



REACH ENERGY BERHAD

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

Report
on
Unaudited
Quarterly Financial Results
for the Period
1 Jan 2024
to
31 Mar 2024

(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 31 Mar 24 RM'000	Unaudited for the quarter ended 31 Mar 23 RM'000	Unaudited for the period ended 31 Mar 24 RM'000	Unaudited for the period ended 31 Mar 23 RM'000
	Note				
Revenue		50,250	47,303	50,250	47,303
Operating expenses					
Taxes other than income taxes		(15,538)	(15,657)	(15,538)	(15,657)
Purchase, services and other direct costs		(8,009)	(8,324)	(8,009)	(8,324)
Depreciation and amortisation		(14,906)	(22,216)	(14,906)	(22,216)
Distribution expenses		(6,772)	(11,203)	(6,772)	(11,203)
Employee compensation costs		(4,039)	(3,847)	(4,039)	(3,847)
General and administration expenses		(1,780)	(1,278)	(1,780)	(1,278)
Other operating expenses – net		(2,050)	(4,318)	(2,050)	(4,318)
Total operating expenses		<u>(53,094)</u>	<u>(66,843)</u>	<u>(53,094)</u>	<u>(66,843)</u>
Loss from operations		(2,844)	(19,540)	(2,844)	(19,540)
Share of result of a joint venture		56	-	56	-
Finance income		9,617	641	9,617	641
Finance cost		(16,330)	(18,028)	(16,330)	(18,028)
Finance cost – net		<u>(6,713)</u>	<u>(17,387)</u>	<u>(6,713)</u>	<u>(17,387)</u>
Loss before taxation	B11	(9,501)	(36,927)	(9,501)	(36,927)
Taxation	B12	(4,216)	(3,080)	(4,216)	(3,080)
Loss for the financial period		<u>(13,717)</u>	<u>(40,007)</u>	<u>(13,717)</u>	<u>(40,007)</u>
Loss attributable to:					
Owners of the Company		(6,275)	(26,693)	(6,275)	(26,693)
Non-controlling interests		(7,442)	(13,314)	(7,442)	(13,314)
Loss for the financial period		<u>(13,717)</u>	<u>(40,007)</u>	<u>(13,717)</u>	<u>(40,007)</u>
Loss per share attributable to owners of the Company	B10				
Basic loss per ordinary share (RM):		(0.003)	(0.01)	(0.003)	(0.01)
Diluted loss per ordinary share (RM):		N/A	N/A	N/A	N/A
Loss for the financial period		(13,717)	(40,007)	(13,717)	(40,007)
Other comprehensive (expense)/income net of tax					
Items that will be reclassified subsequently to (loss) or profit:					
- Foreign currency translation Differences		6,198	1,907	6,198	1,907
Total comprehensive expense for the financial period		<u>(7,519)</u>	<u>(38,100)</u>	<u>(7,519)</u>	<u>(38,100)</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 2023 and the accompanying explanatory notes.

REACH ENERGY BERHAD
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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 31 Mar 24	Unaudited for the quarter ended 31 Mar 23	Unaudited for the period ended 31 Mar 24	Unaudited for the period ended 31 Mar 23
Note	RM'000	RM'000	RM'000	RM'000
Total comprehensive expense for the financial period attributable to:				
Owners of the Company	(2,556)	(25,548)	(2,556)	(25,548)
Non-controlling interests	(4,963)	(12,552)	(4,963)	(12,552)
Total comprehensive expense for the financial period	(7,519)	(38,100)	(7,519)	(38,100)

