REACH ENERGY BERHAD

Company no: 1034400-D
(Incorporated in Malaysia)

Report
on
Unaudited
Quarterly Financial Results
for the Period
1 April 2018
to
30 June 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 30 Jun 18 RM'000	INDIVIDUAL QUARTER Unaudited for the quarter ended 30 Jun 17 RM'000	CUMULATIVE QUARTER Unaudited for the period ended 30 Jun 18 RM'000	CUMULATIVE QUARTER Unaudited for the period ended 30 Jun 17 RM'000
Revenue		67,670	40,737	110,151	85,362
Operating expense					
Depreciation, depletion and amortisation		(19,767)	(8,338)	(39,379)	(16,545)
Distribution expenses		(8,645)	(8,371)	(14,563)	(16,919)
Employee compensation costs		(3,567)	(4,203)	(7,162)	(8,831)
General and administration expenses		(2,039)	(4,575)	(4,749)	(7,120)
Other operating income/(expenses) – net		2,643	(2,956)	888	(7,316)
Purchase, services and other direct costs		(6,960)	(8,961)	(11,277)	(15,090)
Taxes other than income taxes		(19,210)	(9,815)	(35,674)	(23,640)
Total operating expenses		(57,545)	(47,219)	(111,916)	(95,461)
Profit/(loss) from operations		**10,125**	**(6,482)**	**(1,765)**	**(10,099)**
Finance income		2,433	1,620	828	2,499
Finance cost		-	(18,216)	(27,378)	(32,500)
Finance income/(cost) – net		2,433	(16,596)	(26,550)	(30,001)
Profit/(loss) before taxation	B13	**12,558**	**(23,078)**	**(28,315)**	**(40,100)**
Income tax (expenses)/benefits	B14	(7,976)	1,826	5,616	1,086
Profit/(loss) for the financial period		**4,582**	**(21,252)**	**(22,699)**	**(39,014)**
Profit/(loss) attributable to:					
Owners of the Company		11,227	(14,533)	(9,802)	(24,262)
Non-controlling interests		(6,645)	(6,719)	(12,897)	(14,752)
Profit/(loss) for the financial period		**4,582**	**(21,252)**	**(22,699)**	**(39,014)**
Earnings per share attributable to owners of the Company	B12				
Basic earnings/(loss) per ordinary share (RM):		0.01	(0.01)	(0.01)	(0.02)
Diluted earnings/(loss) per ordinary share (RM):		0.01	(0.01)	(0.01)	(0.02)
Profit/(loss) for the financial period		**4,582**	**(21,252)**	**(22,699)**	**(39,014)**
Other comprehensive Income/(expense), net of tax					
Items that will be reclassified subsequently to profit or loss:					
- Foreign currency translation Differences		14,066	(10,095)	(2,596)	(16,595)
Total comprehensive income/(expense) for the financial period		**18,648**	**(31,347)**	**(25,295)**	**(55,609)**

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)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	Note	INDIVIDUAL QUARTER Unaudited for the quarter ended 30 Jun 18 RM'000	INDIVIDUAL QUARTER Unaudited for the quarter ended 30 Jun 17 RM'000	CUMULATIVE QUARTER Unaudited for the period ended 30 Jun 18 RM'000	CUMULATIVE QUARTER Unaudited for the period ended 30 Jun 17 RM'000
Total comprehensive income/(expense) for the period attributable to:					
Owners of the Company		19,917	(20,505)	5,610	(34,219)
Non-controlling interests		(1,269)	(10,842)	(30,905)	(21,390)
Total comprehensive income/(expense) for the financial period		**18,648**	**(31,347)**	**(25,295)**	**(55,609)**

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
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30 Jun 18 RM'000	Audited As at 31 Dec 17 RM'000
Assets			
Non-current assets			
Property, plant and equipment		1,542,213	1,569,791
Intangible assets		546	579
Prepayment and other receivables		3,226	3,254
Restricted cash		7,132	7,357
Total non-current assets		**1,553,117**	**1,580,981**
Current assets			
Inventories		4,595	7,382
Trade receivables		32,238	14,381
Prepayment and other receivables		10,785	15,829
Amount due from corporate shareholder in a subsidiary		1,172	671
Amount due from corporate shareholder		208	173
Deposits, cash and bank balances		37,018	27,519
Tax Recoverable		147	153
Total current assets		**86,163**	**66,108**
Total assets		**1,639,280**	**1,647,089**
Liabilities			
Current liabilities			
Trade payables		56,355	53,388
Accruals and other payables		20,165	22,239
Amounts due to corporate shareholder in a subsidiary	A7	72,656	72,796
Current tax liabilities		2,032	1,080
Total current liabilities		**151,208**	**149,503**
Net current liabilities		**(65,045)**	**(83,395)**
Total assets less current liabilities		**1,488,072**	**1,497,586**
Non-current liabilities			
Deferred tax liabilities		99,979	106,349
Amounts due to corporate shareholder in a subsidiary	A7	554,181	532,019
Accruals and other payables		11,593	11,983
Provisions		9,727	9,348
		675,480	**659,699**
Net assets		**812,592**	**837,887**
Equity			
Capital		488,975	488,975
Other reserves		186,128	187,742
(Accumulated losses)/retained earnings		(23,740)	(13,976)
Equity attributable to owners of the Company		651,363	662,741
Non-controlling interest		161,229	175,146
Total Equity		**812,592**	**837,887**
Net assets per share (RM)		**0.74**	**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.

