REACH ENERGY BERHAD

Company no: 1034400-D
(Incorporated in Malaysia)

Report
on
Unaudited
Quarterly Financial Results
for the Period
1 January 2018
to
31 March 2018

(The figures have not been audited)

REACH ENERGY BERHAD
(Company no. 1034400-D)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	INDIVIDUAL QUARTER Unaudited for the quarter ended 31 Mar 18 RM'000	INDIVIDUAL QUARTER Unaudited for the quarter ended 31 Mar 17 RM'000	CUMULATIVE QUARTER Unaudited for the period ended 31 Mar 18 RM'000	CUMULATIVE QUARTER Unaudited for the period ended 31 Mar 17 RM'000
Revenue		42,481	44,625	42,481	44,625
Operating expense					
Depreciation, depletion and amortisation		(19,612)	(8,207)	(19,612)	(8,207)
Distribution expenses		(5,918)	(8,548)	(5,918)	(8,548)
Employee compensation costs		(3,595)	(4,628)	(3,595)	(4,628)
General and administration expenses		(2,710)	(2,545)	(2,710)	(2,545)
Other operating expenses – net		(1,755)	(4,360)	(1,755)	(4,360)
Purchase, services and other direct costs		(4,317)	(6,129)	(4,317)	(6,129)
Taxes other than income taxes		(16,464)	(13,825)	(16,464)	(13,825)
Total operating expenses		(54,371)	(48,242)	(54,371)	(48,242)
Loss from operations		**(11,890)**	**(3,617)**	**(11,890)**	**(3,617)**
Finance income		412	879	412	879
Finance cost		(29,395)	(14,284)	(29,395)	(14,284)
Finance cost – net		(28,983)	(13,405)	(28,983)	(13,405)
Loss before taxation	B13	**(40,873)**	**(17,022)**	**(40,873)**	**(17,022)**
Income tax benefits/(expenses)	B14	13,592	(740)	13,592	(740)
Loss for the financial period		**(27,281)**	**(17,762)**	**(27,281)**	**(17,762)**
Loss attributable to:					
Owners of the Company		(21,029)	(9,729)	(21,029)	(9,729)
Non-controlling interests		(6,252)	(8,033)	(6,252)	(8,033)
Loss for the financial period		**(27,281)**	**(17,762)**	**(27,281)**	**(17,762)**
Earnings per share attributable to owners of the Company	B12				
Basic loss per ordinary share (RM):		(0.02)	(0.01)	(0.02)	(0.01)
Diluted loss per ordinary share (RM):		(0.02)	(0.01)	(0.02)	(0.01)
Loss for the financial period		**(27,281)**	**(17,762)**	**(27,281)**	**(17,762)**
Other comprehensive (expense)/income, net of tax					
Items that will be reclassified subsequently to profit or loss:					
- Foreign currency translation Differences		(16,662)	(6,500)	(16,662)	(6,500)
Total comprehensive expense for the financial period		**(43,943)**	**(24,262)**	**(43,943)**	**(24,262)**
Total comprehensive expense for the period attributable to:					
Owners of the Company		(14,307)	(13,714)	(14,307)	(13,714)
Non-controlling interests		(29,636)	(10,548)	(29,636)	(10,548)
Total comprehensive expense for the financial period		**(43,943)**	**(24,262)**	**(43,943)**	**(24,262)**

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes.

REACH ENERGY BERHAD
(Company no. 1034400-D)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 31 Mar 18 RM'000	Audited As at 31 Dec 17 RM'000
Assets			
Non-current assets			
Property, plant and equipment		1,487,368	1,569,791
Intangible assets		536	579
Prepayment and other receivables		3,016	3,254
Restricted cash		7,295	7,357
Total non-current assets		**1,498,215**	**1,580,981**
Current assets			
Inventories		6,548	7,382
Trade receivables		18,305	14,381
Prepayment and other receivables		13,312	15,829
Amount due from corporate shareholder in a subsidiary		771	671
Amount due from corporate shareholder		179	173
Deposits, cash and bank balances		25,873	27,519
Tax Recoverable		147	153
Total current assets		**65,135**	**66,108**
Total assets		**1,563,350**	**1,647,089**
Liabilities			
Current liabilities			
Trade payables		55,570	53,388
Accruals and other payables		15,892	22,239
Amounts due to corporate shareholder in a subsidiary	A7	69,213	72,796
Current tax liabilities		2,164	1,080
Total current liabilities		**142,839**	**149,503**
Net current liabilities		**(77,704)**	**(83,395)**
Total assets less current liabilities		**1,420,511**	**1,497,586**
Non-current liabilities			
Deferred tax liabilities		87,939	106,349
Amounts due to corporate shareholder in a subsidiary	A7	517,656	532,019
Accruals and other payables		11,501	11,983
Provisions		9,473	9,348
		626,569	**659,699**
Net assets		**793,942**	**837,887**
Equity			
Capital		488,975	488,975
Other reserves		177,437	187,742
(Accumulated losses)/retained earnings		(34,967)	(13,976)
Equity attributable to owners of the Company		631,445	662,741
Non-controlling interest		162,497	175,146
Total Equity		**793,942**	**837,887**
Net assets per share (RM)		**0.72**	**0.76**