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 2023 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 24 RM'000	Audited As at 31 Dec 23 RM'000
Assets			
Non-current assets			
Property, plant and equipment		845,001	819,017
Intangible assets		4,096	4,042
Right use of assets		4,054	4,055
Prepayment and other receivables		9,107	8,226
Restricted cash		9,832	9,384
Investment in joint venture		3,642	4,055
Total non-current assets		875,732	848,779
Current assets			
Inventories		4,589	5,940
Trade receivables		2,272	311
Prepayment and other receivables		27,507	25,280
Deposits, cash and bank balances		1,139	3,352
Total current assets		35,507	34,883
Total assets		911,239	883,662
Liabilities			
Current liabilities			
Trade payables		81,547	78,164
Accruals and other payables		48,925	57,901
Lease liabilities		628	666
Amounts due to related parties	A7	6,178	5,968
Tax payable		8,389	3,309
Borrowings	A7	8,857	8,737
Provisions		11,704	12,555
Total current liabilities		166,228	167,300
Net current liabilities		(130,721)	(132,417)
Total assets less current liabilities		745,011	716,362
Non-current liabilities			
Deferred tax liabilities		6,890	4,925
Amounts due to related parties	A7	652,309	587,081
Trade and other payables		3,319	3,265
Borrowings	A7	-	32,210
Lease liabilities		2,854	2,714
Provisions		10,917	9,926
Total non-current liabilities		676,289	640,121
Net assets		68,722	76,241
Equity			
Capital		707,088	707,088
Other reserves		12,288	8,569
Accumulated losses		(538,235)	(531,960)
Equity attributable to owners of the Company		181,141	183,697
Non-controlling interest		(112,419)	(107,456)
Total Equity		68,722	76,241
Net assets attributable to owners of the Company (RM)		0.09	0.09

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 2023 and the accompanying explanatory notes.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

←----- Attributable to owners of the Company -----→
 ←----- Non-distributable -----→

	Share Capital 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 2024	707,088	8,569	(531,960)	183,697	(107,456)	76,241
Loss for the financial period	-	-	(6,275)	(6,275)	(7,442)	(13,717)
Other comprehensive income, net of tax - Foreign currency translation	-	3,719	-	3,719	2,479	6,198
Total comprehensive income/(expense) for the financial period	-	3,719	(6,275)	(2,556)	(4,963)	(7,519)
As at 31 March 2024	707,088	12,288	(538,235)	181,141	(112,419)	68,722

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 2023 and the accompanying explanatory notes.

REACH ENERGY BERHAD
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AUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

←----- Attributable to owners of the Company -----→
 ←----- Non-distributable -----→

	Share Capital 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 2023	488,975	16,498	(323,665)	181,808	45,835	227,643
Issuance of new ordinary shares	218,113	-	-	218,113	-	218,113
Loss for the financial year	-	-	(208,295)	(208,295)	(148,005)	(356,300)
Other comprehensive expense, net of tax - Foreign currency translation	-	(7,929)	-	(7,929)	(5,286)	(13,215)
Total comprehensive expense for the financial year	-	(7,929)	(208,295)	(216,224)	(153,291)	(369,515)
As at 31 December 2023	707,088	8,569	(531,960)	183,697	(107,456)	76,241

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 2023 and the accompanying explanatory notes.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 3 months 31 Mar 24 RM'000	Unaudited 3 months 31 Mar 23 RM'000
Cash flows from operating activities		
Loss before taxation	(9,501)	(36,927)
Adjustments for: -		
Depreciation and amortisation	14,906	22,216
Share of result of a joint venture	(56)	-
Unrealised foreign exchange loss, net	2,736	377
Finance cost	13,594	17,651
Finance income	(9,617)	(641)
Loss on disposal of assets	5	40
Write off of inventory	79	96
Impairment charge/(reversal) of:		
- trade receivables	13	(2)
- cash and bank balances	7	1
- other receivables	22	(1,547)
	12,188	1,264
Changes in working capital:		
Inventories	1,472	1,412
Trade receivables	1,938	349
Prepayment and other receivables	(2,514)	4,816
Trade payables	756	19,577
Other payables and accruals	(15,194)	(9,936)
Amount due from corporate shareholder in a subsidiary	-	(3,468)
Settlement of claims	(1,432)	-
Net cash flows (used in)/ generated from operating activities	(2,786)	14,014
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,272)	(20,490)
Finance income received	140	152
Movement in restricted cash	(169)	(1,041)
Net cash used in investing activities	(1,301)	(21,379)
Cash flows from financing activities		
Drawdown of borrowings	1,989	3,771
Repayment of borrowing	-	(286)
Payment of lease interest	(28)	(5)
Payment of lease principal	(181)	(201)
Net cash generated from financing activities	1,780	3,279
Net decrease in cash and cash equivalents	(2,307)	(4,086)
Cash and cash equivalents at the beginning of the year	3,352	10,649
Exchange difference on cash and cash equivalents	94	(11)
Cash and cash equivalents at end of the year	1,139	6,552

