



REACH ENERGY BERHAD

Company no: 201301004557 (1034400-D)
(Incorporated in Malaysia)

Report
on
Unaudited
Quarterly Financial Results
for the Period
1 Jan 2021
to
31 Mar 2021

(The figures have not been audited)

REACH ENERGY BERHAD
Company no. 201301004557 (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	31 Mar 21 RM'000	31 Mar 20 RM'000	31 Mar 21 RM'000	31 Mar 20 RM'000
Revenue		23,057	22,681	23,057	22,681
Operating expenses					
Taxes other than income taxes		(6,062)	(9,207)	(6,062)	(9,207)
Purchase, services and other direct costs		(4,270)	(9,306)	(4,270)	(9,306)
Depreciation, depletion and amortisation		(9,841)	(17,185)	(9,841)	(17,185)
Impairment of non-financial asset		-	(6,629)	-	(6,629)
Distribution expenses		(2,288)	(3,680)	(2,288)	(3,680)
Employee compensation costs		(2,270)	(3,849)	(2,270)	(3,849)
General and administration expenses		(1,204)	(2,338)	(1,204)	(2,338)
Other operating (expenses)/income – net		(1,440)	4,824	(1,440)	4,824
Total operating expenses		<u>(27,375)</u>	<u>(47,370)</u>	<u>(27,375)</u>	<u>(47,370)</u>
Loss from operations		(4,318)	(24,689)	(4,318)	(24,689)
Finance income		14,970	20,618	14,970	20,618
Finance cost		(12,576)	(12,545)	(12,576)	(12,545)
Finance income – net		<u>2,394</u>	<u>8,073</u>	<u>2,394</u>	<u>8,073</u>
Loss before taxation	B13	(1,924)	(16,616)	(1,924)	(16,616)
Income tax benefit	B14	4,974	9,313	4,974	9,313
Profit/(Loss) for the financial period		<u>3,050</u>	<u>(7,303)</u>	<u>3,050</u>	<u>(7,303)</u>
Profit/(Loss) attributable to:					
Owners of the Company		20,245	4,604	20,245	4,604
Non-controlling interests		(17,195)	(11,907)	(17,195)	(11,907)
Profit/(Loss) for the financial period		<u>3,050</u>	<u>(7,303)</u>	<u>3,050</u>	<u>(7,303)</u>
Earnings per share attributable to owners of the Company	B12				
Basic earnings per ordinary share (RM):		0.02	0.004	0.02	0.004
Diluted earnings per ordinary share (RM):		0.02	0.004	0.02	0.004
Profit/(Loss) for the financial period		3,050	(7,303)	3,050	(7,303)
Other comprehensive (expense)/income, net of tax					
Items that will be reclassified subsequently to profit or loss:					
- Foreign currency translation differences		(2,737)	(999)	(2,737)	(999)
Total comprehensive income/(expense) for the financial period		<u>313</u>	<u>(8,302)</u>	<u>313</u>	<u>(8,302)</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 2020 and the accompanying explanatory notes.

REACH ENERGY BERHAD
Company no. 201301004557 (1034400-D)
(Incorporated in Malaysia)

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

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 31 Mar 21 RM'000	Unaudited for the quarter ended 31 Mar 20 RM'000	Unaudited for the year ended 31 Mar 21 RM'000	Unaudited for the year ended 31 Mar 20 RM'000
Note				
Total comprehensive (expense)/income for the period attributable to:				
Owners of the Company	18,603	4,005	18,603	4,005
Non-controlling interests	(18,290)	(12,307)	(18,290)	(12,307)
Total comprehensive income/(expense) for the financial period	313	(8,302)	313	(8,302)

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 2020 and the accompanying explanatory notes.

