 project.

In terms of capital expenditure, the North Sabah asset incurred approximately RM4.8 million net to SEA Hibiscus during the Current Quarter. These funds were invested in the South Furious 30 Water Flood Phase 1 project.

The North Sabah team has undertaken efforts to optimise development CAPEX for its 2020 drilling campaign to ensure the clear economic viability of projects even with prevailing low crude prices. This has resulted in the asset targeting a reduction of Unit Development Costs from USD 14.2/bbl to USD 10.5/bbl over the CY2020 period.

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. 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. The commissioning of a leased Portable Water Injection Module leading to First Water Injection is expected in the following quarter.

North Sabah PSC: 2020 Drilling Program

SEA Hibiscus is currently working towards maturing and obtaining the necessary Field Development Approvals from PETRONAS for its 2020 drilling program, which is comprised of 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 March 2020, 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 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	January to March 2020	October to December 2019	July to September 2019	April to June 2019
Average uptime	%	90	85	77	87
Average net oil production rate	bbl/day	2,802	2,680	2,386	2,662
Average net gas export rate @	boe/day	375	288	204	390
Average net oil equivalent production rate	boe/day	3,177	2,968	2,589	3,053
Total oil sold	bbl	238,605	249,704	272,345	302,139
Total gas exported (sold)	mmscf	205	159	112	213
Average realised oil price	USD/bbl	50.59	68.67	58.41	66.84
Average gas price	USD/mmbtu	1.09∞/ 2.80#	1.62∞/ 4.02#	1.04 ∞/ 2.52 #	1.42 ∞/ 3.39 #
Average OPEX per boe	USD/boe	14.92	22.64	26.11	20.93

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 of 90% and 3,177 boe per day exceeded that of the Preceding Quarter. One crude oil offtake was conducted at Anasuria during the Current Quarter, in which 238,605 bbls of oil net to Anasuria Hibiscus UK was sold at an average realised oil price of USD50.59 per bbl. The average OPEX per boe in Anasuria for the Current Quarter was USD14.92 per boe, which is lower than USD22.64 per boe in the Preceding Quarter.

The decrease in OPEX per boe is a result of both an increase in production due to a higher uptime as well as lower OPEX incurred in the Current Quarter. The lower OPEX was driven by a combination of a reduction in costs due to the lower oil price environment, deferral of activities to mitigate COVID-19 risks as well as the optimisation in timing of one-off activities in CY2020.

Operationally, a significant review of our operating strategies, maintenance systems, and organisational capability is ongoing as part of an overall initiative to carefully manage costs, with targets to reduce our overall OPEX per boe to USD18.5 per boe over CY2020.

Planning continues for a 40-day offshore turnaround of the Anasuria FPSO in FY2021. This turnaround will be 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 planned scope of this turnaround.

In the Current Quarter, Anasuria Hibiscus UK's capital expenditure was relatively minor, amounting to approximately RM3.5 million primarily for the purchase of spares, as well as upgrade and replacement of facilities on the Anasuria FPSO. No major CAPEX is planned for Anasuria in CY2020.

United Kingdom North Sea – Anasuria Cluster: Cook Water Injection Project Update

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 for this project is RM58.8 million.

Approximately 30,000 bbl of water per day was being injected into the reservoir since 3 October 2019 until a failure of a subsea component in December 2019 stopped the injection of water into the Cook field. Reinstatement of water injection is expected to complete by the first quarter of calendar year 2021 and the incremental cost to Anasuria Hibiscus UK is estimated to be RM2.5 million. This has not impacted production from the Cook field as the pre-existing CO-P1 well is continuing to produce as normal, but will delay the repressurisation of the field.

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. Regulatory approvals for Marigold Project Phase 1 are expected by the end of CY2020 but as a consequence of the current low oil prices and the COVID-19 pandemic the final investment decision will likely not occur until 2021.

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

Commercial Cooperation

In April 2020, Hibiscus signed a deed of supply and collaboration ("**Deed**") with Trafigura Pte Ltd ("**Trafigura**") which covers several areas of commercial cooperation. Trafigura is a physical commodities trading company, which is involved, amongst other things, in the sourcing, storage, transport and delivery of a range of raw materials including oil and refined products.