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes.

REACH ENERGY BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←---- Attributable to Equity Holders of the Company							----→		
	←---- Non-distributable					----→				
	Capital RM'000	Capital redemption reserves RM'000	Warrants reserve RM'000	Capital contribution reserve RM'000	Share-based payment reserves RM'000	Foreign exchange reserve RM'000	(Accumulated losses) /Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total Equity RM'000
As at 1 January 2018	488,975	-	198,914	14,403	821	(26,396)	(13,976)	662,741	175,146	837,887
Loss for the financial year	-	-	-	-	-	-	(21,029)	(21,029)	(6,252)	(27,281)
Other comprehensive expense, net of tax										
- Foreign currency translation	-	-	-	(710)	-	(9,595)	38	(10,267)	(6,397)	(16,664)
Total comprehensive expense for the financial year	-	-	-	(710)	-	(9,595)	(20,991)	(31,296)	(12,649)	(43,945)
As at 31 March 2018	**488,975**	**-**	**198,914**	**13,693**	**821**	**(35,991)**	**(34,967)**	**631,445**	**162,497**	**793,942**

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes.

REACH ENERGY BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←-- Attributable to Equity Holders of the Company							--→		
	←-- Non-distributable					--→				
	Capital RM'000	Capital redemption reserves RM'000	Warrants reserve RM'000	Capital contribution reserve RM'000	Share-based payment reserves RM'000	Foreign exchange reserve RM'000	(Accumulated losses) /Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total Equity RM'000
As at 1 January 2017	488,651	324	198,914	-	821	128	86,292	775,130	259,855	1,034,985
Prior year adjustments	-	-	-	-	-	-	(12,432)	(12,432)	(8,288)	(20,720)
As restated	488,651	324	198,914	-	821	128	73,860	762,698	251,567	1,014,265
Transition to non-par value regime on 31 January 2017 **	324	(324)	-	-	-	-	-	-	-	-
Loss for the financial year	-	-	-	-	-	-	(87,836)	(87,836)	(59,350)	(147,186)
Other comprehensive income, net of tax - Foreign currency translation	-	-	-	-	-	(26,524)	-	(26,524)	(17,071)	(43,595)
Total comprehensive expense for the financial year	-	-	-	-	-	(26,524)	(87,836)	(114,360)	(76,421)	(190,781)
Capital contribution due to restructuring of loans *	-	-	-	14,403	-	-	-	14,403	-	14,403
As at 31 December 2017	**488,975**	**-**	**198,914**	**14,403**	**821**	**(26,396)**	**(13,976)**	**662,741**	**175,146**	**837,887**

* *During the year of 2017, the management re-negotiated the shareholders loan agreement terms with the corporate shareholder in a subsidiary, MIE Holdings Corporation ("MIEH") to revise the interest rate from 7.855% to 5%. These loans are deemed to be the capital contribution from MIEH.*

** *The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account and capital redemption reserves become part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM477,687,186.47 for purposes as set out in Sections 618 (3) and the capital redemption reserve of RM323,991.03 for the bonus issue pursuant to Section 618(4) of the Act. The Board of Directors will make a decision thereon by 31 January 2019. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.*

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes.