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 2023 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 2023 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 2023.

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 2023, except for those standards, amendments and interpretations which are effective from the annual period beginning on or after 1 January 2024.

In the previous financial year, our statutory auditor have issued an unqualified audit opinion with emphasis of matter on material uncertainty relating to going concern. The material uncertainty arising from the continued volatility in crude oil prices, the Group's ability to meet production target, future ability of Super Racer Limited and its sole shareholder to provide timely and sufficient financial support together with the liquidity position of the Group's audited consolidated financial statements for the financial year ended 31 December 2023.

A2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in this Report are consistent with those adopted in the audited consolidated financial statements for the financial year ended 31 December 2023 except for the adoption of the following new accounting standards and amendments to standards and interpretations:

MFRSs and Amendments effective for annual periods beginning on or after 1 January 2024

Amendments to MFRS 16	Leases – Lease Liability in a Sale and Leaseback
Amendments to MFRS 101	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current
Amendments to MFRS 101	Presentation of Financial Statements – Non-current Liabilities with Covenants
Amendments to MFRS 107 and MFRS 7	Supplier Finance Arrangements
Amendments to MFRS 121	Lack of Exchangeability (effective 1 January 2025)

The adoption of the above accounting standards and amendments to standards and interpretations are not expected to have material financial impact to the financial statements of the Group.

A3. AUDITORS' OPINION ON PRECEDING ANNUAL FINANCIAL STATEMENTS

Pursuant to paragraph 9.19(37) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company's external auditors, PricewaterhouseCoopers PLT, have issued an unqualified audit opinion with emphasis of matter on material uncertainty relating to going concern, in view of the impact from the continued volatility in crude oil prices, the Group's ability to meet production target, future ability of Super Racer Limited and its sole shareholder to provide timely and sufficient financial support together with the liquidity position of the Group and the Company which is sensitive to changes, in respect of REB's audited financial statements for the financial year ended 31 December 2023 in their report dated 30 April 2024.

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 year 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 year under review.

A7. BORROWING, DEBT AND EQUITY SECURITY

(I) BORROWING

	As at 31 Mar 2024					
	Long term		Short term		Total borrowings	
Amount due to related parties	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000
Unsecured	137,982	652,309	1,307	6,178	139,289	658,487
External Borrowings	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000
Unsecured	-	-	1,873	8,857	1,873	8,857
Total	137,982	652,309	3,180	15,035	141,162	667,344

	As at 31 Dec 2023					
	Long term		Short term		Total borrowings	
Amount due to related parties	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000
Unsecured	127,863	587,081	1,300	5,968	129,163	593,049
External Borrowings	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000
Unsecured	7,015	32,210	1,903	8,737	8,918	40,947
Total	134,878	619,291	3,203	14,705	138,081	633,996

*The unsecured borrowings are denominated in United States Dollars ("USD") and translated at the rate of 4.729 (2023: 4.592).

(II) EQUITY

There were no issuance, cancellation, repurchase, resale, transfer of shares and equity securities during the current quarter under review.

A8. DIVIDEND PAID

There was no dividend declared or paid during the current financial period ended 31 March 2024.

