

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

Summary of Key Matters Discussed at the Fourth Annual General Meeting of Reach Energy Berhad ("the Company" or "REB") held at Ballroom 1, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 29 June 2017 at 10:00 a.m.

PRESENT :

Directors

Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	-	Executive Chairman
Ir. Shahul Hamid Bin Mohd Ismail	-	Executive Director/CEO
Ms Tan Siew Chaing	-	Executive Director
Encik Izlan Bin Izhah	-	Senior Independent Non-Executive Director
Encik Nik Din Bin Nik Sulaiman	-	Independent Non-Executive Director
Mr Aonghus Joseph O'Carroll	-	Independent Non-Executive Director

Shareholders/Proxies

As per Attendance List

IN ATTENDANCE :

Ms. Chen Bee Ling	-	Joint Secretary
Ms. Tan Lai Hong	-	Joint Secretary

BY INVITATION:

As per Attendance List

AUDITED FINANCIAL STATEMENTS TOGETHER WITH THE DIRECTORS' AND AUDITORS' REPORTS

The Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon, were tabled for discussion.

Among the key matters raised by the shareholders on the results of REB group of Companies ("the Group") as well as the responses from the Board of Directors ("Board") and Management were as follows:-

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- Summary of Key Matters Discussed at the Fourth Annual General Meeting of the Company [Cont'd]

No.	Key Matters raised by the Shareholders	Responses from the Board and Management
1.	Shareholders were keen to know whether the Company will execute the Proposed Placement exercise of new ordinary shares to raise gross proceeds of up to RM180 million ("Proposed Placement"), as announced during the Adjourned Extraordinary General Meeting ("Adjourned EGM") held on 16 November 2016 and its relevant status update.	The Proposed Placement was approved at the Adjourned EGM held on 16 November 2016. Subsequently, the Securities Commission Malaysia has approved the Company's application for an extension of time for another six (6) months up to 22 August 2017, for the Company to implement the Proposed Placement. For the time being, the Board is still evaluating other options and has yet to make final decision on the matter. As the Proposed Placement is not the only source of money flow, the Management reassured the shareholders that any decision made will be for and in the best interest of the Company. The Proposed Placement will be the last resort to be exercised after having exhausted all other avenues.
2.	On the same note, several shareholders expressed their concerns regarding the decreasing share price since one (1) week before the convening of the Meeting. They shared a similar view that as long as the issue on Proposed Placement is not cleared, there will be doubts and worries over the Company's business and operations. This will eventually weaken the share price, especially in the event the Company opts to place the shares to a Placee who will be able to acquire shares at a discounted price/ expense of other shareholders.	It is clarified that the Management shared the same concerns as the shareholders. At the moment, the Company is sensitive to the market perception on the Company and the future direction it takes plus other sentiments in the market. The Company will be able to make decision in the next one (1) or two (2) months that is, before the lapse of the extension of time which expires on 22 August 2017. The Management highlighted that any decision made will be in the best interests of the shareholders, with the primary objective of safeguarding the Company's qualifying asset and the shareholders' value.

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- Summary of Key Matters Discussed at the Fourth Annual General Meeting of the Company [Cont'd]

