



# **REACH ENERGY BERHAD**

Company no: 1034400-D  
(Incorporated in Malaysia)

Report  
on  
Unaudited  
Quarterly Financial Results  
for the Period  
1 January 2019  
to  
31 March 2019

(The figures have not been audited)

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		<b>INDIVIDUAL QUARTER</b>	<b>INDIVIDUAL QUARTER</b>	<b>CUMULATIVE QUARTER</b>	<b>CUMULATIVE QUARTER</b>
		<b>Unaudited for the quarter ended</b>	<b>Unaudited for the quarter ended</b>	<b>Unaudited for the year ended</b>	<b>Unaudited for the year ended</b>
	<b>Note</b>	<b>31 Mar 19 RM'000</b>	<b>31 Mar 18 RM'000</b>	<b>31 Mar 19 RM'000</b>	<b>31 Mar 18 RM'000</b>
Revenue		50,774	42,481	50,774	42,481
Operating expense					
Depreciation, depletion and amortisation		(15,044)	(19,612)	(15,044)	(19,612)
Distribution expenses		(5,330)	(5,918)	(5,330)	(5,918)
Employee compensation costs		(3,470)	(3,595)	(3,470)	(3,595)
General and administration expenses		(1,543)	(2,710)	(1,543)	(2,710)
Other operating (expenses)/income – net		(738)	(1,755)	(738)	(1,755)
Purchase, services and other direct costs		(8,607)	(4,317)	(8,607)	(4,317)
Taxes other than income taxes		(15,487)	(16,464)	(15,487)	(16,464)
Total operating expenses		<u>(50,219)</u>	<u>(54,371)</u>	<u>(50,219)</u>	<u>(54,371)</u>
<b>Profit/(Loss) from operations</b>		<b>555</b>	<b>(11,890)</b>	<b>555</b>	<b>(11,890)</b>
Finance income		410	412	410	412
Finance cost		(21,081)	(29,395)	(21,081)	(29,395)
Finance income/(cost) – net		<u>(20,671)</u>	<u>(28,983)</u>	<u>(20,671)</u>	<u>(28,983)</u>
<b>Loss before taxation</b>	B13	<b>(20,116)</b>	<b>(40,873)</b>	<b>(20,116)</b>	<b>(40,873)</b>
Income tax benefit	B14	7,361	13,592	7,361	13,592
<b>Loss for the financial period</b>		<b><u>(12,755)</u></b>	<b><u>(27,281)</u></b>	<b><u>(12,755)</u></b>	<b><u>(27,281)</u></b>
<b>Loss attributable to:</b>					
Owners of the Company		(12,881)	(21,029)	(12,881)	(21,029)
Non-controlling interests		126	(6,252)	126	(6,252)
<b>Loss for the financial period</b>		<b><u>(12,755)</u></b>	<b><u>(27,281)</u></b>	<b><u>(12,755)</u></b>	<b><u>(27,281)</u></b>
<b>Earnings per share attributable to owners of the Company</b>	B12				
Basic loss per ordinary share (RM):		(0.01)	(0.02)	(0.01)	(0.02)
Diluted loss per ordinary share (RM):		(0.01)	(0.02)	(0.01)	(0.02)
<b>Loss for the financial period</b>		<b>(12,755)</b>	<b>(27,281)</b>	<b>(12,755)</b>	<b>(27,281)</b>
<b>Other comprehensive income/(expense), net of tax</b>					
<b>Items that will be reclassified subsequently to profit or loss:</b>					
- Foreign currency translation differences		5,000	(16,662)	5,000	(16,662)
<b>Total comprehensive expense for the financial period</b>		<b><u>(7,755)</u></b>	<b><u>(43,943)</u></b>	<b><u>(7,755)</u></b>	<b><u>(43,943)</u></b>

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 2018 and the accompanying explanatory notes.

**REACH ENERGY BERHAD**  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)**

	<b>INDIVIDUAL QUARTER</b>	<b>INDIVIDUAL QUARTER</b>	<b>CUMULATIVE QUARTER</b>	<b>CUMULATIVE QUARTER</b>
	<b>Unaudited for the quarter ended</b>	<b>Unaudited for the quarter ended</b>	<b>Unaudited for the year ended</b>	<b>Unaudited for the year ended</b>
<b>Note</b>	<b>31 Mar 19 RM'000</b>	<b>31 Mar 18 RM'000</b>	<b>31 Mar 19 RM'000</b>	<b>31 Mar 18 RM'000</b>
<b>Total comprehensive expense for the period attributable to:</b>				
Owners of the Company	9,479	(14,307)	9,479	(14,307)
Non-controlling interests	(17,234)	(29,636)	(17,234)	(29,636)
<b>Total comprehensive expense for the financial period</b>	<b>(7,755)</b>	<b>(43,943)</b>	<b>(7,755)</b>	<b>(43,943)</b>

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 2018 and the accompanying explanatory notes.

