**HIBISCUS PETROLEUM BERHAD ("HIBISCUS PETROLEUM" OR THE "COMPANY")**

**PROPOSED ACQUISITION OF A 50% INTEREST IN THE UNITED KINGDOM ("UK") CONTINENTAL SHELF PETROLEUM PRODUCTION LICENCE NO. P.198 BLOCKS 15/13A AND 15/13B IN UK CENTRAL NORTH SEA BY ANASURIA HIBISCUS UK LIMITED, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF HIBISCUS PETROLEUM, FOR A TOTAL CASH CONSIDERATION OF USD37.5 MILLION ("PROPOSED ACQUISITION")**

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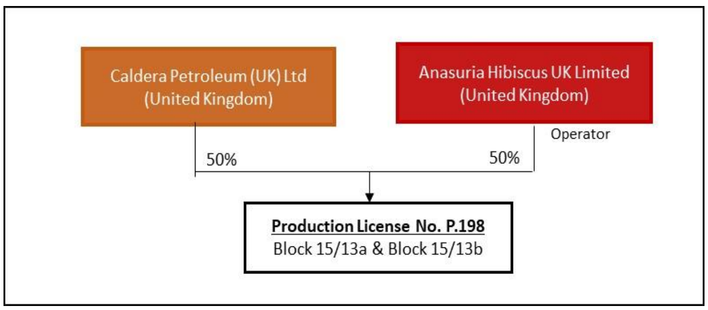
*Unless otherwise indicated, the exchange rate of United States Dollar ("**USD**") is converted based on Bank Negara Malaysia's middle rate of RM4.1465 to USD1.00 on 5 October 2018 and is applicable throughout this announcement.*

## 1. INTRODUCTION

The Company wishes to announce that on 8 October 2018, its indirect wholly-owned subsidiary, Anasuria Hibiscus UK Limited ("**AHUK**" or the "**Purchaser**"), entered into a conditional sale and purchase agreement ("**SPA**") with Caldera Petroleum (UK) Ltd ("**CPL**" or "**Seller**") to acquire a 50% interest in the UK Continental Shelf Petroleum Production Licence No. P.198 Block 15/13a and Block 15/13b in the UK Central North Sea ("**Licence**") ("**Interest**") for a total cash consideration of USD37.5 million. Block 15/13a and Block 15/13b are collectively referred to as the "**Blocks**".




Further information on the salient terms of the SPA is set out in Appendix 1 of this announcement.

## 2. DETAILS OF THE PROPOSED ACQUISITION

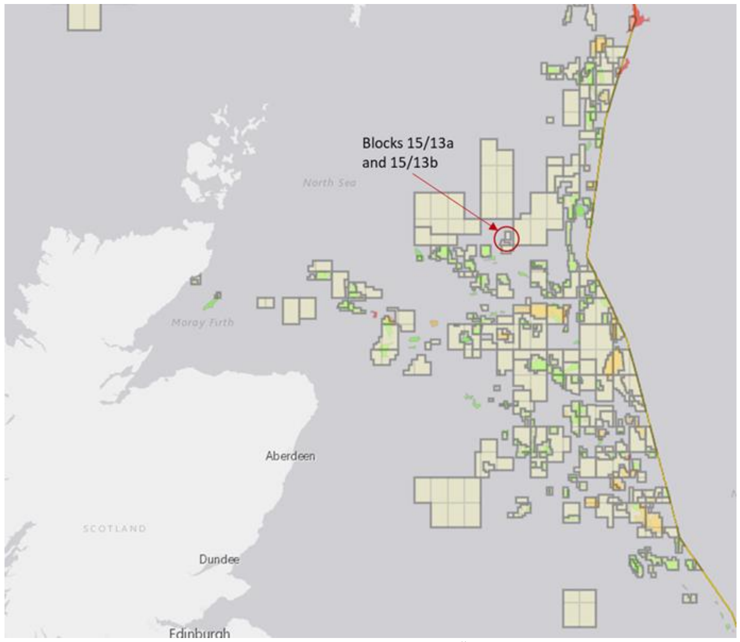
### 2.1 Background information on the Proposed Acquisition

Subject to the completion of CPL's acquisition of the Licence ("**CPL Acquisition**"), AHUK shall acquire the Interest from CPL and thereafter assume the role of project manager/operator of the Licence under a proposed joint operating agreement to be entered into between CPL and AHUK upon the completion of the SPA ("**JOA**").