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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	-	-	-	-	-	-	(9,802)	(9,802)	(12,897)	(22,699)
Other comprehensive expense, net of tax										
- Foreign currency translation	-	-	-	(84)	-	(1,530)	38	(1,576)	(1,020)	(2,596)
Total comprehensive expense for the financial year	-	-	-	(84)	-	(1,530)	(9,764)	(11,378)	(13,917)	(25,295)
As at 30 June 2018	**488,975**	**-**	**198,914**	**14,319**	**821**	**(27,926)**	**(23,740)**	**651,363**	**161,229**	**812,592**

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
(Company no. 1034400-D)
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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 6 months 30 Jun 18 RM'000	Unaudited 6 months 30 Jun 17 RM'000
Cash flows from operating activities		
Loss before tax	(28,315)	(40,100)
Adjustments for:-		
Depreciation of property, plant and equipment	39,379	16,545
Unrealised foreign exchange loss, net	1,482	15,366
Finance cost	25,896	16,839
Finance income	(828)	(2,204)
	37,614	6,446
Changes in working capital:		
Inventories	2,671	1,318
Prepayment and other receivables	4,829	5,186
Trade receivables	(17,487)	2,365
Trade payables	2,153	12,381
Other payables and accruals	(1,873)	(55,722)
Amount due to corporate shareholder in a subsidiary	-	(893)
Cash flows generated from/(used in) operating activities	27,907	(28,919)
Income tax paid	(11)	(14,261)
Net cash generated from/(used in) operating activities	27,896	(43,180)
Cash flows from investing activities		
Purchases of property, plant and equipment	(19,180)	(6,144)
Finance income received	828	602
Advances to corporate shareholder	(35)	(77)
Movement in restricted cash	178	713
Net cash used in investing activities	(18,209)	(4,906)
Cash flows from financing activities		
Finance cost paid	-	(45)
Net cash generated from financing activities	-	(45)
Net decrease in cash and cash equivalents	9,687	(48,131)
Cash and cash equivalents at the beginning of the year	27,519	105,725
Exchange difference on cash and cash equivalents	(188)	1,784
Cash and cash equivalents at end of the period	37,018	59,378

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 30 June 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	137,224	554,181	17,991	72,656	155,215	626,837
	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 4.0385 (2017: 4.062).

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

(I) BORROWING

There were no repayments or drawdowns of borrowings made during the 6 months financial period ended 30 June 2018. The amount due to corporate shareholder in a subsidiary has the following interest exposures and repayment terms:

Amount	Interest	Repayment terms
RM'000		
177,877	Ranging from 10% to 14%	No fixed repayment period
280,273	5%	Due in 2019
79,790	4.86%	Due in 2036
72,656	Interest free	Repayable on demand
1,835	5%	Due in 2023
14,406	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 30 June 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 30 June 2018.

A11. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 30 June 2018.

A12. COMMITMENT

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

	Unaudited As at 30 Jun 18 RM'000	Audited As at 31 Dec 17 RM'000
Authorised but not contracted for	25,062	22,751
Contracted but not provided for	84,733	6,779
	109,795	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 30 Jun 18 RM'000	Audited As at 31 Dec 17 RM'000
< 1 year	10,788	1,991
1 – 2 years	13,648	1,910
2 – 5 years	-	-
	24,436	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 30 Jun 18 RM'000	Audited As at 31 Dec 17 RM'000
< 1 year	135,747	109,719
1 – 2 years	569,711	136,537
2 – 5 years	788,441	853,010
> 5 years	2,156,254	2,681,846
	3,650,153	3,781,112

