



REACH ENERGY BERHAD

Company no: 1034400-D
(Incorporated in Malaysia)

Report
on
Unaudited
Quarterly Financial Results
for the Period
1 April 2019
to
30 June 2019

(The figures have not been audited)

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended	Unaudited for the quarter ended	Unaudited for the year ended	Unaudited for the year ended
Note	30 Jun 19 RM'000	30 Jun 18 RM'000	30 Jun 19 RM'000	30 Jun 18 RM'000
Revenue	47,070	67,670	97,844	110,151
Operating expense				
Depreciation, depletion and amortisation	(13,524)	(19,767)	(28,568)	(39,379)
Distribution expenses	(4,601)	(8,645)	(9,931)	(14,563)
Employee compensation costs	(3,214)	(3,567)	(6,684)	(7,162)
General and administration expenses	(3,773)	(2,039)	(5,316)	(4,749)
Other operating income – net	1,943	2,643	1,205	888
Purchase, services and other direct costs	(8,308)	(6,960)	(16,915)	(11,277)
Taxes other than income taxes	(15,054)	(19,210)	(30,541)	(35,674)
Total operating expenses	<u>(46,531)</u>	<u>(57,545)</u>	<u>(96,750)</u>	<u>(111,916)</u>
Profit/(loss) from operations	539	10,125	1,094	(1,765)
Finance income	6,290	2,433	1,249	828
Finance cost	(16,173)	-	(31,803)	(27,378)
Finance (cost)/income – net	<u>(9,883)</u>	<u>2,433</u>	<u>(30,554)</u>	<u>(26,550)</u>
(Loss)/profit before taxation	(9,344)	12,558	(29,460)	(28,315)
Income tax (expenses)/benefits	B13 B14 <u>(7,650)</u>	<u>(7,976)</u>	<u>(289)</u>	<u>5,616</u>
(Loss)/profit for the financial period	<u>(16,994)</u>	<u>4,582</u>	<u>(29,749)</u>	<u>(22,699)</u>
(Loss)/profit attributable to:				
Owners of the Company	(11,386)	11,227	(24,267)	(9,802)
Non-controlling interests	(5,608)	(6,645)	(5,482)	(12,897)
(Loss)/profit for the financial period	<u>(16,994)</u>	<u>4,582</u>	<u>(29,749)</u>	<u>(22,699)</u>
Earnings per share attributable to owners of the Company	B12			
Basic loss per ordinary share (RM):	(0.01)	0.01	(0.02)	(0.01)
Diluted loss per ordinary share (RM):	(0.01)	0.01	(0.02)	(0.01)
(Loss)/profit for the financial period	(16,994)	4,582	(29,749)	(22,699)
Other comprehensive (expense)/income, net of tax				
Items that will be reclassified subsequently to profit or loss:				
- Foreign currency translation differences	(5,146)	14,066	(146)	(2,596)
Total comprehensive (expense)/income for the financial period	<u>(22,140)</u>	<u>18,648</u>	<u>(29,895)</u>	<u>(25,295)</u>

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
(Company no. 1034400-D)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended	Unaudited for the quarter ended	Unaudited for the year ended	Unaudited for the year ended
Note	30 Jun 19 RM'000	30 Jun 18 RM'000	30 Jun 19 RM'000	30 Jun 18 RM'000
Total comprehensive (expense)/income for the period attributable to:				
Owners of the Company	(18,480)	19,917	(9,001)	5,610
Non-controlling interests	(3,660)	(1,269)	(20,894)	(30,905)
Total comprehensive (expense)/income for the financial period	(22,140)	18,648	(29,895)	(25,295)