At Completion Date, the JOA will provide the contractual basis for governing the joint operations for the business of exploration, development and production of oil and gas from the Blocks. The JOA will also document (i) the respective participating interest of AHUK and CPL in the Licence and detail their respective rights, benefits, obligations and liabilities (including for meeting cash calls by the operator) in accordance with their respective participating rights, and (ii) AHUK as the operator.

## 2.2 Information on the Blocks

The Blocks (Block 15/13a and Block 15/13b), within Licence P.198 in the United Kingdom Continental Shelf, are situated approximately 250km northeast of Aberdeen and 19km northeast of the Piper Field in the UK Central North Sea, in 140m water depth.




*Source : Oil & Gas Authority, UK ("**OGA**") website*

A total of seven wells under the Licence have been drilled to-date exploring the Palaeocene interval and exploring/appraising the Upper Jurassic interval. A discovery within Block 15/13a, has significant contingent oil resources. A smaller field, within Block 15/13b, lies northeast of Block 15/13a. Oil bearing layers were tested in Palaeocene in Block 15/13a and in Upper Jurassic in Block 15/13b. In Block 15/13a, a 16-hour drill stem test resulted in a final flow rate of 1,937 barrels per day on a 40/64" choke in a conventional vertical well.

The gross resources for Blocks 15/13a and 15/13b have been classified by AGR TRACS International Limited ("**AGR**") in accordance with resource definitions presented in the Society of Petroleum Engineer ("**SPE**")'s Petroleum Resources Management System. With no currently agreed plan and expenditure for the exploitation of Block's 15/13a and 15/13b, the recoverable volumes are classified as Contingent Resources – Development on Hold. The range of contingent oil resources (gross, and net to AHUK at 50% participating interests) are given below.

| | Contingent Oil Resources (MMstb) | | | | | |
|---|---|---|---|---|---|---|
| | 1C | | 2C | | 3C | |
| | Gross* | Net | Gross* | Net | Gross* | Net |
| Block 15/13a | 31.8 | 15.9 | 56.0 | 28.0 | 88.5 | 44.3 |
| Block 15/13b | 2.4 | 1.2 | 4.0 | 2.0 | 5.8 | 2.9 |
| **Total** | **34.2** | **17.1** | **60.0** | **30.0** | **94.3** | **47.2** |

** Source: AGR's report of September 2018.*

*Glossary:*

| | |
|---|---|
| *1C* | *Low estimate scenario of contingent resources – with respect to resource categorisation, this is considered to be a conservative estimate of the quantity that will actually be recovered from the accumulation by a project. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate* |
| *2C* | *Best estimate scenario of contingent resources – with respect to resource categorisation, this is considered to be the best estimate of the quantity that will actually be recovered from the accumulation by a project. It is the most realistic assessment of recoverable quantities if only a single result were reported. If probabilistic methods are used, there should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate* |
| *3C* | *High estimate scenario of contingent resources – with respect to resource categorisation, this is considered to be an optimistic estimate of the quantity that will actually be recovered from an accumulation by a project. If probabilistic methods are used, there should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate* |
| *MMstb* | *Million stock tank barrels* |

Based on AGR's gross estimates of the Blocks as of September 2018, the 2C oil resources of the Blocks net to AHUK (50% participating interest), upon completion of the Proposed Acquisition, is 30 MMstb.

### 2.3 The purchase consideration

The purchase consideration of USD37.5 million (or equivalent to approximately RM155.5 million) ("**Purchase Consideration**") is to be paid by the Purchaser via telegraphic transfer to the Seller's bank account, immediately upon completion of the SPA which is to take place on or from 16 October 2018 (or any earlier date as the parties may agree).

The Purchase Consideration is justified by using the Company's internal economic evaluation of the Blocks, based on a detailed subsurface review conducted by an independent technical assessor's (AGR) inputs in relation to indicative contingent resources, potential recovery factor and estimated production profiles of the Blocks.

The final Purchase Consideration was negotiated and arrived at on a willing-buyer, willing-seller basis and after taking into account, among others, the above evaluation.