With the signing of this Deed, Hibiscus and Trafigura have put in place a framework for the following:

- Potential future offtake of crude oil by Trafigura from assets owned/projects undertaken by Hibiscus
- Potential funding for projects and asset acquisitions pursued by Hibiscus

The agreements with Trafigura form part of an overall plan to ensure that all planned projects across the Group are fully funded over the CY2020/2021 period. With the volatility seen in the markets over the past few months, we understand that lending banks are having to safeguard their existing client portfolios and may require some time before onboarding new clients. In this period however, we will continue to engage with financial institutions and industry players to explore funding options and capital raising initiatives which run in tandem with our growth plans.

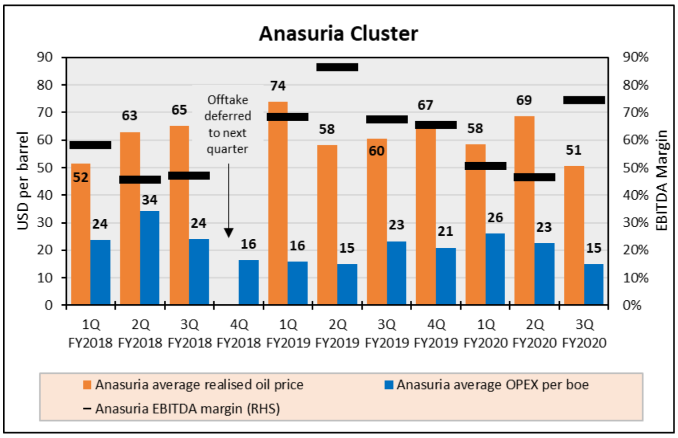
Claims Against Rex Companies and Other Parties

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 certain 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).

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 the 3rd Quarter of FY2020, we have managed to deliver healthy profit margins in both the North Sabah (EBITDA margin of 54.4%) and Anasuria (EBITDA margin of 74.5%) assets despite relatively low average realised oil prices due to optimisation of operational expenditure.



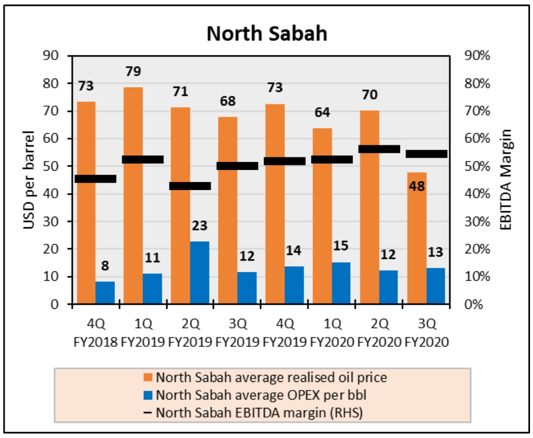


Figure 5: Comparison between the OPEX per barrel and the average realised oil price, and the resulting EBITDA margin for the respective quarters.

Note to Figure 5: North Sabah EBITDA margin in 4Q FY2018 excludes the impact of negative goodwill of RM93.8m.

For the quarter ended	Unit	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019
Revenue	RM Mil	175.9	271.8	159.3	237.1	226.1
EBITDA	RM Mil	94.7	142.3	77.1	127.1	115.1
PAT	RM Mil	28.5	51.2	16.2	24.7	55.2
Basic earnings per share	sen	1.79	3.23	1.02	1.56	3.47

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

As at	Unit	31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019
Total assets	RM Mil	2,619.2	2,567.8	2,553.2	2,393.1	2,222.6
Shareholders' funds	RM Mil	1,366.0	1,290.1	1,261.6	1,237.5	1,201.4
Cash and bank balances*	RM Mil	57.1	87.2	179.5	206.7	160.1
Total debt	RM Mil	(48.7)	Nil	Nil	Nil	Nil
Net current (liabilities)/assets	RM Mil	(41.5)	(53.5)	(103.9)	14.0	90.7
Net assets per share	RM	0.86	0.81	0.79	0.78	0.76

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

**Omits restricted cash and bank balances*

Outlook

Oil Market

Oil prices remain weak as crude oil supply continues to outstrip demand, despite curtailment measures taken by OPEC+ and shut ins of production wells in the USA curtailing supply. Figure 8 by Rystad Energy below, shows theoretical stock builds in April 2020 of over 26 million barrels per day (bpd), with further builds of approximately 14 million bpd and 6 million bpd in May and June respectively. We believe that the market is looking for a clear and strong supply response in the weeks ahead to mitigate the projected stock builds.