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 30 Jun 19 RM'000	Audited As at 31 Dec 18 RM'000
Assets			
Non-current assets			
Property, plant and equipment		1,579,046	1,577,947
Intangible assets		1,800	2,067
Prepayment and other receivables		2,361	2,357
Restricted cash		7,009	6,936
Total non-current assets		1,590,216	1,589,307
Current assets			
Inventories		2,688	3,073
Trade receivables		26,153	14,241
Prepayment and other receivables		15,864	13,233
Amount due from corporate shareholder in a subsidiary		2,580	2,080
Amount due from corporate shareholder		1	209
Deposits, cash and bank balances		52,535	49,007
Tax Recoverable		11	164
Total current assets		99,832	82,007
Total assets		1,690,048	1,671,314
Liabilities			
Current liabilities			
Trade payables		48,143	33,026
Accruals and other payables		16,560	17,822
Amounts due to corporate shareholder in a subsidiary	A7	321,278	306,686
Current tax liabilities		4,375	4,439
Total current liabilities		390,356	361,973
Net current liabilities		(290,524)	(279,966)
Total assets less current liabilities		1,299,692	1,309,341
Non-current liabilities			
Deferred tax liabilities		123,137	123,672
Amounts due to corporate shareholder in a subsidiary	A7	310,716	293,534
Trade payables		25,054	22,350
Accruals and other payables		1,605	2,112
Provisions		14,935	13,533
		475,447	455,201
Net assets		824,245	854,140
Equity			
Capital		488,975	488,975
Other reserves		258,298	258,388
Retained earnings/(accumulated losses)		(79,970)	(55,703)
Equity attributable to owners of the Company		667,303	691,660
Non-controlling interest		156,942	162,480
Total Equity		824,245	854,140
Net assets per share (RM)		0.76	0.78

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 -----→						Total RM'000	Non- controlling interest RM'000	Total Equity RM'000
	←----- Non-distributable -----→			Share- based payment reserves RM'000	Foreign exchange reserve RM'000	Accumulated losses RM'000			
	Capital RM'000	Warrants reserve RM'000	Capital contribution RM'000						
As at 1 January 2019	488,975	198,914	81,682	821	(23,029)	(55,703)	691,660	162,480	854,140
Loss for the financial year	-	-	-	-	-	(24,267)	(24,267)	(5,482)	(29,749)
Other comprehensive expense, net of tax - Foreign currency translation	-	-	-	-	(90)	-	(90)	(56)	(146)
Total comprehensive expense for the financial period	-	-	-	-	(90)	(24,267)	(24,357)	(5,538)	(29,895)
As at 30 June 2019	488,975	198,914	81,682	821	(23,119)	(79,970)	667,303	156,942	824,245

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 contribution RM'000	Share- based payment reserves RM'000	Foreign exchange reserve RM'000	Accumulated losses RM'000			
	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	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	-	-	-	-	-	(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
As at 31 Dec 2018	488,975	198,914	81,682	821	(23,029)	(55,703)	691,660	162,480	854,140

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

	Unaudited 6 months 30 Jun 19 RM'000	Unaudited 6 months 30 Jun 18 RM'000
Cash flows from operating activities		
Loss before tax	(29,460)	(28,315)
Adjustments for:-		
Depreciation of property, plant and equipment	28,568	39,379
Unrealised foreign exchange (gain)/loss, net	(403)	1,482
Finance cost	31,803	25,896
Finance income	(846)	(828)
Write off of inventory	162	-
Write off of property, plant and equipment	15	-
Net provision for inventory obsolescence	(512)	-
	<u>29,327</u>	<u>37,614</u>
Changes in working capital:		
Inventories	736	2,671
Prepayment and other receivables	(2,605)	4,829
Trade receivables	(11,834)	(17,487)
Trade payables	18,472	2,153
Other payables and accruals	(1,627)	(1,873)
Amount due to corporate shareholder in a subsidiary	(1,395)	-
Cash flows generated from operating activities	<u>31,074</u>	<u>27,907</u>
Income tax refund/(paid)	153	(11)
Net cash generated from operating activities	<u><u>31,227</u></u>	<u><u>27,896</u></u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(28,405)	(19,180)
Finance income received	840	828
Advances to corporate shareholder	-	(35)
Movement in restricted cash	(67)	178
Net cash used in investing activities	<u><u>(27,632)</u></u>	<u><u>(18,209)</u></u>
Net increase in cash and cash equivalents	3,595	9,687
Cash and cash equivalents at the beginning of the period	49,007	27,519
Exchange difference on cash and cash equivalents	(67)	(188)
	<u><u>52,535</u></u>	<u><u>37,018</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:-

- | | |
|--|---|
| • 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> |

The Group has adopted the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January, 2019. The adoption of these new and revised MFRSs and IC Interpretations have not resulted in any material impact on the financial statements of the Group as mentioned below:

MFRS 16 *Leases*

On the adoption of MFRS 16, Group has assessed the estimated impact that the initial application of MFRS 16. Based on the preliminary assessment, the Group does not expect the application of MFRS 16 to have a significant financial impact on these unaudited condensed consolidated financial statements.