### 2.4 Sources of funds

The Purchase Consideration is expected to be fully funded through internally generated funds of the Company and its subsidiaries ("**Hibiscus Petroleum Group**" or the "**Group**").

### 2.5 Liabilities to be assumed

Other than the customary operational liabilities, there are no liabilities, including contingent liabilities and guarantees, to be assumed by the Group pursuant to the Proposed Acquisition.

### 2.6 Information on the Seller

CPL was incorporated in England and Wales under the Companies Act 2006 on 1 October 2018 as a private limited Company. CPL is a wholly-owned subsidiary of Aban Singapore Pte Ltd, which is in turn, a wholly-owned subsidiary of Aban Offshore Limited.

The Directors of CPL are Mr Ramanathan Pallipakkam Sivarama and Mr Venkat Ramanan Narayan.

CPL is a special purpose vehicle to undertake the CPL Acquisition and the Proposed Acquisition.

**2.7 Information on the Purchaser**

AHUK was incorporated in England and Wales under the Companies Act 2006 on 21 July 2015 as a private limited Company. AHUK is a wholly-owned subsidiary of Atlantic Hibiscus Sdn Bhd, which is in turn, a wholly-owned subsidiary of the Company.

AHUK owns 50% of Anasuria Operating Company Limited, which operates all fields under the production license P013 (or Anasuria) and the Anasuria floating, production, storage and offloading unit and the related equipment on behalf of the concessionaires (of which AHUK holds 50% interest). AHUK also holds approximately 19.3% interest in the production license P185.

## 3. RATIONALE FOR THE PROPOSED ACQUISITION

### 3.1 In line with the growth strategy of Hibiscus Petroleum Group

The Group's strategy since listing has been to invest in a balanced portfolio of assets, with an increasing focus now on development and producing assets. The Proposed Acquisition presents an opportunity with optimal timing, consideration and materiality to fit well with the objectives and resources of the Company.

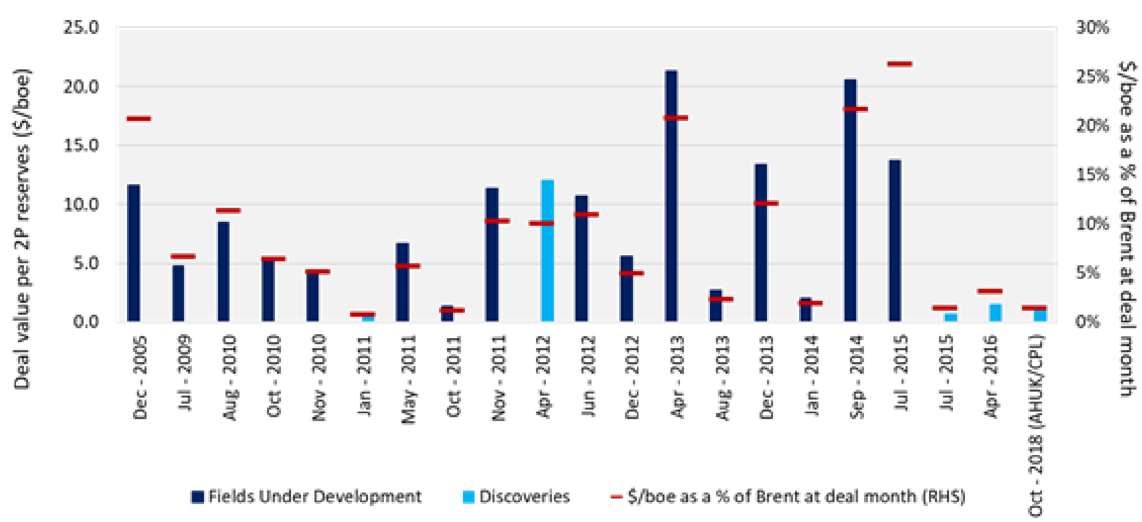
The Proposed Acquistion has the potential to add approximately 30.0 MMstb of 2C resources (AHUK's participating interest), as well as expand the Group's footprint in the UK, being a key area of the Group's geographic focus. This is also consistent with the Group's strategy to acquire new assets on a selective basis that will contribute to the Group's 2021 mission.

The Group's 2021 mission consists of achieving:
- 100 MMbbls in proven and probable reserves ("**2P**"); and
- 20,000 barrels of oil per day of production.

