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Reach Energy's RM180m private placement off the table

BY ADAM AZIZ

KUALA LUMPUR: Reach Energy Bhd has decided not to go ahead with the RM180 million private placement it proposed in May 2016 due to "prevailing market conditions".

"Proceeds from the placement were earmarked mainly to settle the remaining purchase consideration of the acquisition of a 60% equity interest in Palaeontol BV, and 60% of the shareholder loans from MIE Holdings Corp, which was completed on Nov 25, 2016," the oil and gas company said in a filing with Bursa Malaysia.

"Due to the prevailing market conditions, it is challenging for the company to implement the placement at an issue price that is in the best interests of the company and its shareholders.

"Nevertheless, the company will continue to explore other avenues of fundraising and make the necessary announcements in due course," it added.

Reach Energy first proposed the private placement — of up to 305.08 million new shares — as a means to repay shareholders who voted against its qualifying

acquisition (QA) of the 60% stake in Palaeontol for US\$175.9 million (RM754.44 million).

Netherlands-based Palaeontol owns the Emir Oil fields in Kazakhstan.

The QA received the nod from 81.07% of its shareholders at its extraordinary general meeting on Nov 17, 2016, while 18.93% voted against it. Reach Energy then paid back the opposing shareholders a total of RM138.51 million in cash.

However, on June 30 this year, chairman

Azmil: Reach Energy still needs to raise fresh funds, as it owes Palaeontol's parent company US\$44 million from the acquisition. **Photo by Shahrin Yahya**

Tan Sri Azmil Khalili Khalid told the media that Reach Energy still needed to raise fresh funds, as it owes Palaeontol's parent company US\$44 million from the acquisition.

From the balance, US\$17 million was due in end-May, but Reach Energy has been given the option to defer the payment to up to 12 months without incurring interest. Another US\$27 million is due in November, said Azmil.

Reach Energy's share price has slumped since hitting a high of 72 sen in November 2016 when it received the approval for the QA.

It closed unchanged at 41 sen yesterday, bringing a market capitalisation of RM523.91 million.