**REACH ENERGY BERHAD**  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	Unaudited As at 31 Mar 19 RM'000	Audited As at 31 Dec 18 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,562,303	1,577,947
Intangible assets		1,440	2,067
Prepayment and other receivables		3,356	2,357
Restricted cash		6,915	6,936
<b>Total non-current assets</b>		<b>1,574,014</b>	<b>1,589,307</b>
<b>Current assets</b>			
Inventories		2,343	3,073
Trade receivables		28,180	14,241
Prepayment and other receivables		13,859	13,233
Amount due from corporate shareholder in a subsidiary		2,280	2,080
Amount due from corporate shareholder		209	209
Deposits, cash and bank balances		45,931	49,007
Tax Recoverable		11	164
<b>Total current assets</b>		<b>92,813</b>	<b>82,007</b>
<b>Total assets</b>		<b>1,666,827</b>	<b>1,671,314</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables		50,541	33,026
Accruals and other payables		15,521	17,822
Amounts due to corporate shareholder in a subsidiary	A7	309,364	306,686
Current tax liabilities		4,417	4,439
<b>Total current liabilities</b>		<b>379,843</b>	<b>361,973</b>
<b>Net current liabilities</b>		<b>(287,030)</b>	<b>(279,966)</b>
<b>Total assets less current liabilities</b>		<b>1,286,984</b>	<b>1,309,341</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		114,688	123,672
Amounts due to corporate shareholder in a subsidiary	A7	297,832	293,534
Trade payables		22,285	22,350
Accruals and other payables		2,108	2,112
Provisions		13,704	13,533
		<b>450,617</b>	<b>455,201</b>
<b>Net assets</b>		<b>836,367</b>	<b>854,140</b>
<b>Equity</b>			
Capital		488,975	488,975
Other reserves		255,376	258,388
Retained earnings/(accumulated losses)		(68,584)	(55,703)
Equity attributable to owners of the Company		675,767	691,660
Non-controlling interest		160,600	162,480
<b>Total Equity</b>		<b>836,367</b>	<b>854,140</b>
<b>Net assets per share (RM)</b>		<b>0.76</b>	<b>0.78</b>

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 2018 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 -----→			Share- based payment reserves RM'000	Foreign exchange reserve RM'000	Accumulated losses RM'000	Total RM'000	Non- controlling interest RM'000	Total Equity RM'000
	Capital RM'000	Warrants reserve RM'000	Capital contribution RM'000						
<b>As at 1 January 2019</b>	488,975	198,914	81,682	821	(23,029)	(55,703)	691,660	162,480	854,140
Loss for the financial year	-	-	-	-	-	(12,881)	(12,881)	126	(12,755)
Other comprehensive expense, net of tax - Foreign currency translation	-	-	-	-	(3,012)	-	(3,012)	(2,006)	(5,018)
Total comprehensive expense for the financial period	-	-	-	-	(3,012)	(12,881)	(15,893)	(1,880)	(17,773)
<b>As at 31 Mar 2019</b>	<b>488,975</b>	<b>198,914</b>	<b>81,682</b>	<b>821</b>	<b>(26,041)</b>	<b>(68,584)</b>	<b>675,767</b>	<b>160,600</b>	<b>836,367</b>

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 2018 and the accompanying explanatory notes.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	←----- Attributable to Equity Holders of the Company ----->						Total RM'000	Non- controlling interest RM'000	Total Equity RM'000
	Non-distributable								
	Capital RM'000	Warrants reserve RM'000	Capital contribution RM'000	Share- based payment reserves RM'000	Foreign exchange reserve RM'000	Accumulated losses RM'000			
<b>As at 1 January 2018</b>	488,975	198,914	14,403	821	(26,396)	(13,976)	662,741	175,146	837,887
Loss for the financial year	-	-	-	-	-	(41,727)	(41,727)	(14,298)	(56,025)
Other comprehensive income, net of tax									
- Foreign currency translation	-	-	-	-	3,367	-	3,367	1,632	4,999
- Gain from extinguishment of debt	-	-	67,279	-	-	-	67,279	-	67,279
Total comprehensive income/(expense) for the year	-	-	67,279	-	3,367	(41,727)	28,919	(12,666)	16,253
<b>As at 31 Dec 2018</b>	<b>488,975</b>	<b>198,914</b>	<b>81,682</b>	<b>821</b>	<b>(23,029)</b>	<b>(55,703)</b>	<b>691,660</b>	<b>162,480</b>	<b>854,140</b>