The Proposed Acquistion affords AHUK the opportunity to build its capability as a green field developer as well as to shore up its experience as a brown field operator in the North Sea, an environment in which it has significant experience.

### 3.2 Attractive low entry cost

The Company is of the view that the Proposed Acquisition is priced at a reasonably attractive cost level.




*Source : Rystad Energy, Company*

Based on Rystad Energy's input, in relation to the USD/barrel of oil equivalent ("**boe**") paid for 2P resources in the UK from year 2005 to 2016, and discounting the period of higher oil prices before mid-2014, the average price paid in 2016 for acquisitions then was USD1.50/boe for discovered but undeveloped assets. Brent crude averaged USD45/barrel ("**bbl**") in 2016. This Proposed Acquisition at USD1.25/bbl sits competitively to that benchmark. Brent crude up to September this year has averaged USD73/bbl.

## 4. FUTURE PROSPECTS

The Group intends to pursue various future development opportunities across the Blocks which have the potential to drive long term production and optimise the value of the Blocks.

Based on AGR's gross estimates of the Blocks as of September 2018, the 2C oil resources of the Blocks net to AHUK (50% participating interest) are 30.0 MMstb. Once a development plan is approved and successfully implemented, up to 30.0 MMstb of 2C may potentially be converted to 2P, which is expected to be added to the Group's portfolio, contributing to the Group's mission of 100 MMbbls.

In addition, there may be near field opportunities that could be monetised through an area-wide development.

## 5. RISK FACTORS

The key risk factors in relation to the Proposed Acquisition which could have an impact on the future prospects of the Group include, but are not limited to, the following:

### 5.1 Non-completion of the Proposed Acquisition

The completion of the Proposed Acquisition is conditional upon the fulfilment of certain conditions precedent in the SPA (elaborated in Appendix 1 of this announcement) which are beyond the control of the Company. In the event any of these conditions precedent are not fulfilled or waived, the SPA may be terminated and AHUK will not be able to acquire the Interest.

### 5.2 Acquisition risk

The Proposed Acquisition is expected to enhance the earnings of the Group. Notwithstanding that, there is no assurance that the anticipated benefits of the Proposed Acquisition will be realised or that the Group will be able to generate sufficient revenues from the Proposed Acquisition to offset the associated acquisition costs incurred and the potential capital expenditure to be committed for development of the Blocks. There is also no assurance that the Group is able to maintain or improve the standards or production level of the Blocks.

In addition, there is no assurance that the deadline imposed by the OGA to achieve first oil from the Blocks by 30 September 2021 may be achieved. If the deadline is not met, the interest in Licence P.198 where the Blocks are located, may be lost.

### 5.3 Joint partnership risk

Risk factors affecting AHUK as a proposed 50% stakeholder in the Licence include the commitment and ability of its proposed partner to meet cash call requirements and its share of external obligations in the future, which would affect its ability to develop the Blocks.

### 5.4 Foreign exchange risks

As the Purchase Consideration is in USD, any increase in USD exchange rates between the signing of the SPA and the Completion, may have an adverse impact on the Purchaser.

## 6. EFFECTS OF THE PROPOSED ACQUISITION

### 6.1 Share capital and substantial shareholders' shareholdings

The Proposed Acquisition will not have any effect on the issued and paid-up share capital, net assets, gearing and the substantial shareholders' shareholdings in Hibiscus Petroleum. The Purchase Consideration will be satisfied by cash.

### 6.2 Financial effects of the Proposed Acquisition

Subject to the approval of a field development plan by the relevant UK regulatory authorities, the Blocks are expected to contribute positively to the future earnings of the Hibiscus Petroleum Group within the next 5 financial years.

The Proposed Acquisition is not expected to have any material effect on the earnings of the Group for the financial year ending 30 June 2019.

## 7. APPROVALS REQUIRED

The Proposed Acquisition is, among others, subject to and conditional upon approvals being obtained from the following by 16 October 2018 or any ealier date as may be mutually agreed by CPL and AHUK:

(i) AHUK's receipt of the written consents from OGA for the assignment of the Interest and the transfer of operatorship to AHUK;

(ii) CPL's and/or AHUK's receipt of all necessary consents, approvals, waivers or confirmation from the relevant third parties in relation to the transfer of the Interest to AHUK; and

(iii) the execution by the other licencees of the relevant assignment documents and the receipt by CPL and AHUK of the requisite consents and approvals relating to the Proposed Acquisition and CPL Acquisition.