MFRS 16 replaces the guidance in MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases – Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 eliminates the classification of leases by the lessee as either finance lease or operating lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognised in the statement of profit or loss. There are recognition exemptions for short-term leases and leases of low-value items.

Lessor accounting is substantially unchanged from the existing MFRS 117. Lessor will continue to classify all the leases using the same classification principle in MFRS 117 as finance or operating lease.

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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 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 Reports*
 - Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*
 - Amendments to MFRS 138 *Intangible Assets*
 - Amendments to MFRS 2 *Share-Based Payment*
 - Amendments to MFRS 3 *Business Combinations - Definition of a Business*
 - Amendments to MFRS 6 *Exploration and Evaluation of Mineral Resources*
 - Amendments to IC Interpretation 22 *Foreign Currency Transaction and Advance Consideration*

The Group plans to apply the abovementioned accounting standards, amendments and interpretations:

- 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.

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 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	75,016	310,716	77,565	321,278	152,581	631,994
	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 4.142 (2018: 4.139).

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

(I) BORROWING (CONT'D)

There was a repayment of interest on deferred consideration and drawdowns of borrowings made during the 6 months financial period ended 30 June 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		
182,436	Ranging from 10% to 14%	No fixed repayment period
247,795	5%	Due in 2019
65,689	Interest free	Due in 2019
67,435	4.86%	Due in 2036
22,820	Interest free	Due in 2036
7,794	Interest free	Repayable on demand
1,609	5%	Due in 2023
408	Interest free	Due in 2023
36,008	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 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 30 June 2019.

A11. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 30 June 2019.

A12. COMMITMENT

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

	Unaudited	Audited
	As at 30 Jun 19	As at 31 Dec 18
	RM'000	RM'000
Authorised but not contracted for	1,101	32,934
Contracted but not provided for	67,603	48,977
	<u>68,704</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:

	Unaudited	Audited
	As at 30 Jun 19	As at 31 Dec 18
	RM'000	RM'000
< 1 year	723	1,929
1 – 2 years	2,162	152
2 – 5 years	1,850	-
> 5 years	3,700	-
	<u>8,435</u>	<u>2,081</u>

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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 19 RM'000	Audited As at 31 Dec 18 RM'000
< 1 year	264,038	134,989
1 – 2 years	224,623	591,461
2 – 5 years	294,963	814,124
> 5 years	768,425	2,218,666
	1,552,049	3,759,240

The minimum work program includes capital expenditure of RM 103 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.

(I) SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER		CUMULATIVE QUARTER		CUMULATIVE QUARTER	
	Unaudited for the quarter ended 30 Jun 19		Unaudited for the quarter ended 30 Jun 18		Unaudited for the year ended 30 Jun 19		Unaudited for the year ended 30 Jun 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	47,070	-	67,670	-	97,844	-	110,151	-
Results								
Operating expenses	(44,091)	(2,440)	(55,790)	(1,755)	(92,587)	(4,163)	(107,812)	(4,104)
Finance expense, net	(37,095)	27,212	(8,488)	10,921	(46,419)	15,865	(16,545)	(10,005)
(Loss)/profit before taxation	(34,116)	24,772	3,392	9,166	(41,162)	11,702	(14,206)	(14,109)
Income tax (expenses)/benefit	(7,650)	-	(7,976)	-	(289)	-	5,634	(18)
(Loss)/profit for the financial period	(41,766)	24,772	(4,584)	9,166	(41,451)	11,702	(8,572)	(14,127)

The amounts are denominated in United States Dollars ("USD") and translated at an average rate of 4.119 (2018: 4.036).

