



# **REACH ENERGY BERHAD**

Company no: 1034400-D  
(Incorporated in Malaysia)

Report  
on  
Unaudited  
Quarterly Financial Results  
for the Period  
1 July 2019  
to  
30 Sept 2019

(The figures have not been audited)

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		<b>INDIVIDUAL QUARTER</b>	<b>INDIVIDUAL QUARTER</b>	<b>CUMULATIVE QUARTER</b>	<b>CUMULATIVE QUARTER</b>
		<b>Unaudited for the quarter ended</b>	<b>Unaudited for the quarter ended</b>	<b>Unaudited for the year ended</b>	<b>Unaudited for the year ended</b>
	<b>Note</b>	<b>30 Sep 19 RM'000</b>	<b>30 Sep 18 RM'000</b>	<b>30 Sep 19 RM'000</b>	<b>30 Sep 18 RM'000</b>
Revenue		35,208	40,836	133,052	150,987
Operating expense					
Depreciation, depletion and amortisation		(12,714)	(18,905)	(41,282)	(58,284)
Distribution expenses		(3,920)	(4,635)	(13,851)	(19,198)
Employee compensation costs		(3,192)	(3,455)	(9,876)	(10,617)
General and administration expenses		(1,856)	(2,433)	(7,172)	(7,182)
Other operating income – net		563	2,496	1,768	3,384
Purchase, services and other direct costs		(8,492)	(6,363)	(25,407)	(17,640)
Taxes other than income taxes		(12,111)	(16,452)	(42,652)	(52,126)
Total operating expenses		<u>(41,722)</u>	<u>(49,747)</u>	<u>(138,472)</u>	<u>(161,663)</u>
<b>Loss from operations</b>		<b>(6,514)</b>	<b>(8,911)</b>	<b>(5,420)</b>	<b>(10,676)</b>
Finance income		4,801	511	6,050	1,339
Finance cost		(15,448)	(5,461)	(47,251)	(32,839)
Finance (cost)/income – net		<u>(10,647)</u>	<u>(4,950)</u>	<u>(41,201)</u>	<u>(31,500)</u>
<b>Loss before taxation</b>	B13	<b>(17,161)</b>	<b>(13,861)</b>	<b>(46,621)</b>	<b>(42,176)</b>
Income tax benefits/(expenses)	B14	515	(4,426)	226	1,190
<b>Loss for the financial period</b>		<b><u>(16,646)</u></b>	<b><u>(18,287)</u></b>	<b><u>(46,395)</u></b>	<b><u>(40,986)</u></b>
<b>Loss attributable to:</b>					
Owners of the Company		(11,585)	(5,125)	(35,852)	(14,928)
Non-controlling interests		(5,061)	(13,162)	(10,543)	(26,058)
<b>Loss for the financial period</b>		<b><u>(16,646)</u></b>	<b><u>(18,287)</u></b>	<b><u>(46,395)</u></b>	<b><u>(40,986)</u></b>
<b>Earnings per share attributable to owners of the Company</b>	B12				
Basic loss per ordinary share (RM):		(0.01)	(0.01)	(0.03)	(0.01)
Diluted loss per ordinary share (RM):		(0.01)	(0.01)	(0.03)	(0.01)
<b>Loss for the financial period</b>		<b>(16,646)</b>	<b>(18,287)</b>	<b>(46,395)</b>	<b>(40,986)</b>
<b>Other comprehensive (expense)/income, net of tax</b>					
<b>Items that will be reclassified subsequently to profit or loss:</b>					
- Foreign currency translation differences		13,966	7,804	13,820	5,207
<b>Total comprehensive expense for the financial period</b>		<b><u>(2,680)</u></b>	<b><u>(10,483)</u></b>	<b><u>(32,575)</u></b>	<b><u>(35,779)</u></b>

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 2018 and the accompanying explanatory notes.

**REACH ENERGY BERHAD**  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)**

	<b>INDIVIDUAL QUARTER</b>	<b>INDIVIDUAL QUARTER</b>	<b>CUMULATIVE QUARTER</b>	<b>CUMULATIVE QUARTER</b>
	Unaudited for the quarter ended	Unaudited for the quarter ended	Unaudited for the year ended	Unaudited for the year ended
Note	30 Sep 19 RM'000	30 Sep 18 RM'000	30 Sep 19 RM'000	30 Sep 18 RM'000
<b>Total comprehensive (expense)/income for the period attributable to:</b>				
Owners of the Company	(3,206)	(444)	(12,207)	5,165
Non-controlling interests	526	(10,039)	(20,368)	(40,944)
<b>Total comprehensive expense for the financial period</b>	<b>(2,680)</b>	<b>(10,483)</b>	<b>(32,575)</b>	<b>(35,779)</b>

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 2018 and the accompanying explanatory notes.