REACH ENERGY BERHAD
Company no. 201301004557 (1034400-D)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 31 Mar 21 RM'000	Audited As at 31 Dec 20 RM'000
Assets			
Non-current assets			
Property, plant and equipment		1,290,039	1,257,149
Intangible assets		742	1,490
Right use of assets		2,432	2,420
Prepayment and other receivables		3,448	3,274
Restricted cash		5,979	6,953
Total non-current assets		1,302,640	1,271,286
Current assets			
Inventories		798	1,835
Trade receivables		656	5,664
Prepayment and other receivables		11,997	10,559
Amount due from corporate shareholder in a subsidiary		4,007	4,007
Deposits, cash and bank balances		12,344	10,163
Total current assets		29,802	32,228
Total assets		1,332,442	1,303,514
Liabilities			
Current liabilities			
Trade payables		49,951	55,824
Accruals and other payables		13,727	19,668
Lease liabilities		372	352
Amounts due to corporate shareholder in a subsidiary	A7	347,841	331,340
Current tax liabilities		2,932	2,886
Provision		11,613	11,205
Total current liabilities		426,436	421,275
Net current liabilities		(396,634)	(389,047)
Total assets less current liabilities		906,006	882,239
Non-current liabilities			
Deferred tax liabilities		57,059	60,758
Amounts due to corporate shareholder in a subsidiary	A7	336,783	317,278
Trade payables		16,086	8,771
Accruals and other payables		442	334
Lease liabilities		2,106	2,079
Provisions		5,704	5,506
		418,180	394,726
Net assets		487,826	487,513
Equity			
Capital		488,975	488,975
Other reserves		180,200	181,842
Accumulated losses		(292,551)	(312,796)
Equity attributable to owners of the Company		376,624	358,021
Non-controlling interest		111,202	129,492
Total Equity		487,826	487,513
Net assets per share (RM)		0.44	0.44

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 2020 and the accompanying explanatory notes.

REACH ENERGY BERHAD
Company no. 201301004557 (1034400-D)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←----- Attributable to Equity Holders of the Company -----→							
	←----- Non-distributable -----→		Share- based payment reserves	Foreign exchange reserve	Accumulated losses	Total	Non- controlling interest	Total Equity
	Capital RM'000	Warrants reserve RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January 2021	488,975	198,914	821	(17,893)	(312,796)	358,021	129,492	487,513
Profit/(Loss) for the financial year	-	-	-	-	20,245	20,245	(17,195)	3,050
Other comprehensive expense, net of tax - Foreign currency translation	-	-	-	(1,642)	-	(1,642)	(1,095)	(2,737)
Total comprehensive income/(expense) for the financial year	-	-	-	(1,642)	20,245	18,603	(18,290)	313
As at 31 March 2021	488,975	198,914	821	(19,535)	(292,551)	376,624	111,202	487,826

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 2020 and the accompanying explanatory notes.

REACH ENERGY BERHAD
Company no. 201301004557 (1034400-D)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←----- Attributable to Equity Holders of the Company -----→							
	←----- Non-distributable -----→							
	Capital RM'000	Warrants reserve 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 2020	488,975	198,914	821	(23,627)	(184,106)	480,977	193,872	674,849
Loss for the financial year	-	-	-	-	(128,690)	(128,690)	(68,146)	(196,836)
Other comprehensive expense, net of tax - Foreign currency translation	-	-	-	5,734	-	5,734	3,766	9,500
Total comprehensive income/(expense) for the financial year	-	-	-	5,734	(128,690)	(122,956)	(64,380)	(187,336)
As at 31 December 2020	488,975	198,914	821	(17,893)	(312,796)	358,021	129,492	487,513

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 2020 and the accompanying explanatory notes.

REACH ENERGY BERHAD
Company no. 201301004557 (1034400-D)
(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 3 months 31 Mar 21 RM'000	Unaudited 3 months 31 Mar 20 RM'000
Cash flows from operating activities		
Loss before tax	(1,924)	(16,616)
Adjustments for:-		
Depreciation of property, plant and equipment	9,841	15,209
Impairment of asset	-	6,629
Unrealised foreign exchange gain, net	97	(20,350)
Finance cost	12,479	12,565
Finance income	(14,970)	(268)
Change in estimate of asset retirement obligations	-	12
Loss in disposal of assets	4	78
Write off of inventory	243	(33)
Write off of property, plant and equipment	-	(22)
Impairment charge/(reversal) of:		
-trade receivables	(24)	-
Net provision for inventory obsolescence	(1,173)	-
	<u>4,573</u>	<u>(2,796)</u>
Changes in working capital:		
Inventories	2,134	1,518
Prepayment and other receivables	(860)	5,349
Trade receivables	5,048	(1,897)
Trade payables	(355)	16,487
Other payables and accruals	27,388	(23,495)
Amount due to corporate shareholder in a subsidiary	(27,968)	(4,504)
Cash flows generated/(used in) from operating activities	<u>9,960</u>	<u>(9,338)</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	658	(12,439)
Finance income received	168	268
Movement in restricted cash	1,201	1,052
Net cash generated/(used in) investing activities	<u>2,027</u>	<u>(11,119)</u>
Cash flows from financing activities		
Interest paid	-	(13,398)
Payment of lease interest	(6)	(20)
Payment of lease principal	(417)	(312)
Net cash used in financing activities	<u>(423)</u>	<u>(13,730)</u>
Net increase/(decrease) in cash and cash equivalents	11,564	(34,187)
Cash and cash equivalents at the beginning of the year	10,163	35,958
Exchange difference on cash and cash equivalents	(9,383)	12,270
Cash and cash equivalents at end of the period	<u>12,344</u>	<u>14,041</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 2020 and the accompanying explanatory notes.