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 2018 and the accompanying explanatory notes.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Unaudited 3 months 31 Mar 19 RM'000</b>	<b>Unaudited 3 months 31 Mar 18 RM'000</b>
<b>Cash flows from operating activities</b>		
Loss before tax	(20,116)	(40,873)
Adjustments for:-		
Depreciation of property, plant and equipment	15,044	19,612
Unrealised foreign exchange loss, net	5,451	16,958
Finance cost	15,630	12,437
Finance income	(410)	(412)
Write off of inventory	83	-
Write off of property, plant and equipment	9	-
	<u>15,691</u>	<u>7,722</u>
Changes in working capital:		
Inventories	1,983	443
Prepayment and other receivables	(1,859)	1,763
Trade receivables	(14,133)	(4,671)
Trade payables	18,694	4,675
Other payables and accruals	(2,883)	(2,934)
Amount due to corporate shareholder in a subsidiary	(739)	-
<b>Cash flows generated from operating activities</b>	<u>16,754</u>	<u>6,998</u>
Income tax refund/(paid)	153	(11)
<b>Net cash generated from operating activities</b>	<u><u>16,907</u></u>	<u><u>6,987</u></u>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(20,711)	(7,518)
Finance income received	377	412
Advances to corporate shareholder	-	(6)
Movement in restricted cash	(75)	(302)
<b>Net cash used in investing activities</b>	<u><u>(20,409)</u></u>	<u><u>(7,414)</u></u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(3,502)	(427)
<b>Cash and cash equivalents at the beginning of the period</b>	49,007	27,519
<b>Exchange difference on cash and cash equivalents</b>	426	(1,220)
	<u><u>45,931</u></u>	<u><u>25,872</u></u>

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 2018 and the accompanying explanatory notes.

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**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 2018 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 2018.

The accounting policies and methods of computation adopted by the Group in these unaudited condensed consolidated financial statements are consistent with those adopted in the audited consolidated financial statements for the financial year ended 31 December 2018 except for those standards, amendments and interpretations which are effective from the annual period beginning on or after 1 January 2019. 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 2019. The adoption of these standards, amendments and interpretations has no material impact to these unaudited condensed consolidated financial statements, other than as disclosed below:-

**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   | <i>Leases</i>  |
| • IC Interpretation 23                                    | <i>Uncertainty over Income Tax Treatments</i>                          |
| • Annual improvement to MFRS 2015-2017 cycle              | <i>Amendments to MFRS 123 'Borrowing Costs'</i>                        |
| • Annual improvement to MFRS 2015-2017 cycle              | <i>Amendments to MFRS 112 'Income Taxes'</i>                           |
| (ii) Financial year beginning on or after 1 January 2020: |  |
| • Amendments to MFRS 101                                  | <i>Presentation of Financial Statements</i>                            |
| • Amendments to MFRS 108                                  | <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> |
| • Amendments to MFRS 134                                  | <i>Interim Financial Reports</i>                                       |
| • Amendments to MFRS 137                                  | <i>Provisions, Contingent Liabilities and Contingent Assets</i>        |
| • Amendments to MFRS 138                                  | <i>Intangible Assets</i>   |
| • Amendments to MFRS 2                                    | <i>Share-Based Payment</i>   |
| • Amendments to MFRS 6                                    | <i>Exploration and Evaluation of Mineral Resources</i>                 |
| • Amendments to IC Interpretation 22                      | <i>Foreign Currency Transaction and Advance Consideration</i>          |

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 2018 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.



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**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 Mar 2019					
	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	72,980	297,832	75,806	309,364	148,786	607,196
	As at 31 Dec 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	70,927	293,534	74,106	306,686	145,033	600,220

\*The unsecured borrowings are denominated in United States Dollars ("USD") and translated at the rate of 4.0810 (2018: 4.139).