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B1. OPERATING SEGMENTS (CONT'D)

(II) SUMMARISED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30 Jun 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	1,590,203	13	1,589,288	19
Current assets	82,586	17,246	60,964	21,043
Current liabilities	(389,696)	(660)	(361,054)	(919)
Non-current liabilities	(256,530)	(218,917)	(455,201)	-
Net assets	1,026,563	(202,318)	833,997	20,143
Accumulated non-controlling interest		156,942		162,480

The amounts are denominated in United States Dollars ("USD") and translated at the closing rate of 4.142 (2018: 4.139).

B2. OVERALL REVIEW OF GROUP'S FINANCIAL PERFORMANCE

(I) COMPARING WITH PRECEDING YEAR QUARTER RESULTS

	INDIVIDUAL QUARTER Unaudited for the quarter ended 30 Jun 19 RM'000	INDIVIDUAL QUARTER Unaudited for the quarter ended 30 Jun 18 RM'000	CUMULATIVE QUARTER Unaudited for the year ended 30 Jun 19 RM'000	CUMULATIVE QUARTER Unaudited for the year ended 30 Jun 18 RM'000
Revenue	47,070	67,670	97,844	110,151
Operating expenses	(46,531)	(57,545)	(96,750)	(111,916)
EBITDA	14,063	29,892	29,662	37,614
(Loss)/profit before tax	(9,344)	12,558	(29,460)	(28,315)
(Loss)/profit after tax	(16,994)	4,582	(29,749)	(22,699)

For the second quarter of 2019, the Group's revenue decreased by 30.4% to RM 47.1 million as compared to RM 67.7 million for the second quarter of 2018. This decrease was attributed by lower production. The average production for the second quarter of 2019 was 2,400 bopd as compared to 2,900 bopd for the second quarter 2018.

Taxes other than Income Tax for the current quarter under review was lower by 21% as compared to the second quarter of 2018 mainly due to the lower production rate.

The 31.6% decrease (from RM 19.8 million to RM 13.5 million) in Depreciation, Depletion and Amortization (DD&A) for the current quarter under review was in tandem with the lower production rate.

As a result of lower revenue with fixed overhead expenses, the Group recorded lower Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 14.1 million in the second quarter of 2019 as compared to RM 29.9 million in the second quarter of 2018.

The Finance Cost of RM 16.2 million in the second quarter of 2019 mainly consists of interest payable to corporate shareholder.

The Group reported Loss before Tax of RM 9.3 million in the second quarter of 2019 as compared to Profit before Tax of RM 12.6 million in the second quarter of 2018.

Currently, the Group's net asset per share stands at RM 0.76 as compared to the closing market price of RM 0.19 per share on 22 Aug 2019.

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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 19 RM'000	Unaudited for the period ended 31 Mar 19 RM'000
Revenue	47,070	50,774
Operating expenses	(46,531)	(50,219)
EBITDA	14,063	15,599
Loss before tax	(9,344)	(20,116)
Loss after tax	(16,994)	(12,755)

The Group's revenue for the current quarter under review has decreased by 7.3% to RM 47.1 million from RM 50.8 million in the first quarter of 2019, due to lower production of 2,400 bopd as compared to the first quarter production of 2,800 bopd.

For the current quarter under review, operating expenses recorded slightly lower as compared to the first quarter of 2019. The Group has recorded 9.8% decrease (RM 1.5 million) in Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) as compared to the first quarter of 2019.

The decrease in EBITDA for the current quarter under review was due to lower revenue arising from lower production level as compared to the first quarter of 2019.

For the current quarter under review, the Group has recorded Loss before Tax of RM 9.3 million and Loss after Tax of RM 17.0 million compared to the first quarter of 2019 Loss before Tax of RM 20.1 million and Loss after Tax of RM 12.8 million.

B3. MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group recorded a Loss before Tax of RM 29.5 million in the current six months period ended 30 June 2019 while in the corresponding six months period ended 30 June 2018, the Group recorded a Loss before Tax of RM 28.3 million.

B4. PROSPECT

During the second half of FY2019, we plan to commence drilling of three development wells and 1 exploration well. As the current Exploration License is expiring in January 2020, the process to prolong the exploration license is underway and we expect to receive the required approvals by the relevant authorities.