REACH ENERGY BERHAD
Company no. 201301004557 (1034400-D)
(Incorporated in Malaysia)

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 2020 and the accompanying notes attached to the audited 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 2020.

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 2020 except for those standards, amendments and interpretations which are effective from the annual period beginning on or after 1 January 2021. 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 2021.

A2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2021. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

MFRSs and Amendments effective for annual periods beginning on or after 1 April 2021

Amendments to MFRS 16 Leases – Covid-Related Rent Concession beyond 30 June 2021

MFRSs and Amendments effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 3 Business Combinations – Reference to the Conceptual Framework
Amendments to MFRS 9 Financial Instruments
Amendments to MFRS 116 Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137 Provision, Contingent Liabilities and Contingent Assets – Onerous Contracts
– Cost of Fulfilling a Contract

MFRSs and Amendments effective for annual periods beginning on or after 1 January 2023

Amendments to MFRS 101 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
and Disclosures of Accounting Policies
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors
- Definition of Accounting Estimates

REACH ENERGY BERHAD
Company no. 201301004557 (1034400-D)
(Incorporated in Malaysia)

A3. AUDITORS' OPINION ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The Group's consolidated financial statements for the financial year ended 31 December 2020 were not subject to audit qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A5. INDIVIDUALLY SIGNIFICANT ITEMS

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

A6. MATERIAL CHANGES IN ESTIMATES

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

A7. BORROWING, DEBT AND EQUITY SECURITY

(I) BORROWING

	As at 31 March 2021					
	Long term		Short term		Total borrowings	
Amount due to corporate shareholder in a subsidiary	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000
Unsecured	80,977	336,783	83,636	347,841	164,613	684,624
	As at 31 Dec 2020					
	Long term		Short term		Total borrowings	
Amount due to corporate shareholder in a subsidiary	*Foreign denomination '000	RM Denomination '000	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM Denomination '000
Unsecured	79,062	317,278	82,567	331,340	161,629	648,618

*The unsecured borrowings are denominated in United States Dollars ("USD") and translated at the rate of 4.159 (2020: 4.013).

There was no repayment of principal on deferred consideration and no drawdowns of borrowings made during the 3 months financial period ended 31 March 2021. 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		
161,150	Ranging from 10% to 14%	No fixed repayment period
238,703	5%	Due in 2021
100,383	Interest free	Due in 2021
61,142	4.86%	Due in 2036
37,972	Interest free	Due in 2036
8,756	Interest free	Repayable on demand
1,616	5%	Due in 2023
780	Interest free	Due in 2023
<u>74,122</u>	Interest free	No fixed repayment period
<u>684,624</u>		

REACH ENERGY BERHAD
Company no. 201301004557 (1034400-D)
(Incorporated in Malaysia)

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

(II) EQUITY

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

A8. DIVIDEND PAID

There was no dividend declared or paid during the current financial period ended 31 March 2021.

A9. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE YEAR

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

A10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current financial period ended 31 March 2021.

A11. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 31 March 2021.

