

Report on Review of Interim Financial Information

The Board of Directors

Sumatec Resources Berhad
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Wilayah Persekutuan

Introduction

We have reviewed the accompanying condensed statements of financial positions of Sumatec Resources Berhad as of 31 December 2018 and the related condensed statements of profit and loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing ("ISAs") and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Modified Conclusion

We were recently appointed as external auditors to perform a limited review for the quarter ended 31 December 2018 on 17 January 2019. As required by the Listing Requirements, the quarterly report has to be submitted not later than two months after the end of each quarter of a financial year, which would be 28 February 2019. We were not the external auditors for the previous financial year ended 31 December 2017 and have not performed any limited review since that time. During the course of our limited review, we have identified areas that in our professional judgement were of most significance in our review of the interim financial information of the quarter ended 31 December 2018.

Basis for Modified Conclusion...Cont'd.

Ability to Continue as Going Concern

The ability of the Group and the Company to continue as a going concern is subject to the availability of funding for the Rakushechnoye Oil Field development. This in itself is dependant on a few factors, which may include a series of successful corporate proposals such as, inter alia, proposed development of a condensate extraction plant and the availability of financial support from a contractor for the development and financing of the oil field. Although the aforementioned avenues have not been confirmed, nor have there been any significant progress in this respect, the Group and the Company remain dedicated to achieving a favourable outcome. However, it should be noted that even if the proposals mentioned above is successfully implemented, there is still the issue of ongoing material litigations which needs to be addressed.

We would also like to draw your attention that the ability of the Group and the Company to continue as a going concern is affected by a petition of winding up served by the Malaysia Trustees Berhad, Kerisma Berhad, Capone Berhad and Prima Uni Berhad which as to date has been subject to a stay of execution from the Court of Appeal, pending the outcome of an ongoing suit alleging fraud in specific clauses of the Settlement Agreement.

Significant Foreign Subsidiary

Sumatec Oil and Gas LLP which is located in Kazakhstan is a wholly owned subsidiary to the Company and represents a significant component to the Group. Part of our review procedure includes communicating with the component auditors. However we are yet to receive a complete response from the component auditors in relation to our review instruction. As a result of this matter, we were unable to determine whether any adjustments might have been deemed necessary.

Modified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.



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Kuala Lumpur, Malaysia

07 March 2019