There was a repayment of interest on deferred consideration and drawdowns of borrowings made during the 3 months financial period ended 31 Mar 2019. The amount due to corporate shareholder in a subsidiary has the following interest exposures and repayment terms:

<u>Amount</u>	<u>Interest</u>	<u>Repayment terms</u>
RM'000		
179,750	Ranging from 10% to 14%	No fixed repayment period
244,145	5%	Due in 2019
57,539	Interest free	Due in 2019
66,441	4.86%	Due in 2036
20,428	Interest free	Due in 2036
7,679	Interest free	Repayable on demand
1,586	5%	Due in 2023
355	Interest free	Due in 2023
29,273	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 Mar 2019.

**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 Mar 2019.

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**A11. CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

There were no contingent liabilities or contingent assets as at 31 Mar 2019.

**A12. COMMITMENT**

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

	<b>Unaudited</b> <b>As at 31 Mar 19</b> <b>RM'000</b>	<b>Audited</b> <b>As at 31 Dec 18</b> <b>RM'000</b>
Authorised but not contracted for	10,759	32,934
Contracted but not provided for	65,896	48,977
	<u>76,655</u>	<u>81,911</u>

**(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:

	<b>Unaudited</b> <b>As at 31 Mar 19</b> <b>RM'000</b>	<b>Audited</b> <b>As at 31 Dec 18</b> <b>RM'000</b>
< 1 year	185	1,929
1 – 2 years	-	152
	<u>185</u>	<u>2,081</u>

**(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:**

	<b>Unaudited</b> <b>As at 31 Mar 19</b> <b>RM'000</b>	<b>Audited</b> <b>As at 31 Dec 18</b> <b>RM'000</b>
< 1 year	262,048	134,989
1 – 2 years	223,019	591,461
2 – 5 years	290,994	814,124
> 5 years	758,085	2,218,666
	<u>1,534,146</u>	<u>3,759,240</u>

The minimum work program includes capital expenditure of RM 191 million (2018: RM 829 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.

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**B1. OPERATING SEGMENTS (CONT'D)**

**(I) SUMMARISED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER		CUMULATIVE QUARTER		CUMULATIVE QUARTER	
	Unaudited for the quarter ended 31 Mar 19		Unaudited for the quarter ended 31 Mar 18		Unaudited for the year ended 31 Mar 19		Unaudited for the year ended 31 Mar 18	
	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	50,774	-	42,481	-	50,774	-	42,481	-
<b>Results</b>								
Operating expenses	(48,496)	(1,723)	(52,022)	(2,349)	(48,496)	(1,723)	(52,022)	(2,349)
Finance expense, net	(9,324)	(11,347)	(8,057)	(20,926)	(9,324)	(11,347)	(8,057)	(20,926)
Profit/(loss) before taxation	(7,046)	(13,070)	(17,598)	(23,275)	7,046	(13,070)	(17,598)	(23,275)
Income tax (expenses)/benefit	7,361	-	13,610	(18)	7,361	-	13,610	(18)
(Loss)/profit for the financial period	315	(13,070)	(3,988)	(23,293)	315	(13,070)	(3,988)	(23,293)

The amounts are denominated in United States Dollars ("USD") and translated at an average rate of 4.080 (2018: 4.036).

**(II) SUMMARISED STATEMENT OF FINANCIAL POSITION**

	Unaudited as at 31 Mar 19		Audited as at 31 Dec 18	
	Oil & Gas RM'000	Investment Holdings RM'000	Oil & Gas RM'000	Investment Holdings RM'000
Non-current assets	1,573,997	17	1,589,288	19
Current assets	73,252	19,561	60,964	21,043
Current liabilities	(377,130)	(2,713)	(361,054)	(919)
Non-current liabilities	(241,434)	(209,183)	(455,201)	-
Net assets	1,028,685	(192,318)	833,997	20,143
Accumulated non-controlling interest		160,600		162,480

The amounts are denominated in United States Dollars ("USD") and translated at the closing rate of 4.081 (2018: 4.139).