A12. COMMITMENT

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

	Unaudited As at 31 Mar 21 RM'000	Audited As at 31 Dec 20 RM'000
Authorised but not contracted for	54,249	7,090
Contracted but not provided for	14,597	28,648
	<u>68,846</u>	<u>35,738</u>

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

	Unaudited As at 31 Mar 21 RM'000	Audited As at 31 Dec 20 RM'000
< 1 year	281,201	477,488
1 – 2 years	486,260	551,185
2 – 5 years	532,376	617,844
> 5 years	1,200,853	1,344,605
	<u>2,500,690</u>	<u>2,991,122</u>

The minimum work program includes capital expenditure of RM 881 million (2020: RM 850 million) to be incurred over the life of the production contracts expiring in 2044. Other commitments represent mainly direct operation and maintenance costs of wells and related facilities.

REACH ENERGY BERHAD
Company no. 201301004557 (1034400-D)
(Incorporated in Malaysia)

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 2044.

(I) SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER		CUMULATIVE QUARTER		CUMULATIVE QUARTER	
	Unaudited for the quarter ended 31 Mar 21		Unaudited for the quarter ended 31 Mar 20		Unaudited for the year ended 31 Mar 21		Unaudited for the year ended 31 Mar 20	
	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	23,057	-	22,681	-	23,057	-	22,681	-
Results								
Operating expenses	(26,486)	(889)	(45,098)	(2,272)	(26,486)	(889)	(45,098)	(2,272)
Finance (cost)/income, net	(7,003)	9,397	(6,884)	14,957	(7,003)	9,397	(6,884)	14,957
(Loss)/Profit before taxation	(10,432)	8,508	(29,301)	12,685	(10,432)	8,508	(29,301)	12,685
Income tax benefit	4,974	-	9,313	-	4,974	-	9,313	-
(Loss)/Profit for the financial period	(5,458)	8,508	(19,988)	12,685	(5,458)	8,508	(19,988)	12,685

The amounts are denominated in United States Dollars ("USD") and translated at an average rate of 4.088 (2020: 4.026).

(II) SUMMARISED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31 Mar 21		Audited as at 31 Dec 20	
	Oil & Gas RM'000	Investment Holdings RM'000	Oil & Gas RM'000	Investment Holdings RM'000
Non-current assets	1,302,562	78	1,271,179	107
Current assets	23,427	6,375	25,941	6,287
Current liabilities	(423,448)	(2,988)	(417,864)	(3,411)
Non-current liabilities	(182,759)	(235,421)	(172,965)	(221,761)
Net assets	719,782	(231,956)	706,291	(218,778)

Accumulated non-controlling interest 111,202 129,492

The amounts are denominated in United States Dollars ("USD") and translated at the closing rate of 4.159 (2020: 4.013).

REACH ENERGY BERHAD
Company no. 201301004557 (1034400-D)
(Incorporated in Malaysia)

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 21 RM'000	Unaudited for the quarter ended 31 Mar 20 RM'000	Unaudited for the year ended 31 Mar 21 RM'000	Unaudited for the year ended 31 Mar 20 RM'000
Revenue	23,057	22,681	23,057	22,681
Operating expenses	(27,375)	(47,370)	(27,375)	(47,370)
EBITDA	5,523	(7,504)	5,523	(7,504)
Loss before tax	(1,924)	(16,616)	(1,924)	(16,616)
Profit/(Loss) after tax	3,050	(7,303)	3,050	(7,303)

Individual Quarter

The Group recorded revenue of RM 23.0 million for the current quarter under review as compared to RM 22.7 million in the preceding year corresponding quarter.

The average production for the first quarter of 2021 was 1,156 bopd as compared to 1,840 bopd for the first quarter of 2020. The lower production volume for the current quarter under review was due to the suspension of operation imposed by Ministry of Energy at Kazakhstan.

The revenue for the current quarter under review was higher as compare to preceding year quarter due to the contribution from the higher brent crude price in the first quarter of 2021 as compare to the first quarter of 2020. The brent crude price slumped to below USD 35 in March 2020 at the start of Covid 19 pandemic.

Operating expenses for the first quarter of 2021 showed a decrease of RM 20.0 million as compared to the corresponding first quarter of 2020. The lower operating expenses was attributed by the decrease of total production cost whereby the Group has managed to control and achieve the unit production cost below USD10 per barrel through its turnaround operation's initiatives and strategies.

The Group recorded Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 5.5 million in the first quarter of 2021 as compared to negative EBITDA of RM 7.5 million in the first quarter of 2020 due to higher revenue and decrease in operating expenses as explained above.