No.	Key Matters raised by the Shareholders	Responses from the Board and Management
3.	Some shareholders urged the Management to take firm actions soonest possible and be decisive when it comes to making decision at this point in time, given the Company has sufficient timeframe since the Adjourned EGM held on 16 November 2016. It is suggested that the Company to consider carrying out Right Issue exercise without diluting the shareholders' shareholdings and values.	The Board affirmed that the Company will move on to obtain monies for settlement of debts arising from the payment of consideration on the Qualifying Acquisition of Emir Oil. Nevertheless, the current market backdrop is generally not conducive for taking such steps. The Board noted that REB has no control over the oil price movement in the market, by and large. With the trust and confidence from the shareholders, REB endeavours to source for the best financing solution for shareholders, who are of utmost importance to the Company. The Company will explore possibilities of several options to determine the best solution which will be beneficial to the shareholders.
4.	There were also several enquiries on updates of the operations of Emir Oil LLP ("Emir Oil"), the qualifying asset.	The Board has satisfactorily provided a thorough update in the presentation slides delivered by the Company's Executive Director/CEO, covering the following areas as summarised, in addition to some explanatory points to the shareholders:- (i) Overview of Emir Oil. (ii) Emir-Oil Concession Block. (iii) Current priorities and accomplishments. (iv) 2017 Reserves Evaluation. (v) Ramping Up Production. (vi) Maximising export quota and cost savings. (vii) Preserving assets integrity in operations. (viii) Development and Exploration. (ix) Central Processing Facility ("CPF") Progress. (x) Year on Year Financials. (xi) Outlook of Emir Oil Office in Aktau.

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- Summary of Key Matters Discussed at the Fourth Annual General Meeting of the Company [Cont'd]

No.	Key Matters raised by the shareholders	Responses from the Board of Directors and Management Team
5.	Shareholders enquired on the current production capacity/ volume and production cost of Emir Oil.	<p>The Board provided that the average production cost is approximately USD25 per barrel ("bbl"). As a breakdown, the production cost is made up of USD5 plus USD10 plus USD5, represented by lifting cost plus transport (with pipelines) plus well intervention. In 2016, the average oil production for Emir Oil was approximately 3,301 bbl per day, of which the Company is optimistic to achieve breakeven at 4,000 bbl per day, with an expected target production of 5,000 bbl or more per day to yield profit. The average current market price for oil production is between USD40 to USD50 per bbl.</p> <p>In this regard, the Management will require more time and to extend capital expenditure ("CAPEX") for exploration and production of more oil to increase revenue. The Management re-iterated that based on the Dollar/bbl, Emir Oil is proved to be a great asset with much potential, however, the Management requires more time to be hands-on in delivering requisite value to the shareholders. Shareholders are pleased to note and receive a relatively competent comparison made by the Board and Management on the matter.</p>

REACH ENERGY BERHAD (Company No. 1034400-D)

- Summary of Key Matters Discussed at the Fourth Annual General Meeting of the Company [Cont'd]

No.	Key Matters raised by the shareholders	Responses from the Board of Directors and Management Team
6.	Shareholders were curious as to why they are not entitled to enjoy all the Emir Oil fields reserves.	<p>The Board clarified that the reserves available at Emir Oil are of geological reserves. As Emir-Oil fields started production since 2011, the Company is confident that the fields will continue to make concessions for another 21 years, until 2036, before the reserves deplete. It is understood that before the depletion of reserves, throughout these years, the oil fields shall not be explored to full capacity. Generally, there is a depletion plan drawn up depending on the geological circumstances, government policies and engineering practices to ensure that the wells are not damaged.</p> <p>For information, the Board added that the long-term energy objectives and strategies, production, distribution and consumption are also in line with the Malaysian National Depletion Policy 1980, which sets out to ensure efficient, secure and environmentally sustainable supplies of energy by oil and gas companies.</p>

REACH ENERGY BERHAD (Company No. 1034400-D)

- Summary of Key Matters Discussed at the Fourth Annual General Meeting of the Company [Cont'd]