**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 31 Mar 19 RM'000	Unaudited for the quarter ended 31 Mar 18 RM'000	Unaudited for the year ended 31 Mar 19 RM'000	Unaudited for the year ended 31 Mar 18 RM'000
Revenue	50,774	42,481	50,774	42,481
Operating expenses	(50,219)	(54,371)	(50,219)	(54,371)
EBITDA	15,599	7,722	15,599	7,722
Loss before tax	(20,116)	(40,873)	(20,116)	(40,873)
Loss after tax	(12,755)	(27,281)	(12,755)	(27,281)

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

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

**(I) COMPARING WITH PRECEDING YEAR QUARTER RESULTS (CONT'D)**

The Group's revenue of RM 50.8 million for the first quarter ended 31 March 2019 is higher than the RM 42.5 million recorded in the same quarter of 2018 by RM 8.3 million or 19.5%, even though the production for the first quarter of 2019 of 2,800 bopd is lower as compared to 2,900 bopd in the first quarter of 2018.

The Group recognises revenue for export crude at custody transfer point on Free on Board (FOB). Higher production but lower revenue was recorded in the first quarter 2018 as part of revenue in the first quarter 2018 had been deferred to second quarter 2018 due to tight shipment schedule.

In addition to the above, as the Group's revenue is mainly in USD Dollar, the strong USD Dollar to Ringgit in the first quarter 2019 as compared to lower exchange rate in the first quarter 2018 had also contributed to higher revenue in Ringgit for group reporting.

As the cost optimising efforts continue, the operating expenses (exclude DD&A) such as distribution expenses, employee compensation costs and general and administrative expenses have decreased. The purchase, services and other direct costs have increased in the current quarter as compared to the first quarter 2018 mainly due to increased activities of workover and repair and maintenance of production equipment.

Depreciation, depletion and amortization (DD&A) for the current quarter has decreased by 23.3% (from RM 19.6 million to RM 15.0 million), mainly due to increase in reserves and hence lower unit of production rates.

As a result of higher revenue and lower operating expenses, the Group recorded Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 15.6 million in the first quarter of 2019 as compared to RM 7.7 million in the first quarter of 2018.

The Finance Cost of RM 21.1 million in the first quarter 2019 consists of unrealised FOREX Loss of RM 5.5 million and RM 15.6 million interest payable to corporate shareholder and other finance cost.

The Group recorded Loss before Tax of RM 20.1 million in the first quarter 2019, compared to Loss before Tax of RM 40.9 million in the first quarter 2018, the loss has been decreased by RM 20.8 million, or 50.8%.

Currently, the Group's net asset per share stands at RM 0.76 as compared to the closing market price of RM 0.24 per share on 24 May 2019.

**(II) COMPARING WITH IMMEDIATE PRECEDING QUARTER RESULTS**

	<b>CURRENT QUARTER</b>	<b>IMMEDIATE PRECEDING QUARTER</b>
	<b>Unaudited for the period ended 31 Mar 19 RM'000</b>	<b>Audited for the period ended 31 Dec 18 RM'000</b>
Revenue	50,774	69,297
Operating expenses	(50,219)	(50,750)
EBITDA	15,599	20,165
(Loss)/Profit before tax	(20,116)	3,469
Loss after tax	(12,755)	(15,039)

The Group's revenue for the current quarter under review has decreased by 26.7% or RM 18.5 million from RM 69.3 million in the fourth quarter 2018 to RM 50.8 million in the first quarter 2019, attributed by lower production of 2,800 bopd in the first quarter 2019 as compared to fourth quarter production of 3,100 bopd.

For the current quarter under review, operating expenses recorded slightly lower compared with immediate, preceding quarter. The Group has recorded a decrease of 22.6% (RM 4.6 million) in Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) as compared to RM 20.2 million in the fourth quarter of 2018.

For the current quarter, the Group has reported Loss before Tax of RM 20.1 million and Loss after Tax of RM 12.8 million compared to the fourth quarter 2018 Profit before Tax of RM 3.5 million and Loss after Tax of RM 15.0 million.

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**B3. MATERIAL CHANGE IN PROFIT BEFORE TAXATION**

The Group recorded a loss before taxation of RM 20.1 million in the current three months period while in the corresponding three months period ended 31 March 2018, the Group recorded a loss of RM 40.9 million.

**B4. PROSPECT**

Throughout 2019, we will continue our efforts to strengthen our core business through the following clear goals: i) Increase oil production from existing wells; ii) Reduce production cost; iii) Mature our development-ready fields into commercial production licenses; and iv) Conduct strategic exploration drilling, studies and geological modelling.