The exploration drilling of Kariman 16 and Kariman 15 wells have been safely and successfully completed. The logs look positive and we are currently evaluating the intervals for perforation of these wells. Once these reservoir intervals are perforated, we will test the wells to measure the degree of productivity of the wells and update the Kariman reserves based on any added contribution from these two new wells.

We are working towards obtaining a Trial Production Period (TPP) License for the Yessen Field in 2H of 2019 that would allow us to produce continuously from two discovery wells, Yessen-1 and Yessen-2.

Water and gas injection pilot programs are planned for 2019 for reservoir pressure maintenance in our Kariman Field. The preliminary works have been started.

Bottlenecking of surface facilities is currently ongoing, to improve our facilities network to reduce back-pressures in the system to improve 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 oil and gas transportation links.

The Central Processing Facility (CPF) completion work is expected to commence in January 2020 and it is expected to take around 6 to 8 months. Hence, we foresee to use the CPF as part of our operations by 2H 2020.

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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.

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 (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
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
Total	24.643	75.300	118.838

(II) GAS

FIELD	GAS RESERVES (BSCF)		
	1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
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
Total	29.089	78.834	137.580

(III) OIL, LPG AND GAS

FIELD	OIL AND GAS RESERVES (MMBOE)		
	1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
Kariman	13.184	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
Total	29.490	88.439	141.769

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B6. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

Purpose of Utilisation	Proposed Utilisation	Actual Utilisation
	RM'000	RM'000
Acquisition of the target company/asset	710,625	580,528
Working capital		
- Remuneration of the management team	15,459	13,616
- Pre-IPO office and corporate expenses	611	25,646
- Others	26,475	36,808
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 purchases or disposal of quoted securities during the financial period ended 30 June 2019.

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 2019.

B10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

There were no financial instruments with material off-balance sheet risk as at 30 June 2019.

B11. MATERIAL LITIGATION

There were no material litigations as at 30 June 2019.

B12. EARNINGS PER SHARE

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

The calculation of basic (loss)/earnings per ordinary share as at 30 June 2019 was based on the (loss)/earnings 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 19 RM'000	Unaudited for the quarter ended 30 Jun 18 RM'000	Unaudited for the year ended 30 Jun 19 RM'000	Unaudited for the year ended 30 Jun 18 RM'000
(Loss)/profit after taxation attributable to owner of the Company	(11,386)	11,227	(24,267)	(9,802)
Weighted average number of ordinary shares	1,096,413	1,096,413	1,096,413	1,096,413
Basic (loss)/profit per ordinary share (RM)	(0.01)	0.01	(0.02)	(0.01)
Diluted (loss)/earnings per ordinary share (RM)	(0.01)	0.01	(0.02)	(0.01)

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

Diluted earnings/(loss) per ordinary share 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 comprise 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

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 30 Jun 19 RM'000	Unaudited for the quarter ended 30 Jun 18 RM'000	Unaudited for the year ended 30 Jun 19 RM'000	Unaudited for the year ended 30 Jun 18 RM'000
Loss before taxation is arrived after charging/(crediting):				
Interest income from deposits with licensed banks	464	407	840	782
Other finance (expenses)/income	(27)	9	6	46
Foreign exchange gain/(loss), net	5,853	15,463	403	(1,495)
Interest expenses on loan from corporate shareholder in a subsidiary	(9,459)	(8,074)	(18,498)	(15,774)
Interest expenses on deferred consideration	(6,310)	(4,861)	(12,598)	(9,055)
Other finance cost	(404)	(511)	(707)	(1,054)

B14. INCOME TAX EXPENSES

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 30 Jun 19 RM'000	Unaudited for the quarter ended 30 Jun 18 RM'000	Unaudited for the year ended 30 Jun 19 RM'000	Unaudited for the year ended 30 Jun 18 RM'000
Current income tax				
Malaysian income tax:				
- Current period/year	-	-	-	(18)
Foreign income tax:				
- Current year	(5,499)	(37)	929	(37)
- Under provision in prior year	1,240	-	1,240	-
Deferred income tax:				
- Origination and reversal of temporary difference	(3,391)	(7,939)	(2,458)	5,671
	<u>(7,650)</u>	<u>(7,976)</u>	<u>(289)</u>	<u>5,616</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
23 AUGUST 2019