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A9. SIGNIFICANT AND SUBSEQUENT EVENTS

(I) STATUS OF PRACTICE NOTE 17

On 3 April 2023, the Board of Directors of the Company announced that the Company had triggered the criteria under Paragraph 2.1(e) of PN17 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") as its had an unqualified audit opinion which highlighted a paragraph on material uncertainty related to going concern on the Group in respect of the Group's Audited Financial Statements for the financial year ended 31 December 2022 and the Company's shareholders' equity on a consolidated basis is 50% or less of its share capital as announced on 28 February 2023.

As a result, the Company is required to submit its regularisation plan to the Securities Commission Malaysia within 12 months from the date of its announcement. On 2 February 2024, TA Securities Holdings Berhad ("TA Securities") was appointed as principal adviser ("Principal Adviser") for the proposed regularisation plan pursuant to paragraph 8.04(3) of the Listing Requirements of Bursa Securities.

The Principal Adviser had on 19 March 2024 submitted an application to Bursa Securities for an extension of time up to 2 October 2024 for the Company to submit a regularisation plan to the relevant authorities. The extension was approved by Bursa Securities on 16 April 2024.

The extension of time is without prejudice to Bursa Securities' right to proceed to suspend the trading of the listed securities of the Company and to de-list the Company in the event:

- (i) the Company fails to submit its regularisation plan to the relevant regulatory authorities on or before 2 October 2024;
- (ii) the Company fails to obtain the approval from any of the regulatory authorities necessary for the implementation of its regularisation plan; or
- (iii) the Company fails to implement its regularisation plan within the time frame or extended time frame stipulated by any of the regulatory authorities.

Upon occurrence of any of the events set out in (i) to (iii) above, Bursa Securities shall suspend the trading of the listed securities of the Company on the 6th market day after the date of notification of suspension by Bursa Securities and de-list the Company, subject to the Company's right to appeal against the delisting.

The Board of Directors and its Principal adviser are currently formulating a detailed regularisation plan for submission and subsequent approval by the relevant authorities.

Further announcement will be made to Bursa Malaysia Securities Berhad with regards to the development of the regularisation plan in due course.

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 2024.

A11. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 31 March 2024.

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A12. COMMITMENT

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

	Unaudited As at 31 Mar 24 RM'000	Audited As at 31 Dec 23 RM'000
Authorised but not contracted for	75,849	35,516
Contracted but not provided for	944	-
	<u>76,793</u>	<u>35,516</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 24 RM'000	Audited As at 31 Dec 23 RM'000
< 1 year	183,222	242,861
1 – 2 years	634,283	378,692
2 – 5 years	1,154,818	469,292
> 5 years	4,110,338	988,130
	<u>6,082,661</u>	<u>2,078,975</u>

The minimum work program includes capital expenditure of RM 487 million (2023: RM 472 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.

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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 consist 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 24		Unaudited for the quarter ended 31 Mar 23		Unaudited for the period ended 31 Mar 24		Unaudited for the period ended 31 Mar 23	
	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	50,250	-	47,303	-	50,250	-	47,303	-
Results								
Operating expenses	(52,287)	(807)	(65,722)	(1,121)	(52,287)	(807)	(65,722)	(1,121)
Share of result of a joint venture	56	-	-	-	56	-	-	-
Finance (cost)/income, net	(12,408)	5,695	(11,788)	(5,599)	(12,408)	5,695	(11,788)	(5,599)
(Loss)/profit before taxation	(14,389)	4,888	(30,207)	(6,720)	(14,389)	4,888	(30,207)	(6,720)
Income tax expense	(4,216)	-	(3,080)	-	(4,216)	-	(3,080)	-
(Loss)/profit for the financial period	(18,605)	4,888	(33,287)	(6,720)	(18,605)	4,888	(33,287)	(6,720)

The amounts for oil and gas segment are denominated in United States Dollars ("USD") and translated at an average rate of 4.741 (2023: 4.380).