REACH ENERGY BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 3 months 31 Mar 18 RM'000	Unaudited 3 months 31 Mar 17 RM'000
Cash flows from operating activities		
Loss before tax	(40,873)	(17,022)
Adjustments for:-		
Depreciation of property, plant and equipment	19,612	8,207
Unrealised foreign exchange loss, net	16,958	10,459
Finance cost	12,437	9,494
Finance income	(412)	(629)
	7,722	10,509
Changes in working capital:		
Inventories	443	(176)
Prepayment and other receivables	1,763	1,348
Trade receivables	(4,671)	4,367
Trade payables	4,675	(7,807)
Other payables and accruals	(2,934)	(22,604)
Amount due to corporate shareholder in a subsidiary	-	(518)
Cash flows generated from/(used in) operating activities	6,998	(14,881)
Income tax paid	(11)	(2,088)
Net cash generated from/(used in) operating activities	6,987	(16,969)
Cash flows from investing activities		
Purchases of property, plant and equipment	(7,518)	(59)
Finance income received	412	629
Advances to corporate shareholder	(6)	(77)
Movement in restricted cash	(302)	(767)
Net cash used in investing activities	(7,414)	(274)
Cash flows from financing activities		
Finance cost paid	-	33
Net cash generated from financing activities	-	33
Net decrease in cash and cash equivalents	(427)	(17,210)
Cash and cash equivalents at the beginning of the year	27,519	105,725
Exchange difference on cash and cash equivalents	(1,220)	475
Cash and cash equivalents at end of the period	25,872	88,990

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2017 and the accompanying explanatory notes.

PART A - EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134 - INTERIM FINANCIAL REPORTING

A1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting issued by Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2017 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

The explanatory notes attached to unaudited condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2017.

The accounting policies and methods of computation adopted by the Group in this unaudited condensed consolidated financial statements are consistent with those adopted in the audited consolidated financial statements for the financial year ended 31 December 2017 except for those standards, amendments and interpretations which are effective from the annual period beginning on or after 1 January 2018. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the financial year ending 31 December 2018. The adoption of these standards, amendments and interpretations has no material impact to these unaudited condensed consolidated financial statements, other than as disclosed below:-

<u>MFRS 9 *Financial Instruments*</u>

MFRS 9 replaces MFRS 139 *Financial Instruments*: *Recognition and Measurement* from 1 January 2018.

MFRS 9 introduces changes relating to classification and measurement of financial assets, accounting for changes in own credit risk in financial liabilities, impairment assessment based on the expected credit loss model and hedge accounting.

The Group has applied MFRS 9 retrospectively on the initial application date of 1 January 2018 and has elected not to restate comparatives. The adoption of MFRS 9 did not have any significant effects on the unaudited condensed consolidated financial statements upon their initial application.

<u>MFRS 15 *Revenue from Contracts with Customers*</u>

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfer of Assets from Customers* and IC Interpretation 131 *Revenue - Barter Transactions Involving Advertising Services*.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue recognition in accordance with the underlying principle of MFRS 15 encompasses the identification of the contract(s) with a customer, the performance obligations in the contracts, determination of the transaction price, and allocation of the transaction price to the performance obligations in the contract and recognition of revenue in the satisfaction of performance obligation.

The adoption of MFRS 15 did not have any significant effects on the unaudited condensed consolidated financial statements.

A2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

(a) Standards, amendments to published standards and interpretation that are applicable to the Group but not yet effective:

(i) Financial year beginning on or after 1 January 2019:

- MFRS 16 — *Leases*
- IC Interpretation 23 — *Uncertainty over Income Tax Treatments*

A2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

(a) Standards, amendments to published standards and interpretation that are applicable to the Group but not yet effective:

(ii) Financial year beginning on or after 1 January 2020:
- Amendments to MFRS 101 *Presentation of Financial Statements*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 134 *Interim Financial Reporting*
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*
- Amendments to MFRS 138 *Intangible Assets*

The Group plans to apply the abovementioned accounting standards, amendments and interpretations:
- from the annual period beginning on 1 January 2019 for those accounting standards that are effective for annual periods beginning on or after 1 January 2019.
- from the annual period beginning on 1 January 2020 for those accounting standards that are effective for annual periods beginning on or after 1 January 2020.

A3. AUDITORS' OPINION ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The Group's consolidated financial statements for the financial year ended 31 December 2017 were not subject to audit qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The Group's operations are not affected by any seasonal or cyclical factors.

A5. INDIVIDUALLY SIGNIFICANT ITEMS

There are no other significant or unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group on the current financial period under review.

A6. MATERIAL CHANGES IN ESTIMATES

There were no significant changes in estimates that have material effect on the current financial period under review.

