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EMIR-OIL CONCESSION BLOCK IN KAZAKHSTAN

REACH ENERGY PLANS US\$44.8M EXPANSION

Firm says capex for 3 exploration wells, development activities

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REACH Energy Bhd is planning a capital expenditure (capex) of US\$44.8 million (RM183 million) next year to expand in the Emir-Oil concession block in Kazakhstan.

Executive director and chief executive officer Shahul Hamid Mohd Ismail said the capex would cater for the operations of three exploration wells (US\$13.5 million) and development activities (US\$31.3 million).

"We are in the midst of getting the project properly anchored. Our measure of value is by the reserves we have, the cash we generate and our earnings before interest, tax, depreciation and amortisation while our high depreciation and amortisation is for long-term investors."

"At the moment, we are sitting on zero-gearing with no debt obligations but we are seeking funding for needed obligations, expansion as well as future acquisitions," he told NST Business recently.

"Aside from fulfilling our operating expenditure and capital expenditure obligations, we are also looking at a combination of debt and equity funding."

"Unfortunately, I think our

NEAR-TERM CAPEX PLANS



share price is well below its fair value. We have sufficient reserves and our concession block is bigger than Singapore.

"We aim to increase our production to 20,000 barrels a day, from 5,000 barrels a day currently, as we have only explored one-eighth of the concession area," he added.

The listed oil and gas (O&G) exploration company, which holds 60 per cent in Emir-Oil LLP, was also awarded exploration and production (E&P) contracts lasting until 2036.

"We have a producing block with vast opportunities. It is an ideal development portfolio for an E&P company."

"We have more than 700km of unexplored area and we are very optimistic on this project."

Shahul said with better oil prices and production, the asset was expected to generating better returns for the company.

"At the moment, we have about 60 wells and we are planning to drill another 30 wells in 10 years."

"The block contains about 80 per cent oil and 20 per cent gas, which makes it a good asset to develop further."

"We plan to focus on this asset until May next year and get it in good shape before moving on to other acquisitions."

The Emir-Oil block is located in Mangystau Oblast, southwestern Kazakhstan.

Reach Energy was a special-purpose acquisition company that turned into a full-fledged company in 2016.

The firm bought a stake in Palaeontol BV, the owner of the Emir-Oil O&G field, for US\$154.89 million.