(II) SUMMARISED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31 Mar 24		Audited as at 31 Dec 23	
	Oil & Gas RM'000	Investment Holdings RM'000	Oil & Gas RM'000	Investment Holdings RM'000
Non-current assets	875,486	246	848,490	289
Current assets	30,655	4,852	30,034	4,849
Current liabilities	(152,677)	(13,551)	(153,257)	(14,043)
Non-current liabilities	(581,339)	(94,950)	(550,814)	(89,307)
Net assets/(liabilities)	172,125	(103,403)	174,453	(98,212)
Accumulated non-controlling interest			(112,419)	(107,456)

The amounts for oil and gas segment are denominated in United States Dollars ("USD") and translated at the closing rate of 4.729 (2023: 4.592).

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B2. OVERALL REVIEW OF GROUP'S QUARTERLY FINANCIAL PERFORMANCE

(I) COMPARING WITH PRECEDING YEAR QUARTER RESULTS

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 31 Mar 24 RM'000	Unaudited for the quarter ended 31 Mar 23 RM'000	Unaudited for the period ended 31 Mar 24 RM'000	Unaudited for the period ended 31 Mar 23 RM'000
Revenue	50,250	47,303	50,250	47,303
Operating expenses	(53,094)	(66,843)	(53,094)	(66,843)
EBITDA	12,062	2,676	12,062	2,676
Loss before tax	(9,501)	(36,927)	(9,501)	(36,927)
Loss after tax	(13,717)	(40,007)	(13,717)	(40,007)

Individual Quarter

The Group recorded revenue of RM 50.3 million for the current quarter under review as compared to RM 47.3 million in the corresponding quarter of the preceding year.

The average production for the first quarter of 2024 was 2,280 bopd as compared to 2,458 bopd for the first quarter of 2023.

The Group recorded a higher revenue for the current quarter under review as compared to the corresponding quarter of the preceding year. The higher revenue was attributed by a higher average selling price in the first quarter of 2024.

Operating expenses for the current quarter under review showed a decrease of RM 13.7 million as compared to the corresponding quarter of the preceding year. The decrease in the operating expenses was mainly due to the decrease in Depreciation and Amortisation and Distribution Expenses.

The Group recorded a positive Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 12.1 million in the first quarter of 2024 as compared to the positive EBITDA of RM 2.7 million in the first quarter of 2023. The higher EBITDA in the first quarter of 2024 was attributed by the lower operating expenses as explained above.

The Finance Cost of RM 16.3 million in the first quarter of 2024 mainly consists of interest payable to related parties.

The Group has recorded a Loss before Tax of RM 9.5 million in the first quarter of 2024, as compared to Loss before Tax of RM 36.9 million in the first quarter of 2023 due to the lower operating expenses as explained above and unrealised FOREX gain of RM 9.5 million.

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

(II) COMPARING WITH IMMEDIATE PRECEDING QUARTER RESULTS

	CURRENT QUARTER	IMMEDIATE PRECEDING QUARTER
	Unaudited for the period ended 31 Mar 24 RM'000	Audited for the period ended 31 Dec 23 RM'000
Revenue	50,250	43,891
Operating expenses	(53,094)	(470,115)
EBITDA	12,062	(385,408)
Loss before tax	(9,501)	(429,463)
Loss after tax	(13,717)	(347,646)

The Group recorded revenue of RM 50.3 million for the current quarter under review as compared to RM 43.9 million in the preceding quarter. The higher revenue was attributed by the higher sales volumes in the current quarter.

The average production was 2,280 bopd for the first quarter of 2024 which was higher as compared to 2,480 bopd for the fourth quarter of 2023.

The Group recorded an operating expense of RM 53.1 million in the first quarter of 2024 as compared to RM 470.1 million in the preceding quarter. The higher operating expenses in the fourth quarter of 2023 was mainly due to the increase in the impairment of non-financial assets resulted from lower reserves.