The Finance Cost of RM 12.6 million in the first quarter of 2021 mainly consists of interest payable to corporate shareholder.

The Group has recorded Loss before Tax of RM 1.9 million in the first quarter of 2021, as compared to Loss before Tax of RM 16.6 million in the first quarter of 2020.

Currently, the Group's net asset per share stands at RM 0.44 as compared to the closing market price of RM 0.08 per share on 28 May 2021.

REACH ENERGY BERHAD
Company no. 201301004557 (1034400-D)
(Incorporated in Malaysia)

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 31 Mar 21 RM'000	Audited for the period ended 31 Dec 20 RM'000
Revenue	23,057	22,440
Operating expenses	(27,375)	(80,859)
EBITDA	5,523	(44,160)
Loss before tax	(1,924)	(86,950)
Profit/(Loss) after tax	<u>3,050</u>	<u>(99,426)</u>

The Group's revenue for the current quarter under review has an increase of RM 0.6 million to RM 23.1 million as compared to the fourth quarter of 2020.

The average production for the first quarter of 2021 was 1,156 bopd as compared to 1,904 bopd for the fourth quarter of 2020. The lower production volume for the current quarter under review was due to the suspension of operation imposed by Ministry of Energy at Kazakhstan.

The revenue for the current quarter under review was higher as compare to preceding quarter. The increase in the revenue was contributed by the gradually improved world brent crude price from USD 45 in the fourth quarter of 2020 to USD 65 in the first quarter of 2021.

Operating expenses for the first quarter of 2021 showed a decrease of RM 53.5 million as compared to the preceding quarter. The lower operating expenses was attributed by the decrease of total production cost whereby the Group has managed to control and achieve the unit production cost below USD10 per barrel through its turnaround operation's initiatives and strategies.

The Group recorded Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 5.5 million for the current quarter under review as compared to negative EBITDA of RM 44.2 million in the fourth quarter of 2020 due to higher revenue and decrease in operating expenses as explained above.

For the current quarter under review, the Group has recorded Loss before Tax of RM 1.9 million and Profit after Tax of RM 3.1 million as compared to the fourth quarter of 2020 Loss before Tax of RM 87.0 million and Loss after Tax of RM 99.4 million.

B3. MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group recorded a Loss before Tax of RM 1.9 million in the current three months period ended 31 March 2021 while in the corresponding three months period ended 31 March 2020, the Group recorded a Loss before Tax of RM 16.6 million.

REACH ENERGY BERHAD
Company no. 201301004557 (1034400-D)
(Incorporated in Malaysia)

B4. PROSPECT

The oil and gas outlook for this year is expected to remain challenging, due to the volatility in the global and domestic markets. In this respect, Reach Energy Berhad ("the Group") together with its major sub-subsidiary, Emir-Oil ("EO") has developed a turnaround plan to improve its performance both near term and long term. The main target is to enhance its production, rectify violation issues, secure funding and optimise the cost.

To sustain production, we will continue with the workover program which include replacing the electrical submersible pumps, adding perforations into the new reservoirs, and rejuvenation of idle wells.

The Board of Directors of Reach Energy Berhad will continue to take measures to improve its financial positions and increase the shareholder value.

Emir-Oil has about 66 million barrels of oil equivalent ("MMboe") remaining estimated 2P oil and gas reserves at the end of 2020. To capture these reserves, 31 new development wells are required to be drilled. One of the strategies to increase production immediately is to drill new development wells in prolific locations first, and conduct the remaining program in stages in accordance with the Group's financial capability. The drilling program is expected to commence in 2021.

There are also two exploration commitment wells, which are now deferred until the end of its exploration period, currently in 2022. In addition, 13 new prospects remained in the exploration Block, and we will further assess the Block's potentials based on the outcome from the new exploration wells.

Another initiative to increase production is to install the gas injection facilities to maintain the reservoir pressure. This project will be conducted in two phases in the main Kariman field, with Phase 1 targeted to be completed this year. Phase 2 will follow suit after that.

As export sales is more profitable than domestic, Emir-Oil is striving to get more export quota every month from the Ministry of Energy of Kazakhstan.