The Proposed Acquisition is not subject to Hibiscus Petroleum's shareholders' approval.

## 8. DIRECTORS' AND MAJOR SHAREHOLDER'S INTEREST OR PERSONS CONNECTED

None of the directors of Hibiscus Petroleum or its major shareholder and persons connected with a director or major shareholder of the Company have any interest, direct and/or indirect, in the Proposed Acquisition.

## 9. DIRECTORS' STATEMENT

The Board of Directors of Hibiscus Petroleum, after having considered all aspects of the Proposed Acquisition (including but not limited to the rationale, future prospects, risk and effects of the Proposed Acquisition), is of the opinion that the Proposed Acquisition is in the best interest of the Group.

## 10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Board of Directors of Hibiscus Petroleum expects the Proposed Acquisition to be completed by mid October 2018.

## 11. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisition pursuant to Paragraph 10.02(g) Chapter 10 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements is approximately 15.6%.

## 12. DOCUMENTS AVAILABLE FOR INSPECTION

The SPA is available for inspection at the Company's registered office at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan during normal office hours from Mondays to Fridays (except on public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 9 October 2018.

**SALIENT TERMS OF THE SPA**

The salient terms of the SPA are as follows:

**1. Sale and Purchase of the Interest**

1.1 The Interest shall be sold by the Seller to the Purchaser free and clear of all charges (being all lient, charges (fixed or floating), mortgages, options, pledges or any other encumbrances or security interests of third party rights or any agreement to create the foregoing), save as otherwise disclosed or agreed by the parties.

1.2 The sale and transfer of the Interest shall be deemed to be made with effect on and from 16 October 2018 (or such earlier date as may be agreed by the parties), being the "**Economic Date**" and "**Completion Date**".

**2. Conditions Precedent**

2.1 The conditions precedent to the SPA are as follows:

(a) the approvals referred to in Section 7 of this announcement;

(b) there being no breaches of warranties provided by the Seller and the Purchaser under the SPA that result or would reasonably be expected to result in any claim against the Seller for breach of warranty;

(c) the Seller having performed or complied in all material respects with its obligations, covenants and agreements contained in the SPA on or prior to the Completion Date;

(d) at the time of completion, no claim shall be pending before any competent court or government authority seeking to restrain or prohibit the assignment of the Interest.

2.2 The conditions precedent shall be fulfilled or waived by the relevant parties by the Completion Date.

2.3 The SPA shall be deemed automatically terminated if the Seller so exercises its right to terminate or decides to not proceed with the CPL Acquisition transaction.

2.4 Similarly, the Purchaser shall have the right to unilaterally terminate the SPA, or not to proceed with completion of the SPA, without any liability if it is of the opinion that the relevant premises underlying the transaction contemplated under the SPA and CPL Acquisition transaction are not, or no longer remain, correct or valid for purposes of compliance with regulatory requirements and related matters.

**3. Consideration**

The consideration for the transfer of the Interest is USD37.5 million. Further details of the consideration amount are as set out in Section 2.3 of this announcement.

**4. Liabilities, Indemnities and Adjustments**

4.1 The Seller shall be liable for all cost, charges, expenses, liabilities and obligations arising in relation to 100% of the interest in the License ("**Obligations**") in respect of the Interest which accrue in or relate to any period before the Economic Date.

4.2 The Purchaser shall be liable for all Obligations in respect of the Interest which accrue in or relate to any period after the Economic Date. Notwithstanding the above, the Purchaser shall be responsible for liabilities and obligations in relation to environmental liabilities and other obligations costs, expenses and liabilities related to the decommissioning or abandonment of all and any wells arising from or attributable to the Interest on, before or after the Economic Date.

**5. Governing Law and Dispute Resolution**

5.1 The SPA (and any non-contractual obligations arising out of, relating to or in connection with it) shall be governed by English law.

5.2 Any dispute between the parties arising out of, or in connection with, the SPA shall be subject to the exclusive jurisdiction of the Courts of England and Wales.