A7. BORROWING, DEBT AND EQUITY SECURITY

(I) BORROWING

	As at 31 March 2018					
	Long term		Short term		Total borrowings	
Amount due to corporate shareholder in a subsidiary	***Foreign denomination**	**RM denomination**	***Foreign denomination**	**RM denomination**	***Foreign denomination**	**RM denomination**
Unsecured	134,038	517,656	17,921	69,213	151,959	586,869
	As at 31 December 2017					
	Long term		**Short term**		**Total borrowings**	
Amount due to corporate shareholder in a subsidiary	***Foreign denomination**	**RM denomination**	***Foreign denomination**	**RM denomination**	***Foreign denomination**	**RM denomination**
Unsecured	130,975	532,019	17,921	72,796	148,896	604,815

*The unsecured borrowings are denominated in United States Dollars ("USD") and translated at the rate of 3.862 (2017: 4.062).

A7. BORROWING, DEBT AND EQUITY SECURITY (CONT'D)

(I) BORROWING

There were no repayments or drawdowns of borrowings made during the 3 months financial period ended 31 March 2018. The amount due to corporate shareholder in a subsidiary has the following interest exposures and repayment terms:

Amount	Interest	Repayment terms
RM'000		
170,103	Ranging from 10% to 14%	No fixed repayment period
261,993	5%	Due in 2019
74,533	4.86%	Due in 2036
69,212	Interest free	Repayable on demand
1,715	5%	Due in 2023
9,313	Interest free	No fixed repayment period

(II) EQUITY

There were no movements in the issued and paid-up capital of the Company during the current period.

A8. DIVIDEND PAID

There was no dividend declared or paid during the current financial period ended 31 March 2018.

A9. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE YEAR

There were no material events after the interim period that have not been reflected in the unaudited condensed consolidated financial statements.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current financial period ended 31 March 2018.

A11. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 31 March 2018.

A12. COMMITMENT

(I) CAPITAL COMMITMENTS FOR THE PURCHASE OF PROPERTY, PLANT AND EQUIPMENT:

	Unaudited As at 31 Mar 18 RM'000	Audited As at 31 Dec 17 RM'000
Authorised but not contracted for	31,480	22,751
Contracted but not provided for	75,911	6,779
	107,391	29,530

(II) OPERATING LEASE COMMITMENTS

The Group has operating lease commitments related to its non-cancellable operating leases for offices. The future aggregate minimum lease payments under these operating leases are as follows:

	Unaudited As at 31 Mar 18 RM'000	Audited As at 31 Dec 17 RM'000
< 1 year	2,047	1,991
1 – 2 years	1,889	1,910
2 – 5 years	-	-
	3,936	3,901

A12. COMMITMENT (CONT'D)

(III) According to the production contracts for four fields in Kazakhstan, the Group is obligated to perform minimum work program during the life of the production contracts. Set out below is the commitment for the minimum work program:

	Unaudited As at 31 Mar 18 RM'000	Audited As at 31 Dec 17 RM'000
< 1 year	129,814	109,719
1 – 2 years	273,026	136,537
2 – 5 years	798,784	853,010
> 5 years	2,289,001	2,681,846
	3,490,625	3,781,112

The minimum work program includes capital expenditure of RM 950 million (2017: RM 1,093 million) to be incurred over the life of the production contracts expiring in 2036. Other commitments represent mainly direct operation and maintenance costs of wells and related facilities.

PART B: ADDITIONAL NOTES TO REQUIREMENTS UNDER CHAPTER 9 OF THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1. OPERATING SEGMENTS

Operating segments are represented in respect of the Group's business segments. The Group has activities in the following principal areas:

OIL AND GAS

The oil and gas operating segment consists of the exploration, development, production and sales of oil and other petroleum products in the Republic of Kazakhstan.

All revenue of the operating segment is contributed by external customers. The major customer, Euro Asian Oil SA ("Euro Asian") is one the largest trading companies in Mangystau region of Western Kazakhstan.

INVESTMENT HOLDING

The investment holding segment's main activity is to hold the investment in Emir-Oil Concession Block with awarded Exploration and Production Contracts up to year 2036.