Emir-Oil is committed to resolve all the violation issues by year 2022. This rectification project will be conducted in two phases. The Phase 1 is considering the basic enhancement of the facilities to enable it to operate within the guidelines, while Phase 2 will assess the entire facilities in a more comprehensive manner.

Emir-Oil is also progressing well in keeping the unit production cost down to a more sustainable level. We managed to keep the unit production cost at below US\$10/barrel in the first quarter of 2021.

On the corporate financing, Emir-Oil had obtained a loan from Kazakhstan Bank amounting to USD 9.3 million in January 2021 to finance its CAPEX investment. The Group and Emir-Oil plan to obtain additional loan of USD 25 million to USD 30 million in next few years to further finance its CAPEX investment and expansion plan as mentioned above.

In summary, Emir-Oil needs to drill more development wells to increase the production. Gas injection is important for reservoir pressure maintenance in the Kariman field. Cost optimisation is the key to manage our cash netback and we need to get more export quota.

Barring any unforeseen circumstances, the Board of Directors believe with our well positioned strategies to continue developing the plans, the Group will generate an improved performance.

REACH ENERGY BERHAD
Company no. 201301004557 (1034400-D)
(Incorporated in Malaysia)

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 Auditor/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 of 31 December 2020.

As at 31 December 2020, 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	11.95	48.06	81.05
Dolinnoe	1.66	3.67	6.46
Aksaz	0.25	0.42	0.68
Yessen	1.15	1.33	1.41
Emir	0.03	0.07	0.14
Total	15.04	53.55	89.74

(II) GAS

FIELD	GAS RESERVES (BSCF)		
	1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
Kariman	10.68	57.25	87.28
Dolinnoe	7.47	15.87	27.25
Aksaz	1.83	3.04	4.96
Yessen	0.05	0.06	0.06
Emir	0.00	0.01	0.04
Total	20.03	76.23	119.59

(III) OIL, LPG AND GAS

FIELD	OIL AND GAS RESERVES (MMBOE)		
	1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
Kariman	13.73	57.60	95.60
Dolinnoe	2.91	6.32	11.00
Aksaz	0.56	0.93	1.51
Yessen	1.16	1.34	1.42
Emir	0.03	0.07	0.15
Total	18.39	66.26	109.68

REACH ENERGY BERHAD
Company no. 201301004557 (1034400-D)
(Incorporated in Malaysia)

B6. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

<u>Purpose of Utilisation</u>	<u>Proposed Utilisation</u> RM'000	<u>Actual Utilisation</u> RM'000
Acquisition of the target company/asset	710,625	580,528
Working capital		
- Remuneration of the management team	15,459	16,735
- Pre-IPO office and corporate expenses	611	25,646
- Others	26,475	34,449
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 31 March 2021.

B9. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sale of unquoted investment and /or properties during the financial period ended 31 March 2021.

B10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

There were no financial instruments with material off-balance sheet risk as at 31 March 2021.

B11. MATERIAL LITIGATION

(I) LITIGATION INVOLVING EMIR-OIL LLP AND MINISTRY OF ENERGY IN KAZAKHSTAN IN CONNECTION TO GAS DISPERSION VIOLATIONS FROM OPEN TANKS AT EMIR-OIL

Emir-Oil LLP ("EO"), the Company's sub-subsiary had received a Statement of Claim from Ministry of Energy ("MOE") in Kazakhstan in connection with the inspection carried out by MOE.

During the inspection carried out by MOE for the periods from January 2018 up to September 2019, MOE observed some substance of gas dispersion violations from open tanks at Emir-Oil. In general, gas dispersion is not permitted pursuant to the Subsoil Use Codes in Kazakhstan.

The Court in Kazakhstan ("the Court") had on 13 November 2020 ruled that EO had lost the court case and shall pay for the damages amounting to RM 7,292,000 (KZT 760,000,000). The court also indicated that the EO may submit appeal within one month from the date of receipt of the ruling in writing.

The company filed an appeal with the Supreme Court of the Republic of Kazakhstan on 15 December 2020.

(II) LITIGATION INVOLVING EMIR-OIL LLP AND MINISTRY OF ENERGY IN KAZAKHSTAN IN CONNECTION TO GAS DISPERSION VIOLATIONS FROM EMIR-OIL'S OPERATING FACILITIES

Emir-Oil LLP ("EO"), the Company's sub-subsiary had received a Statement of Claim from Ministry of Energy ("MOE") in Kazakhstan in connection with the inspection carried out by MOE.