The Group recorded a positive Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 12.1 million for the current quarter under review as compared to the negative EBITDA of RM 385.4 million in the fourth quarter of 2023. The lower EBITDA in the fourth quarter of 2023 was due to the higher operating expenses as explained above.

For the current quarter under review, the Group has recorded Loss before Tax of RM 9.5 million and Loss after Tax of RM 13.7 million as compared to the fourth quarter of 2023 of Loss before Tax of RM 429.5 million and Loss after Tax of RM 347.6 million.

B3. OVERALL REVIEW OF GROUP'S YEARLY FINANCIAL PERFORMANCE

The Group recorded revenue of RM 50.3 million in the current three months period ended 31 March 2024 as compared to RM 47.3 million in the corresponding three months period ended 31 March 2023. The increase in revenue was mainly attributed to the increase in sales volume in the current three months period ended 31 March 2024.

The average production for the current three months period ended 31 March 2024 was 2,280 bopd as compared to 2,458 bopd for the corresponding three months period ended 31 March 2023.

The Group recorded a Loss before Tax of RM 9.5 million in the current three months period ended 31 March 2024 while in the corresponding three months period ended 31 March 2023, the Group recorded a Loss before Tax of RM 36.9 million.

The lower operating expenses in the current three months period ended 31 March 2024 was mainly due to the lower Depreciation and Amortisation and Distribution Expenses which is in tandem with the decrease in the production as well as the lower reserves.

The Group recorded a positive Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 12.1 million in the current three months period ended 31 March 2024 as compared to the positive EBITDA of RM 2.7 million in the corresponding three months period ended 31 March 2023 mainly due to the lower operating expenses as explained above.

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B4. PROSPECT

Moving forward, we continue to expect the path towards sustained demand recovery to remain fragile and uncertain as the oil market adjusts to both short-term and long-term landscapes. The industry is continuously facing headwinds from the geopolitical conflict between Russia and Ukraine which resulted in a price inflation and goods distribution disruption.

Our plan in 2024 is to drill two development wells in our North Kariman field. The North Kariman field spans approximately 5 square kilometres and currently produces around 67% of our total production output. With the addition of the new development wells, we estimate that the North Kariman field will contribute an additional 1.2 million barrels of oil towards our total production output over the field life.

It's common for a well's production to decrease after its initial peak, as a means of increasing production output from oil wells we have implemented secondary production methods, specifically gas injection, in the second half of 2023. In addition, we are assessing the feasibility of implementing methods such as the plunger lift as a cost-effective method for extracting liquids from older wells, while reducing gas losses and minimising methane emissions, as an option to enhance production in the later part of 2024.

For delivering of our production target, we will continue to place emphasis on efforts to sustain and further enhance current production level through well workover programs which will involve the replacement of electrical submersible pumps ("ESPs") for the artificial lifting of oil to the surface, re-perforation and stimulation of certain naturally flowing wells and continue with the planned reactivation of idle wells. At the same time, we will also continue to perform maintenance works to improve facilities uptime and facilities debottlenecking; a successful planned maintenance shut-down of the facilities was undertaken in the fourth quarter of 2023 which achieved its objectives and within Health, Safety, and Environment ("HSE") guidelines. The drilling program will be completed in stages in accordance with the Group's financial capability.

During 2023, we replaced eight ESPs and removed two others due to reaching economic viability cut-off. Currently, we have 9 wells in our Kariman and North Kariman fields installed with ESPs. This installation has contributed significantly to our production volume, with a total of 282,500 barrels produced in 2023 which represents 32% of the company's total annual oil production. We anticipate that the wells in the Proved Developed Producing category will remain operational through 2024 and beyond, with occasional ESP replacements as needed. However, we do expect the production rates of these wells to decline gradually since the Kariman field has low reservoir pressure, which is typical of a mature field and at some future point the ESPs might need to be retrieved due to economic viability.