No.	Key Matters raised by the shareholders	Responses from the Board of Directors and Management Team
7.	A shareholder enquired whether there is any production of gas from the oil fields. If yes, the selling price of the gas produced.	<p>The Board explained that the gas produced from the wells is an associated gas which comes together with the oil extraction. To extract the oil, it is necessary to evacuate the gas beforehand. In comparison, other countries will usually flame out the gas to the environment, adding on to the acceleration of greenhouse effect. Being an environmentally responsible entity, the Company strives to keep its carbon footprint as minimum as possible.</p> <p>The Company managed to secure alternatives by engaging KazTransGas, the national gas supplier in Aktau to put the associated gas into the pipeline to Aktau, making up 70% gas supply by Emir Oil to the households in Akimat region. It was noted that the price of the gas supply at 80 cents per standard cubic feet ("scf") is not as exciting as compared to the supply of Liquefied Natural Gas. At the moment, an average of 5.6 million scf of gas is being produced daily.</p>
8.	Another shareholder was keen to know the quality of oil produced from the oil fields in Emir Oil, and by comparison, whether Malaysian-produced or Kazakhstan-produced has a better oil quality.	The Company acknowledges the type of oil produced is of light and sweet quality, approximately 40 degree, without containing Benzine or hydrosulphite or any nasty smell. By comparison, the oil quality produced from the oil fields is of better quality than the Malaysian-produced oil.

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- Summary of Key Matters Discussed at the Fourth Annual General Meeting of the Company [Cont'd]

No.	Key Matters raised by the shareholders	Responses from the Board of Directors and Management Team
9.	A shareholder wondered the rationale of the Company to raise gross proceeds from the Proposed Placement exercise.	<p>The Board guided that in connection with the approved Qualifying Acquisition of 60% of indirect equity interest in Emir Oil, the Company is still in need of monies for settlement of the outstanding debts, in accordance to the agreements with MIE Holdings Corporation ("MIEH"), the Vendor/the Seller.</p> <p>The debts are due in May 2017 and November 2017 respectively. Subsequently, the Company managed to reach an agreement with MIEH that such settlement will be on no term basis going forward but is subject to accrued interests. In preventing a deficit in the Company accounts, the Company is contemplating on different options available, including but not limited to bank loans, Right Issue or Proposed Placement to obtain monies for such purposes. As long as the shareholders' interest is safeguarded and the shareholdings remain undiluted, the Company would take into consideration all relevant factors before making a final decision.</p>
10.	As follow-up to the previous question, the shareholder asked whether any Interim arrangement or plan are sorted out to handle the issue in lieu of the implementation of the Proposed Placement.	<p>The Board noted the timeline of payment and the Company's obligation to repay to the Vendor. There is no definitive answer as yet, in view that the Company is in the midst of negotiations with several Banks as of now. The questions are not restricted to the willingness of the Banks to lend money to the Company but was more likely attributed by the market conditions today, the Banks generally holds a conservative perspective on Oil and Gas industrial sector. Nevertheless, the Company will continue to be in talks with more local and foreign banks.</p>

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No.	Key Matters raised by the shareholders	Responses from the Board of Directors and Management Team
11.	A shareholder opined that in the event there is issue with the sales of oil, the Company may consider to engage local expertise for assistance. And whether the matter will directly affect the oil fields.	The Company acknowledges the presence of certain bigger companies nearby the oil fields. However, the shareholders are reassured that there is no impact on oil production, whereas the Company will continue engaging relevant government bodies to obtain higher export quotas to maximise revenue streams.
12.	With regard to the ramping up of production from the current capacity, ie. 5,000 bbl per day with a production cost of USD25 per bbl selling at a market price of USD40-50 per bbl, a shareholder enquired whether the Company will be profitable for the next financial quarter.	The Board explained that the CPF is key to future production ramp-up and is expected to be completed by 2018/2019. The progress of completion of the CPF has been delayed as scheduled. CPF is equipped with LPG extraction facility to potentially increase value of produced associated gas. More CAPEX will be invested, with two (2) oil and gas pipelines to be laid and tied into state-owned trunk lines. The production and sales are on spot basis and direct sales. Hence, the Company will be able to pick up gradually given the increasing production rate after deducting all relevant costs and taxes.
13.	What is the cost of building the CPF? Who is the party to bear the said cost?	<p>The cost is borne by the parties according to the percentage of shareholdings held by MIEH and the Company respectively (40:60). With the completion of CPF, it is foreseeable that there will be a significant decrease in expenses in the financials, moving forward, while Earnings Before Interest, Tax, Depreciation and Amortisation will remain positive throughout the periods as forecasted.</p> <p>The Board highlighted that the financial information disclosed in the 2016 Annual Report was historical. The shareholders are encouraged to take note of the latest trend updates/ business decision on the website of Bursa Malaysia Securities Berhad from time to time.</p>