The minimum work program includes capital expenditure of RM 993 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 Unaudited for the quarter ended 30 Jun 18		INDIVIDUAL QUARTER Unaudited for the quarter ended 30 Jun 17		CUMULATIVE QUARTER Unaudited for the period ended 30 Jun 18		CUMULATIVE QUARTER Unaudited for the period ended 30 Jun 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	67,670	-	40,737	-	110,151	-	85,362	-
Results								
Operating expenses	(55,790)	(1,755)	(44,477)	(2,742)	(107,812)	(4,104)	(89,864)	(5,597)
Finance (expense)/income, net	(8,488)	10,921	(5,473)	(11,123)	(16,545)	(10,005)	(14,521)	(15,480)
Profit/(loss) before taxation	3,392	9,166	(9,213)	(13,865)	(14,206)	(14,109)	(19,023)	(21,077)
Income tax (expenses)/benefit	(7,976)	-	1,891	(65)	5,634	(18)	1,225	(139)
(Loss)/profit for the financial period	(4,584)	9,166	(7,322)	(13,930)	(8,572)	(14,127)	(17,798)	(21,216)

The amounts are denominated in United States Dollars ("USD") and was translated at an average rate of 3.9361 (2017: 4.370).

B1. OPERATING SEGMENTS (CONT'D)

(II) SUMMARISED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30 Jun 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	1,553,089	28	1,580,946	35
Current assets	62,288	23,875	38,924	27,184
Current liabilities	(150,626)	(582)	(148,535)	(968)
Non-current liabilities	(675,480)	-	(659,699)	-
Net assets	789,271	23,321	811,636	26,251
Accumulated non-controlling interest		161,229		175,146

The amounts are denominated in United States Dollars ("USD") and was translated at the closing rate of 4.0385 (2017: 4.062).

B2. OVERALL REVIEW OF GROUP'S FINANCIAL PERFORMANCE

(I) COMPARING WITH PRECEDING YEAR QUARTER RESULTS

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 30 Jun 18 RM'000	Unaudited for the quarter ended 30 Jun 17 RM'000	Unaudited for the period ended 30 Jun 18 RM'000	Unaudited for the period ended 30 Jun 17 RM'000
Revenue	67,670	40,737	110,151	85,362
Operating expenses	(57,545)	(47,219)	(111,916)	(95,461)
EBITDA	29,892	1,856	37,614	6,446
Profit/(loss) before tax	12,558	(23,078)	(28,315)	(40,100)
Profit/(loss) after tax	4,582	(21,252)	(22,699)	(39,014)

As year 2018 remains a challenging year for the Group to achieve better results, the Group has continued its strategies in workover of the existing wells to increase oil and gas production, and negotiate higher export quota and domestic sales price to improve its revenue.

For the second quarter ended 30 June 2018, the Group's revenue had increased by 66.1% (RM 27.0 million) as compared to the revenue of RM 40.7 million in second quarter 30 June 2017. The revenue increase is mainly attributed to the increase in production volume, higher world crude oil price and deferred revenue from first quarter arising from congested oil export traffic in March 2018. The average production of second quarter 2018 was 2,900 bopd as compared to 2,500 bopd in second quarter 2017.

As the cost optimising efforts continue, the operating expenses (exclude DD&A) in the current quarter under review has remained at same level as second quarter 2017 even with increased production, which had translated into higher efficiency for the Group.

As increase in depreciation, depletion and amortization (DD&A) is in tandem with production level, operating expenses inclusive of DD&A for the second quarter 2018 had increased by 21.8% (from RM 47.2 million to RM 57.5 million), mainly due to increased production compared to second quarter 2017.

As a result of higher revenue and efficient cost control in the second quarter of 2018, the Group has recorded 1510 % (RM 29.9 million) increase in Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) as compared to RM 1.9 million in second quarter of 2017.

The Finance Income of RM 2.4 million in second quarter 2018 consists of unrealised FOREX Gain of RM 15.4 million and RM 13.0 million interest payable to corporate shareholder.

As a result of higher revenue and lower finance cost, the Group has recorded Profit before Tax of RM 12.6 million in second quarter 2018 as compared to Loss before Tax of RM 23.1 million in second quarter 2017. Profit after Tax had also improved from –RM 27.3 million (Loss) in first quarter 2018 to +RM 4.6 million (Profit) in second quarter 2018.

Currently, the Group's net asset per share stands at RM0.74 as compared to the closing market price of RM0.26 per share on 24 Aug 2018.

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

(II) COMPARING WITH IMMEDIATE PRECEDING QUARTER RESULTS

	CURRENT QUARTER	IMMEDIATE PRECEDING QUARTER
	Unaudited for the period ended 30 Jun 18 RM'000	Unaudited for the period ended 31 Mar 18 RM'000
Revenue	67,670	42,481
Operating expenses	(57,545)	(54,371)
EBITDA	29,892	7,722
Profit/(loss) before tax	12,558	(40,873)
Profit/(loss) after tax	4,582	(27,281)

The Group's revenue for the current quarter under review had increased by 58.6% or RM 25.0 million from RM 42.5 million in first quarter 2018 to RM 67.7 million mainly attributed by the higher world crude oil price and the deferred sales from first quarter of 2018.