Aside from implementing initiatives to improve our production output and increase production efficiency, we also intend to address and resolve the price differential issue that has been plaguing Emir-Oil recently and had adversely affected our export sales margins. To mitigate this issue, we have identified an alternative to export our crude oil via the Caspian Pipeline Consortium pipeline system ("CPC"), which will allow us to sell our crude oil at a lower price differential. The sale of crude oil via the CPC is currently pending the approval / consent from MOE. Apart from the aforementioned, we are also in the midst of identifying other alternative routes and negotiating the terms with several potential buyers to enable us to sell our crude oil closer to the international Brent oil prices.

In summary, Emir-Oil needs to drill more development wells, perform well workovers and production enhancement initiatives such as secondary recovery to increase the production and implement cost optimisation efforts.

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 and growth moving forward.

B5. PROFIT FORECAST AND GUARANTEE

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

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B6. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were no purchases or disposal of quoted securities during the financial period ended 31 March 2024.

B7. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sale of unquoted investment and /or properties during the financial period ended 31 March 2024.

B8. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

There were no financial instruments with material off-balance sheet risk as at 31 March 2024.

B9. MATERIAL LITIGATION

LITIGATION INVOLVING EMIR-OIL LLP AND MINISTRY OF ENERGY OF KAZAKHSTAN ("MOE") IN CONNECTION WITH THE APPLICATION ON THE DEFERRAL OF CONTRACTUAL OBLIGATIONS OF DOLINNOE'S OIL FIELD

Emir-Oil LLP ("Emir-Oil") had filed a claim to Ministry of Energy of Kazakhstan ("MOE") at Economic Court of Nur-Sultan on 15 July 2022 relating to the approval of the Amendment No. 4 on the deferral of the contractual obligations of Dolinnoe's oil field for period of 2020 to 2021 to period of 2022 to 2025.

During the period from 2020 to 2022, Emir-Oil had submitted several applications to the MOE for the postponement of obligations for period of 2020 to 2021 to period of 2022 to 2025. MOE, however, had rejected Emir-Oil's application on the transfer of Emir-Oil's obligations.

On 15 July 2022, Emir-Oil had decided to submit the claim to the Court of Nur-Sultan city to establish the rejection of the MOE as unjustifiable and oblige the MOE to postpone of the contractual obligations of Dolinnoe's oil field for period of 2020 to 2021 to period of 2022 to 2025.

The preliminary hearing had been held on 8 August 2022 and the second hearing had been held on 22 August 2022. The Court of Nur-Sultan city on 22 August 2022 had rejected the claim of Emir-Oil.

Emir-Oil had filed its appeal to the Appellate Division of the City Court of Nur-Sultan on 23 September 2022. The Court of the City of Astana (formerly known as the City Court of Nur-Sultan) on 28 October 2022 had supported the position of the MOE and rejected the claim of Emir-Oil.

Emir-Oil had filed a cassation complaint ("the Complaint") to the Supreme Court of the Republic of Kazakhstan on 25 April 2023. The Court had on 12 June 2023 at the first preliminarily stage denied Emir-Oil motion. Accordingly, Emir-Oil has the right to petition the Prosecutor General to issue a protest the decision of the Supreme Court of the Republic of Kazakhstan.

On 14 November 2023, the MOE filed a claim in the Specialized Inter-District Economic Court of Astana for the compulsory recovery of debt from Emir-Oil due to non-performance of financial obligations under the Dolinnoe's contract for the period from 2020 to 2021, with a claim amount of approximately KZT 2.6 billion (i.e. RM 27.4 million).

The Specialised Inter-District Economic Court of Astana accepted the MOE's claim. Emir-Oil has submitted the objections on 5 December 2023 to the claim along with supporting documents. The Specialised Inter-District Economic Court of Astana completed the consideration of the MOE's claim and the full text of the reasoned decision of the Court was made available to Emir-Oil on 29 January 2024.