(I) SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER		CUMULATIVE QUARTER		CUMULATIVE QUARTER	
	Unaudited for the quarter ended 31 Mar 18		Unaudited for the quarter ended 31 Mar 17		Unaudited for the period ended 31 Mar 18		Unaudited for the period ended 31 Mar 17	
	Oil & Gas RM'000	Investment Holdings RM'000	Oil & Gas RM'000	Investment Holdings RM'000	Oil & Gas RM'000	Investment Holdings RM'000	Oil & Gas RM'000	Investment Holdings RM'000
Revenue	42,481	-	44,625	-	42,481	-	44,625	-
Results								
Operating expenses	(52,022)	(2,349)	(45,387)	(2,855)	(52,022)	(2,349)	(45,387)	(2,855)
Finance expense, net	(8,057)	(20,926)	(9,047)	(4,358)	(8,057)	(20,926)	(9,047)	(4,358)
Loss before taxation	(17,598)	(23,275)	(9,809)	(7,213)	(17,598)	(23,275)	(9,809)	(7,213)
Income tax benefits/(expenses)	13,610	(18)	(666)	(74)	13,610	(18)	(666)	(74)
Loss for the financial period/year	(3,988)	(23,293)	(10,475)	(7,287)	(3,988)	(23,293)	(10,475)	(7,287)

The amounts are denominated in United States Dollars ("USD") and was translated at an average rate of 3.8940 (2017: 4.2813).

B1. OPERATING SEGMENTS (CONT'D)

(II) SUMMARISED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31 Mar 18		Audited as at 31 Dec 17	
	Oil & Gas RM'000	Investment Holdings RM'000	Oil & Gas RM'000	Investment Holdings RM'000
Non-current assets	1,498,180	35	1,580,946	35
Current assets	39,891	25,244	38,924	27,184
Current liabilities	(142,160)	(679)	(148,535)	(968)
Non-current liabilities	(626,569)	-	(659,699)	-
Net assets	769,342	24,600	811,636	26,251
Accumulated non-controlling interest		162,497		175,146

The amounts are denominated in United States Dollars ("USD") and was translated at the closing rate of 3.862 (2017: 4.062).

B2. OVERALL REVIEW OF GROUP'S FINANCIAL PERFORMANCE

(I) COMPARING WITH PRECEDING QUARTER RESULTS

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 31 Mar 18 RM'000	Unaudited for the quarter ended 31 Mar 17 RM'000	Unaudited for the period ended 31 Mar 18 RM'000	Unaudited for the period ended 31 Mar 17 RM'000
Revenue	42,481	44,625	42,481	44,625
Other operating expenses	(54,371)	(48,242)	(54,371)	(48,242)
EBITDA	7,722	4,590	7,722	4,590
Loss before tax	(40,873)	(17,022)	(40,873)	(17,022)
Loss after tax	(27,281)	(17,762)	(27,281)	(17,762)

During 2017, the Group had implemented various strategies to improve the production and efficiency of the Company and Year 2018 remains a challenging year for the Group to achieve better results. The Group has continued its strategies in work over of the existing wells to increase production, negotiation of higher export quota and domestic sales price, as well as optimising operating costs. These continued efforts have started to yield positive results with production increased to 2,900 bopd in 1Q of 2018 as compared to 2,300 bopd in 1Q of 2017.

However, for 1Q 2018, the Group has recorded a lower revenue of RM 42.5 million as compared to RM 44.6 million in 1Q of 2017 due to some deferred shipment of crude oil.

The Group recognises revenue for export crude oil at custody transfer point on Free of Board (FOB). Although the Group has recorded higher production volume in 1Q 2018, due to unforeseen tight shipment schedule, there were 4,000 tons of crude oil , produced in 1Q 2018, worth of RM 7.6 million in revenue, deferred into April 2018 for shipment. Based on Kazakhstan legislation, crude oil export quota is approved by the Ministry of Energy on monthly basis. In March, Emir-Oil managed to negotiate a higher export quota than planned. However, the March shipment schedule for oil loading was already approved at custody transfer point in Novorossiysk port and Emir-Oil could not load additional permitted export quota in March due to tight shipment schedule.

These deferred sales have been recognised in 2Q 2018 revenue along with the effect of higher crude oil price in April 2018 than March 2018.

Another contributor to lower revenue in 1Q 2018 is the currency exchange rate. As the Group revenue is mainly on USD Dollar basis, the unfavourable weak USD Dollar to Ringgit in 1Q 2018 as compared to higher exchange rate in 1Q 2017 has contributed to the lower revenue in Ringgit.