ORDINARY RESOLUTION NO. 1

- **PAYMENT OF DIRECTORS' FEES AND BENEFITS IN RESPECT OF THE FINANCIAL YEAR ENDING 31 DECEMBER 2017**

The payment of Directors' Fees (to be made payable quarterly) and Benefits up to an amount of RM920,000 in respect of the financial year ending 31 December 2017 was approved by the shareholders at the Meeting.

There was no matter raised by the shareholders of the Company on this Agenda.

ORDINARY RESOLUTION NO. 2

- **RE-ELECTION OF Ir. SHAHUL HAMID BN MOHD ISMAIL AS DIRECTOR RETIRING BY ROTATION PURSUANT TO ARTICLE 70 OF THE CONSTITUTION OF THE COMPANY**

The re-election of Ir. Shahul Hamid Bin Mohd Ismail as Director of the Company was approved by the shareholders at the Meeting.

There was no matter raised by the shareholders of the Company on this Agenda.

ORDINARY RESOLUTION NO. 3

- **RE-ELECTION OF TAN SRI DR. AZMIL KHALILI BIN DATO' KHALID AS DIRECTOR RETIRING BY CASUAL VACANCY PURSUANT TO ARTICLE 75 OF THE CONSTITUTION OF THE COMPANY**

The re-election of Tan Sri Dr. Azmil Khalili Bin Dato' Khalid as Director of the Company was approved by the shareholders at the Meeting.

There was no matter raised by the shareholders of the Company on this Agenda.

ORDINARY RESOLUTION NO. 4

- **RE-ELECTION OF MS TAN SIEW CHAING AS DIRECTOR RETIRING BY CASUAL VACANCY PURSUANT TO ARTICLE 75 OF THE CONSTITUTION OF THE COMPANY**

The re-election of Ms Tan Siew Chaing as Director of the Company was approved by the shareholders at the Meeting.

There was no matter raised by the shareholders of the Company on this Agenda.

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- Summary of Key Matters Discussed at the Fourth Annual General Meeting of the Company [Cont'd]
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ORDINARY RESOLUTION NO. 5

- **RE-APPOINTMENT OF ENCIK IZLAN BIN IZHAB WHO IS OVER THE AGE OF SEVENTY (70) YEARS**

With the enforcement of the Companies Act, 2016, there is no age limits for Directors. The re-appointment of Encik Izlan Bin Izhah as Director of the Company was approved by the shareholders at the Meeting, whereby Encik Izlan shall be subject to retirement by rotation at a later date.

There was no matter raised by the shareholders of the Company on this Agenda.

ORDINARY RESOLUTION NO. 6

- **RE-APPOINTMENT OF MESSRS PRICEWATERHOUSECOOPERS AS AUDITORS OF THE COMPANY**

The re-appointment of Messrs PricewaterhouseCoopers as Auditors of the Company for the ensuing year and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Board was approved by the shareholders at the Meeting.

There was no matter raised by the shareholders of the Company on this Agenda.

ORDINARY RESOLUTION NO. 7

- **AUTHORITY FOR DIRECTORS TO ISSUE AND ALLOT SHARES IN THE COMPANY PURSUANT TO SECTION 75 AND 76 OF THE COMPANIES ACT, 2016**

The resolution on authority for Directors to issue and allot shares in the Company pursuant to Section 75 and 76 of the Companies Act, 2016 was approved by the shareholders at the Meeting.

There was no matter raised by the shareholders of the Company on this Agenda.