According to the Court's decision, the MOE's claim were partially satisfied. A reduced fine in the amount of KZT 910.3 million (i.e. RM 9.6 million) and a state duty of KZT 27.3 million (i.e. RM 0.3 million) were imposed on Emir-Oil.

The MOE filed an appeal against the decision of the Specialised Inter-District Economic Court of Astana. The appeal of MOE was rejected and the decision of the Specialised Inter-District Economic Court of Astana was upheld without changes.

The MOE and the Specialised Inter-District Economic Court of Astana had approved an instalment plan for the payment of the fine from April to September 2024.

As of to date, the provision of the fines for non-fulfilment of contractual obligations based on the reduced fine have been recognised accordingly.

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B10. LOSS PER SHARE

(I) BASIC LOSS PER ORDINARY SHARE

The calculation of basic loss per ordinary share as at 31 March 2024 was based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, as follows: -

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 31 Mar 24 RM'000	Unaudited for the quarter ended 31 Mar 23 RM'000	Unaudited for the period ended 31 Mar 24 RM'000	Unaudited for the period ended 31 Mar 23 RM'000
Loss after taxation attributable to owner of the Company	(6,275)	(26,693)	(6,275)	(26,693)
Weighted average number of ordinary shares	2,128,957	2,128,957	2,128,957	2,128,957
Basic loss per ordinary share (RM)	(0.003)	(0.01)	(0.003)	(0.01)
Diluted loss per ordinary share (RM)	N/A	N/A	N/A	N/A

(II) DILUTED LOSS PER ORDINARY SHARE

Diluted 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.

As at 31 March 2024, there is no dilutive potential ordinary shares.

B11. LOSS BEFORE TAXATION

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 31 Mar 24 RM'000	Unaudited for the quarter ended 31 Mar 23 RM'000	Unaudited for the period ended 31 Mar 24 RM'000	Unaudited for the period ended 31 Mar 23 RM'000
Loss before taxation is arrived after charging/(crediting):				
Interest income from deposits with licensed banks	1	1	1	1
Other finance income	140	151	140	151
Foreign exchange gain, net	9,476	489	9,476	489
Interest expenses on loan from corporate shareholder in a subsidiary	(11,641)	(11,295)	(11,641)	(11,295)
Interest expenses on deferred consideration	(1,049)	(5,763)	(1,049)	(5,763)
Other finance cost	(3,640)	(970)	(3,640)	(970)
Depreciation and amortisation	(14,906)	(22,216)	(14,906)	(22,216)

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B12. TAXATION

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 31 Mar 24 RM'000	Unaudited for the quarter ended 31 Mar 23 RM'000	Unaudited for the period ended 31 Mar 24 RM'000	Unaudited for the period ended 31 Mar 23 RM'000
Foreign income tax:				
- Current year	(5,043)	149	(5,043)	149
Deferred tax expense:				
- Origination and reversal of temporary difference	827	(3,229)	827	(3,229)
	<u>(4,216)</u>	<u>(3,080)</u>	<u>(4,216)</u>	<u>(3,080)</u>

In the current year, the income tax is calculated at the statutory tax rate of 24% (2022: 24%) of the estimated assessable profit for the year.

B13. REVIEW BY EXTERNAL AUDITORS

The Board of Directors have engaged the External Auditors to review and report on the Condensed Report of the Group for the quarter and period-to-date ended 31 March 2024 in accordance with the International Standard on Review Engagements 2400 (Revised), "Engagement to Review Historical Financial Statements".

The External Auditors reported to the Board of Directors that nothing had come to their attention to cause them to believe that these historical financial information are not prepared, in all material respects, in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, The report was made to the Board of Directors in accordance with the terms of the engagement letter with the External Auditors and for no other purpose.

BY ORDER OF THE BOARD
CHEN BEE LING (MAICSA 7046517)
TAI YIT CHAN (MAICSA 7009143)

COMPANY SECRETARIES
31 MAY 2024