We have made good progress in our 2 development fields (North Kariman and Yessen) that are close to obtaining Commercial Production Licenses. We have received a Trial Production Period (TPP) License for the North Kariman field for 15 months, commencing from October 2018 until end of 2019. This has allowed us to put 2 wells in the North Kariman field (North Kariman-1 and North Kariman-2) on continuous production throughout the trial period. This TPP represents the final step of the process to obtain a Commercial Production License for the North Kariman field. As for the Yessen Field, we are working towards obtaining a TPP License in 2H of 2019 that would allow us to produce continuously from two discovery wells, Yessen-1 and Yessen-2.

Well problem analysis has been an essential part of our efforts to improve our production performance. This involves operational focus to continuously improve our understanding of the reservoir and its dynamics with surface facilities and utilized ESPs, which would allow us to further identify opportunities to increase production levels from existing wells. Most of our attention and optimization efforts to date have been in the Kariman Field. Moving forward, we are poised to conduct similar intensive well remediation work in Dolinnoe and Emir Fields. Debottlenecking of surface facilities is currently ongoing, to improve our facilities network to reduce back-pressures in the system to maximize our daily production throughput. Infrastructure developments include hooking up the North Kariman cluster to the main network, preparing surface facilities for the Yessen TPP and improving internal oil and gas transport links.

A water injection pilot program is planned for 2019 for reservoir pressure maintenance in our Kariman Field. We believe that 2019 is a good time period to complete construction of our Central Processing Facility (CPF) which remains an important element of our long-term field development plan.

The exploration drilling of Kariman 16 (K-16) well has been safely and successfully completed. The well is currently undergoing analyses to evaluate its degree of productivity and to quantify the contribution to reserves. Preliminary evaluations are encouraging. In addition, exploration drilling of the Kariman 15 (K-15) well is progressing as planned. K-15 is deemed to have a high chance of success considering that it is relatively close in proximity to the current Kariman Field mining allotment area. For 2019, one exploration well is scheduled, in the Yessen Field. As the current Exploration License would expire in January 2020, work efforts to seek prolongation of the license are underway.

Since assuming operatorship of the Emir Oil asset in May 2017, we have continued to improve the asset performance significantly with limited funding. With improved oil price scenario, the year 2019 looks favourable to secure needed funding to retire financial obligations and pursue a more aggressive development program, consisting of new development wells to increase production and revenue.

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**B5. RESERVES**

The Reserves Assessor, Gaffney, Cline & Associates ("GCA"), has performed an assessment of the Reserves and Resources of the Emir Oil Concession Block, located in Kazakhstan, as at Effective Date of 31 December 2018. This follows on from a similar assessment made by GCA for the previous year.

The Company's 2P Reserves have increased from the previous year's audit, as GCA has allocated 88 MMBOE of 2P Oil and Gas Reserves as at end of 2018. This represents a 9% increase from previous year's audit by GCA. Moving forward, we will pursue our field development goals aggressively such as implementing reservoir pressure maintenance programs, drilling new development wells, and removing any surface facilities bottlenecks, leading to further increase of both our 2P Oil and Gas Reserves and daily production rates.

As at 31 December 2018, the gross reserves (100% basis) of Emir-Oil Concession Block are summarised in the table below:

**(I) OIL AND LIQUEFIED PETROLEUM GAS (LPG)**

FIELD	OIL RESERVES (MMSTB)		
	1P <u>(PROVED RESERVES)</u>	2P <u>(PROVED + PROBABLE RESERVES)</u>	3P <u>(PROVED + PROBABLE + POSSIBLE RESERVES)</u>
Kariman	12.416	49.990	77.282
Dolinnoe	7.743	15.590	25.369
Aksaz	0.245	1.440	2.746
Yessen	2.448	4.970	7.820
Emir	1.791	3.310	5.621
<b>Total</b>	<b>24.643</b>	<b>75.300</b>	<b>118.838</b>

**(II) GAS**

FIELD	GAS RESERVES (BSCF)		
	1P <u>(PROVED RESERVES)</u>	2P <u>(PROVED + PROBABLE RESERVES)</u>	3P <u>(PROVED + PROBABLE + POSSIBLE RESERVES)</u>
Kariman	4.612	26.410	39.051
Dolinnoe	19.835	31.284	52.439
Aksaz	2.594	18.090	40.549
Yessen	1.546	2.312	4.047
Emir	0.502	0.738	1.494
<b>Total</b>	<b>29.089</b>	<b>78.834</b>	<b>137.580</b>