For the current quarter under review operating expenses remain almost same level with immediate preceding quarter even though the revenue is higher. The Group had recorded a significant increase of 288% (RM 22.2 million) in Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) as compared to RM 7.7 million in first quarter of 2018.

For the current quarter, the Group had reported Profit before Tax of RM 12.6 million and Profit after Tax of RM 4.6 million compared to the first quarter 2018 Loss before Tax of RM 40.9 million and Loss after Tax of 27.3 million. These positive results were attributed to higher revenue and favourable foreign exchange fluctuation as the US dollar had moved stronger against the Malaysian Ringgit.

B3. MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group recorded a Profit before Tax of RM 12.6 million in the current quarter and Loss before Tax of RM 28.3 million in cumulative quarter of 30 June 2018 as compared to second quarter of 2017 Loss before Tax of RM 23.1 million and cumulative quarter for 30 June 2017 Loss before Tax RM 40.1 million. The significant improvement in current quarter profit and lower loss in cumulative quarter in 2018 were due to increase in production level, oil price and lower 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.

Drilling of NK-3 exploration well has reached target depth at 4020 m, and is currently under evaluation. Well test to be conducted to determine potential flow rates. This well, which has a high 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.

Since June 2018 Emir-Oil is transporting all the oil from the fields to a new oil terminal. 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 have had a positive contribution to our bottom line.

B4. PROSPECT (CONT'D)

New exploration locations, K-16 and WK-1, have been chosen for the next two exploration wells to fulfil our exploration commitment for 2018. K-16 has a high chance of success since it is close to the producing field and in close proximity to the infrastructure. West Kariman-1 (WK-1) is located to test a significant structure in line with some prolific wells to the south of the Emir Oil Block.

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 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.

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	12,692
- Pre-IPO office and corporate expenses	611	25,646
- Others	26,475	30,015
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 30 June 2018.

B9. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sale of unquoted investment and /or properties during the financial period ended 30 June 2018.

B10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

There were no financial instruments with material off-balance sheet risk as at 30 June 2018.

B11. MATERIAL LITIGATION

There were no material litigation as at 30 June 2018.

B12. EARNINGS PER SHARE

(I) BASIC EARNINGS/(LOSS) PER ORDINARY SHARE

The calculation of basic earnings/(loss) per ordinary share as at 30 June 2018 was based on the profit/(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 30 Jun 18 RM'000	Unaudited for the quarter ended 30 Jun 17 RM'000	Unaudited for the period ended 30 Jun 18 RM'000	Unaudited for the period ended 30 Jun 17 RM'000
Profit/(loss) after taxation attributable to owner of the Company	11,227	(14,533)	(9,802)	(24,262)
Weighted average number of ordinary shares	1,096,413	1,096,413	1,096,413	1,096,413
Basic profit/(loss) per ordinary share (RM)	0.01	(0.01)	(0.01)	(0.02)
Diluted earnings/(loss) per ordinary share (RM)	0.01	(0.01)	(0.01)	(0.02)

(II) DILUTED EARNINGS/(LOSS) PER ORDINARY SHARE

Diluted earnings/(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. PROFIT/(LOSS) BEFORE TAXATION

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 30 Jun 18 RM'000	Unaudited for the quarter ended 30 Jun 17 RM'000	Unaudited for the period ended 30 Jun 18 RM'000	Unaudited for the period ended 30 Jun 17 RM'000
Profit/(loss) before taxation is arrived after charging/(crediting):				
Interest income from deposits with licensed banks	407	282	782	602
Other finance income	9	1,294	46	1,603
Foreign exchange gain/(loss), net	15,463	(10,823)	(1,495)	(15,366)
Interest expenses on loan from corporate shareholder in a subsidiary	(8,074)	(7,333)	(15,774)	(16,794)
Interest expenses on deferred consideration	(4,861)	-	(9,055)	-
Other finance cost	(511)	(12)	(1,054)	(45)

B14. INCOME TAX (EXPENSES)/BENEFITS

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 30 Jun 18 RM'000	Unaudited for the quarter ended 30 Jun 17 RM'000	Unaudited for the period ended 30 Jun 18 RM'000	Unaudited for the period ended 30 Jun 17 RM'000
Current income tax				
Malaysian income tax:				
- Current period/year	-	(65)	(18)	(139)
Foreign income tax:				
- Under provision in prior year	(37)	-	(37)	-
Deferred income tax:				
- Origination and reversal of temporary difference	(7,939)	1,891	5,671	1,225
	(7,976)	1,826	5,616	1,086

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
27 AUGUST 2018