Cost optimising efforts have been carried out throughout 2017 resulting in reduction of operational cost (excluding depreciation) from RM 40.0 million to RM 35.0 million.

For 1Q 2018, the Group has recorded higher Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 7.7 million as compare to RM 4.6 million in 1Q of 2017.

B2. OVERALL REVIEW OF GROUP'S FINANCIAL PERFORMANCE (CONT'D)

The Finance Cost of RM 29 million in 1Q 2018 consists of unrealised FOREX loss of RM 17 million and RM 12 million interest accrued to corporate shareholder. The high FOREX Loss was attributed by the weak exchange rate of US Dollar to Ringgit.

Due to high Finance Cost and Depreciation, Depletion and Amortisation (DD&A), the Group has recorded higher Loss Before Tax of RM 40.9 million in 1Q 2018 as compared to RM 17.0 million in 1Q of 2017.

Currently, the Group's net asset per share stands at RM0.72 as compared to the closing market price of RM0.295 per share on 24 May 2018.

B3. MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group recorded a loss before taxation of RM 40.9 million in the current three months period while in the corresponding three months period ended 31 March 2017, the Group recorded a loss of RM 17.0 million, mainly due to high finance cost.

B4. PROSPECT

Field rehabilitation is proceeding on many fronts, including an intensive Well Workover campaign to optimise currently producing wells and to revitalise shut in well stock. Well Workovers include treating the well bore and installing electric submersible pumps, in addition to debottlenecking the production network.

Trial Production licence approval is expected shortly for the North Kariman Field and flowline design and installation work is underway to prepare for production of approximately 1,000 bopd from this field in the second half of 2018.

The drilling of NK-3 exploration well is progressing as per plan, and is near the targeted depth to confirm potential presence of oil. This well, which has a high degree of chance of success, will increase the in-place volumes of North Kariman. Further well testing and analyses are required to ascertain the degree of productivity of this well, when completed. A multi interval test programme is planned for this NK-3 well which will add to production stability.

REB is close to resuming the construction work associated with the Central Processing Facility (CPF), as it is a key element to our plans to ramp up production. When commissioned in 3Q 2019, the CPF would enhance our oil handling capacity to 12,000 bopd. This would substantially improve our earning potential in the near future.

The move to an alternative oil treatment facility has been confirmed, and will begin in 2Q 2018. This represents a significant change in Emir-Oil operations as it simplifies distribution logistics for both export and domestic crude oil sales as the crude oil would be delivered to our customers exclusively via pipelines. This move translates into significant cost savings, which would have a positive contribution to our bottom line.

Human resource development through competency training, job grading and succession planning is progressing well and has resulted in improved organisational structure and work flow. Outsourcing of facility maintenance activities in 3Q 2018 is expected to embed more preventive maintenance routines to improve reliability, availability and maintainability of operations facilities.

B5. RESERVES

As part of our responsibility as a public-listed E&P Company, we provide transparency of our core assets to shareholders and the public. Our appointed Independent Reserves Assessor, Gaffney Cline and Associates (GCA), had recently completed an independent reserves and economic evaluation of oil and gas properties in the Emir-Oil Concession Block, as at the effective date on 1 January 2018.

This latest Reserves Report (2017) has shown 2P Oil and Gas Reserves to be comparable with the previous 2016 Reserves Audit results. The 2017 evaluation results re-affirm REB's belief that the asset was acquired at a competitive value. In addition, the enhanced 3P Reserves allocated underlines the potential of Emir-Oil Concession Block. REB strives to upgrade these into higher grade reserves in the near future.

A significant outcome of the 2017 Reserves assessment is the allocation of Oil and Gas Contingent Reserves (not previously considered in last year reserves audit) which include a portion of high confidence near-field resources that can be converted into Reserves with near term development.

Furthermore, the Kariman field and North Kariman field are now regarded as one single reservoir unit, following the re-interpretation of available geological data. The updated view of the two fields as one hydrocarbon bearing structure has increased REB's reserves.