**REACH ENERGY BERHAD**  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	Unaudited As at 30 Sep 19 RM'000	Audited As at 31 Dec 18 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,583,035	1,577,947
Intangible assets		1,807	2,067
Prepayment and other receivables		2,403	2,357
Restricted cash		6,955	6,936
<b>Total non-current assets</b>		<b>1,594,200</b>	<b>1,589,307</b>
<b>Current assets</b>			
Inventories		3,486	3,073
Trade receivables		23,117	14,241
Prepayment and other receivables		13,065	13,233
Amount due from corporate shareholder in a subsidiary		2,766	2,080
Amount due from corporate shareholder		-	209
Deposits, cash and bank balances		43,072	49,007
Tax Recoverable		10,466	164
<b>Total current assets</b>		<b>95,972</b>	<b>82,007</b>
<b>Total assets</b>		<b>1,690,172</b>	<b>1,671,314</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables		41,636	33,026
Accruals and other payables		14,868	17,822
Amounts due to corporate shareholder in a subsidiary	A7	321,144	306,686
Current tax liabilities		3,937	4,439
<b>Total current liabilities</b>		<b>381,585</b>	<b>361,973</b>
<b>Net current liabilities</b>		<b>(285,613)</b>	<b>(279,966)</b>
<b>Total assets less current liabilities</b>		<b>1,308,587</b>	<b>1,309,341</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		123,973	123,672
Amounts due to corporate shareholder in a subsidiary	A7	322,759	293,534
Trade payables		23,890	22,350
Accruals and other payables		1,435	2,112
Provisions		14,965	13,533
		<b>487,022</b>	<b>455,201</b>
<b>Net assets</b>		<b>821,565</b>	<b>854,140</b>
<b>Equity</b>			
Capital		488,975	488,975
Other reserves		266,679	258,388
Accumulated losses		(91,555)	(55,703)
Equity attributable to owners of the Company		664,099	691,660
Non-controlling interest		157,466	162,480
<b>Total Equity</b>		<b>821,565</b>	<b>854,140</b>
<b>Net assets per share (RM)</b>		<b>0.75</b>	<b>0.78</b>

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 2018 and the accompanying explanatory notes.

**REACH ENERGY BERHAD**  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	←----- Attributable to Equity Holders of the Company -----→								
	←----- Non-distributable -----→								
	Capital RM'000	Warrants reserve RM'000	Capital contribution 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
<b>As at 1 January 2019</b>	488,975	198,914	81,682	821	(23,029)	(55,703)	691,660	162,480	854,140
Loss for the financial year	-	-	-	-	-	(35,852)	(35,852)	(10,543)	(46,395)
Other comprehensive expense, net of tax - Foreign currency translation	-	-	-	-	8,291	-	8,291	5,529	13,820
Total comprehensive expense for the financial period	-	-	-	-	8,291	(35,852)	(27,561)	(5,014)	(32,575)
<b>As at 30 Sep 2019</b>	<b>488,975</b>	<b>198,914</b>	<b>81,682</b>	<b>821</b>	<b>(14,738)</b>	<b>(91,555)</b>	<b>664,099</b>	<b>157,466</b>	<b>821,565</b>

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 2018 and the accompanying explanatory notes.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	←----- Attributable to Equity Holders of the Company -----→						Total RM'000	Non- controlling interest RM'000	Total Equity RM'000
	←----- Non-distributable -----→			Share- based payment reserves RM'000	Foreign exchange reserve RM'000	Accumulated losses RM'000			
	Capital RM'000	Warrants reserve RM'000	Capital contribution RM'000						
<b>As at 1 January 2018</b>	488,975	198,914	14,403	821	(26,396)	(13,976)	662,741	175,146	837,887
Loss for the financial year	-	-	-	-	-	(41,727)	(41,727)	(14,298)	(56,025)
Other comprehensive income, net of tax									
- Foreign currency translation	-	-	-	-	3,367	-	3,367	1,632	4,999
- Gain from extinguishment of debt	-	-	67,279	-	-	-	67,279	-	67,279
Total comprehensive income/(expense) for the year	-	-	67,279	-	3,367	(41,727)	28,919	(12,666)	16,253
<b>As at 31 Dec 2018</b>	<b>488,975</b>	<b>198,914</b>	<b>81,682</b>	<b>821</b>	<b>(23,029)</b>	<b>(55,703)</b>	<b>691,660</b>	<b>162,480</b>	<b>854,140</b>