**(III) OIL, LPG AND GAS**

FIELD	OIL AND GAS RESERVES (MMBOE)		
	1P <u>(PROVED RESERVES)</u>	2P <u>(PROVED + PROBABLE RESERVES)</u>	3P <u>(PROVED + PROBABLE + POSSIBLE RESERVES)</u>
Kariman	13.184	54.392	83.791
Dolinnoe	11.048	20.804	34.109
Aksaz	0.677	4.455	9.504
Yessen	2.706	5.355	8.495
Emir	1.875	3.433	5.870
<b>Total</b>	<b>29.490</b>	<b>88.439</b>	<b>141.769</b>

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**B6. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL**

<b>Purpose of Utilisation</b>	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>
Acquisition of the target company/asset	710,625	580,528
Working capital		
- Remuneration of the management team	15,459	13,380
- Pre-IPO office and corporate expenses	611	25,646
- Others	26,475	34,663
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 Mar 2019.

**B9. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES**

There were no sale of unquoted investment and /or properties during the financial period ended 31 Mar 2019.

**B10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK**

There were no financial instruments with material off-balance sheet risk as at 31 Mar 2019.

**B11. MATERIAL LITIGATION**

There were no material litigations as at 31 Mar 2019.

**B12. EARNINGS PER SHARE**

**(I) BASIC LOSS PER ORDINARY SHARE**

The calculation of basic loss per ordinary share as at 31 Mar 2019 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, as follows:-

	<b>INDIVIDUAL QUARTER</b>	<b>INDIVIDUAL QUARTER</b>	<b>CUMULATIVE QUARTER</b>	<b>CUMULATIVE QUARTER</b>
	<b>Unaudited for the quarter ended 31 Mar 19 RM'000</b>	<b>Unaudited for the quarter ended 31 Mar 18 RM'000</b>	<b>Unaudited for the year ended 31 Mar 19 RM'000</b>	<b>Unaudited for the year ended 31 Mar 18 RM'000</b>
Loss after taxation attributable to owner of the Company	(12,881)	(21,029)	(12,881)	(21,029)
Weighted average number of ordinary shares	1,096,413	1,096,413	1,096,413	1,096,413
Basic loss per ordinary share (RM)	(0.01)	(0.02)	(0.01)	(0.02)
Diluted loss per ordinary share (RM)	(0.01)	(0.02)	(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.

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**B13. LOSS BEFORE TAXATION**

	<b>INDIVIDUAL QUARTER</b>	<b>INDIVIDUAL QUARTER</b>	<b>CUMULATIVE QUARTER</b>	<b>CUMULATIVE QUARTER</b>
	<b>Unaudited for the quarter ended 31 Mar 19 RM'000</b>	<b>Unaudited for the quarter ended 31 Mar 18 RM'000</b>	<b>Unaudited for the year ended 31 Mar 19 RM'000</b>	<b>Unaudited for the year ended 31 Mar 18 RM'000</b>
Loss before taxation is arrived after charging/(crediting):				
Interest income from deposits with licensed banks	377	375	377	375
Other finance income	33	37	33	37
Foreign exchange gain/(loss), net	(5,451)	(16,958)	(5,451)	(16,958)
Interest expenses on loan from corporate shareholder in a subsidiary	(9,039)	(7,700)	(9,039)	(7,700)
Interest expenses on deferred consideration	(6,288)	(4,194)	(6,288)	(4,194)
Other finance cost	(303)	(543)	(303)	(543)

**B14. INCOME TAX EXPENSES**

	<b>INDIVIDUAL QUARTER</b>	<b>INDIVIDUAL QUARTER</b>	<b>CUMULATIVE QUARTER</b>	<b>CUMULATIVE QUARTER</b>
	<b>Unaudited for the quarter ended 31 Mar 19 RM'000</b>	<b>Unaudited for the quarter ended 31 Mar 18 RM'000</b>	<b>Unaudited for the year ended 31 Mar 19 RM'000</b>	<b>Unaudited for the year ended 31 Mar 18 RM'000</b>
Current income tax				
Malaysian income tax:				
- Current period/year	-	(18)	-	(18)
Foreign income tax:				
- Current year	6,428	-	6,428	-
Deferred income tax:				
- Origination and reversal of temporary difference	933	13,610	933	13,610
	<u>7,361</u>	<u>13,592</u>	<u>7,361</u>	<u>13,592</u>

In the current year, the income tax is calculated at the statutory tax rate of 24% (2018: 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 MAY 2019**