During the inspection carried out by MOE for the periods from January 2018 up to September 2019, MOE observed some substance of gas dispersion violations from EO's operating facilities. In general, gas dispersion is not permitted pursuant to the Subsoil Use Codes in Kazakhstan.

The Court in Kazakhstan ("the Court") had on 19 November 2020 ruled that EO had lost the court case and shall pay for the damages amounting to RM 3,181,000 (KZT 332,271,208). The court also indicated that the EO may submit appeal within one month from the date of receipt of the ruling in writing.

The company filed an appeal with the Supreme Court of the Republic of Kazakhstan on 22 December 2020.

REACH ENERGY BERHAD
Company no. 201301004557 (1034400-D)
(Incorporated in Malaysia)

B11. MATERIAL LITIGATION (CONT'D)

(III) LITIGATION INVOLVING EMIR-OIL LLP AND MINISTRY OF ENERGY IN KAZAKHSTAN IN CONNECTION TO GAS DISPERSION VIOLATIONS AT EMIR OIL FACILITIES DURING OIL OPERATIONS

Emir-Oil LLP ("EO"), the Company's sub-subsidiary had received a Statement of Claim from Ministry of Energy ("MOE") in Kazakhstan in connection with the inspection carried out by MOE.

The Mangystau Regional Court in Kazakhstan ("the Court") had on 12 February 2021 ruled that EO had lost the appeal and was ordered to suspend its operation for two (2) months effective from the ruling date on 12 February 2021. The financial and operational impact to the Company associated with the two (2) months suspension of operations is estimated to contribute 13% to 15% reduction in the total annual revenue for the financial year ended 31 December 2021.

Emir Oil LLP had resumed its operation on 13 April 2021 after the expiry of suspension period of 2 months from Mangystau Regional Court in Kazakhstan ("the Court") order date.

B12. EARNINGS PER SHARE

(I) BASIC EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share as at 31 Mar 2021 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, as follows:-

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited	Unaudited	Unaudited	Unaudited
	for the quarter ended	for the quarter ended	for the year ended	for the year ended
	31 Mar 21	31 Mar 20	31 Mar 21	31 Mar 20
	RM'000	RM'000	RM'000	RM'000
Profit after taxation attributable to owner of the Company	20,245	4,604	20,245	4,604
Weighted average number of ordinary shares	1,096,413	1,096,413	1,096,413	1,096,413
Basic earnings per ordinary share (RM)	0.02	0.004	0.02	0.004
Diluted earnings per ordinary share (RM)	0.02	0.004	0.02	0.004

(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.

REACH ENERGY BERHAD
Company no. 201301004557 (1034400-D)
(Incorporated in Malaysia)

B13. LOSS BEFORE TAXATION

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 31 Mar 21 RM'000	Unaudited for the quarter ended 31 Mar 20 RM'000	Unaudited for the year ended 31 Mar 21 RM'000	Unaudited for the year ended 31 Mar 20 RM'000
Loss before taxation is arrived after charging/(crediting):				
Interest income from deposits with licensed banks	168	268	168	268
Foreign exchange gain, net	14,802	20,350	14,802	20,350
Interest expenses on loan from corporate shareholder in a subsidiary	(6,728)	(6,520)	(6,728)	(6,520)
Interest expenses on deferred consideration	(5,437)	(5,670)	(5,437)	(5,670)
Other finance cost	(411)	(355)	(411)	(355)

B14. INCOME TAX BENEFITS/(EXPENSES)

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 31 Mar 21 RM'000	Unaudited for the quarter ended 31 Mar 20 RM'000	Unaudited for the year ended 31 Mar 21 RM'000	Unaudited for the year ended 31 Mar 20 RM'000
Current income tax				
Foreign income tax:				
- Current year	99	-	99	-
- Under provision in prior year	-	20,957	-	20,957
Deferred income tax:				
- Origination and reversal of temporary difference	4,875	(11,644)	4,875	(11,644)
	<u>4,974</u>	<u>9,313</u>	<u>4,974</u>	<u>9,313</u>

In the current year, the income tax is calculated at the statutory tax rate of 24% (2020: 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
31 MAY 2021