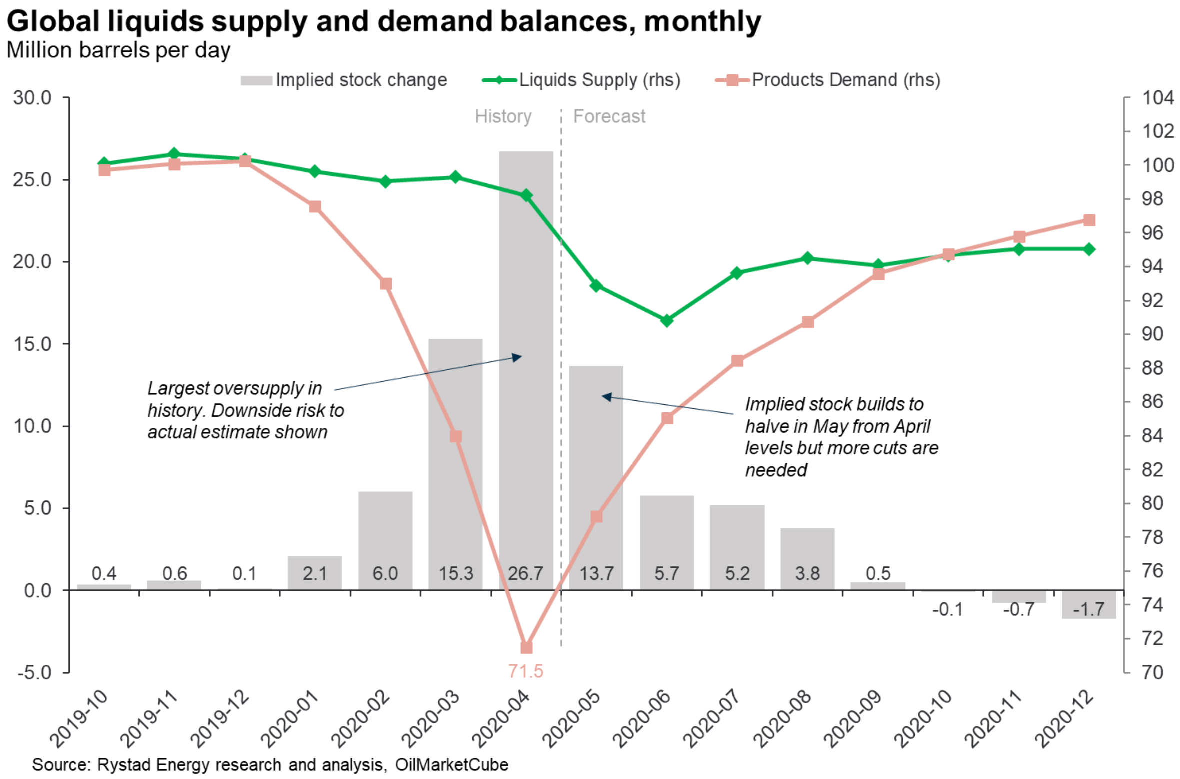


Figure 8: Global liquids supply and demand, as of 13 May 2020

Production, Offtakes and Impairment Considerations

We have stated previously that whilst crude oil prices may be currently low, our production remains online and we anticipate producing 3.2 million bbls in FY2020. To mitigate some of the crude oil price downside risk for the remaining period of CY2020, we have locked in future sales of 750,000 bbls at an average price of USD 35/bbl at North Sabah. Overall, this represents approximately 50% of the group's total production over the 1Q and 2Q FY2021 period and provides room for the group to manoeuvre in terms of fixing prices for future offtakes if required.

Whilst oil production is an ongoing process, the Group's revenue however is dependent on oil sales which take place via offtakes in each reporting period. Given the prevailing low oil price environment, the Group is reviewing the offtake schedule for 4Q 2020 and 1Q2021 to consider taking advantage of potentially higher oil prices in future quarters.

In addition, the Group periodically assesses the carrying value of its assets and the process for FY2020 has commenced with our asset and technical teams rigorously testing the inputs that support asset carrying values. These inputs include, but are not limited to, several assumptions such as the long-term oil price curve, operating costs and development expenditure plans. For FY2020, we expect to be particularly prudent and conservative in the inputs we apply, in determining the value of each asset we carry on our balance sheet.

In conclusion 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
19 May 2020