As at 1 January 2018, the gross reserves (100% basis) of Emir-Oil Concession Block are summarized in the table below:

(I) OIL AND LIQUEFIED PETROLEUM GAS (LPG)

FIELD	OIL RESERVES (MMSTB)		
	1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
Kariman	13.120	48.530	91.900
Dolinnoe	5.130	12.470	20.740
Aksaz	0.260	1.440	3.030
Yessen	1.270	3.650	6.260
Emir	1.200	2.830	5.350
Total	**20.980**	**68.920**	**127.28**

(II) GAS

FIELD	GAS RESERVES (BSCF)		
	1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
Kariman	4.880	18.570	35.850
Dolinnoe	13.320	32.490	54.440
Aksaz	2.530	18.090	40.550
Yessen	0.770	2.310	4.050
Emir	0.270	0.740	1.490
Total	**21.770**	**72.200**	**136.380**

(III) OIL, LPG AND GAS

FIELD	OIL AND GAS RESERVES (MMBOE)		
	1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
Kariman	13.932	51.625	97.875
Dolinnoe	7.350	17.885	29.813
Aksaz	0.682	4.455	9.788
Yessen	1.398	4.035	6.935
Emir	1.245	2.953	5.598
Total	**24.607**	**80.953**	**150.009**

B6. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

Purpose of Utilisation	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)
Acquisition of the target company/asset	710,625	580,528
Working capital		
- Remuneration of the management team	15,459	12,518
- Pre-IPO office and corporate expenses	611	25,646
- Others	26,475	28,384
Estimated listing expenses	26,000	26,795

B7. PROFIT FORECAST AND GUARANTEE

The Group has not announced or disclosed any profit forecast and guarantee in any public documents.

B8. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were no purchase or disposal of quoted securities during the financial period ended 31 March 2018.

B9. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sale of unquoted investment and /or properties during the financial period ended 31 March 2018.

B10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

There were no financial instruments with material off-balance sheet risk as at 31 March 2018.

B11. MATERIAL LITIGATION

There were no material litigation as at 31 March 2018.

B12. EARNINGS PER SHARE

(I) BASIC LOSS PER ORDINARY SHARE

The calculation of basic loss per ordinary share as at 31 March 2018 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, as follows:-

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 31 Mar 18 RM'000	Unaudited for the quarter ended 31 Mar 17 RM'000	Unaudited for the period ended 31 Mar 18 RM'000	Unaudited for the period ended 31 Mar 17 RM'000
Loss after taxation attributable to owner of the Company	(21,029)	(9,729)	(21,029)	(9,729)
Weighted average number of ordinary shares	1,096,413	1,096,413	1,096,413	1,096,413
Basic loss per ordinary share (RM)	(0.02)	(0.01)	(0.02)	(0.01)
Diluted loss per ordinary share (RM)	(0.02)	(0.01)	(0.02)	(0.01)

(II) DILUTED LOSS PER ORDINARY SHARE

Diluted loss per ordinary shares is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effect of all dilutive potential ordinary shares, which comprises of free convertible warrants granted to the shareholders.

The assumed conversions from the exercise of warrants of the ordinary shares would be anti-dilutive.

B13. LOSS BEFORE TAXATION

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 31 Mar 18 RM'000	Unaudited for the quarter ended 31 Mar 17 RM'000	Unaudited for the period ended 31 Mar 18 RM'000	Unaudited for the period ended 31 Mar 17 RM'000
Loss before taxation is arrived after charging/(crediting):				
Interest income from deposits with licensed banks	375	320	375	320
Other finance income	37	309	37	309
Foreign exchange loss, net	(16,958)	(4,543)	(16,958)	(4,543)
Interest expenses on loan from corporate shareholder in a subsidiary	(7,700)	(9,461)	(7,700)	(9,461)
Interest expenses on deferred consideration	(4,194)	-	(4,194)	-
Other finance cost	(543)	(33)	(543)	(33)

B14. INCOME TAX (EXPENSES)/BENEFITS

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 31 Mar 18 RM'000	Unaudited for the quarter ended 31 Mar 17 RM'000	Unaudited for the period ended 31 Mar 18 RM'000	Unaudited for the period ended 31 Mar 17 RM'000
Current income tax				
Malaysian income tax:				
- Current period/year	(18)	(74)	(18)	(74)
- Over accrual in prior year	-	-	-	-
Foreign income tax:				
- Current period/year	-	-	-	-
Deferred income tax:				
- Origination and reversal of temporary difference	13,610	(666)	13,610	(666)
	13,592	(740)	13,592	(740)

In the current year, the income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profit for the year.

BY ORDER OF THE BOARD
CHEN BEE LING (MAICSA 7046517)
TAN LAI HONG (MAICSA 7057707)

COMPANY SECRETARIES
25 MAY 2018