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 2018 and the accompanying explanatory notes.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Unaudited 9 months 30 Sep 19 RM'000</b>	<b>Unaudited 9 months 30 Sep 18 RM'000</b>
<b>Cash flows from operating activities</b>		
Loss before tax	(46,621)	(42,176)
Adjustments for:-		
Depreciation of property, plant and equipment	41,282	58,284
Unrealised foreign exchange gain	(4,752)	(7,228)
Finance cost	47,251	40,067
Finance income	(1,298)	(1,339)
Write off of inventory	272	-
Write off of property, plant and equipment	130	-
Net provision for inventory obsolescence	(514)	-
	<u>35,750</u>	<u>47,608</u>
Changes in working capital:		
Inventories	(106)	1,064
Prepayment and other receivables	(10,029)	1,450
Trade receivables	(8,609)	(6,348)
Trade payables	9,902	(9,908)
Other payables and accruals	(3,583)	(1,392)
Amount due to corporate shareholder in a subsidiary	(1,181)	-
<b>Cash flows generated from operating activities</b>	<u>22,144</u>	<u>32,474</u>
Income tax refund/(paid)	164	(11)
<b>Net cash generated from operating activities</b>	<u><u>22,308</u></u>	<u><u>32,463</u></u>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(29,044)	(22,136)
Finance income received	392	1,339
Advances to corporate shareholder	-	(35)
Movement in restricted cash	61	540
<b>Net cash used in investing activities</b>	<u><u>(28,591)</u></u>	<u><u>(20,292)</u></u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(6,283)	12,171
<b>Cash and cash equivalents at the beginning of the period</b>	49,007	27,519
<b>Exchange difference on cash and cash equivalents</b>	348	(2,365)
	<u><u>43,072</u></u>	<u><u>37,325</u></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 2018 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 2018 and the accompanying notes attached to the unaudited 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 2018.

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 2018 except for those standards, amendments and interpretations which are effective from the annual period beginning on or after 1 January 2019. 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 2019. The adoption of these standards, amendments and interpretations has no material impact to these unaudited condensed consolidated financial statements, other than as disclosed below:-

- |  |   |
|--|---|
| • MFRS 16                                    | <i>Leases</i>                                   |
| • IC Interpretation 23                       | <i>Uncertainty over Income Tax Treatments</i>   |
| • Annual improvement to MFRS 2015-2017 cycle | <i>Amendments to MFRS 123 'Borrowing Costs'</i> |
| • Annual improvement to MFRS 2015-2017 cycle | <i>Amendments to MFRS 112 'Income Taxes'</i>    |

The Group has adopted the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January, 2019. The adoption of these new and revised MFRSs and IC Interpretations have not resulted in any material impact on the financial statements of the Group as mentioned below:

MFRS 16 *Leases*

On the adoption of MFRS 16, Group has assessed the estimated impact that the initial application of MFRS 16. Based on the preliminary assessment, the Group does not expect the application of MFRS 16 to have a significant financial impact on these unaudited condensed consolidated financial statements.

MFRS 16 replaces the guidance in MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases – Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 eliminates the classification of leases by the lessee as either finance lease or operating lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognised in the statement of profit or loss. There are recognition exemptions for short-term leases and leases of low-value items.

Lessor accounting is substantially unchanged from the existing MFRS 117. Lessor will continue to classify all the leases using the same classification principle in MFRS 117 as finance or operating lease.



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**A2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES**

(a) Standards, amendments to published standards and interpretation that are applicable to the Group but not yet effective:

- (i) Financial year beginning on or after 1 January 2020:
- Amendments to MFRS 101 *Presentation of Financial Statements*
  - Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
  - Amendments to MFRS 134 *Interim Financial Reports*
  - Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*
  - Amendments to MFRS 138 *Intangible Assets*
  - Amendments to MFRS 2 *Share-Based Payment*
  - Amendments to MFRS 3 *Business Combinations - Definition of a Business*
  - Amendments to MFRS 6 *Exploration and Evaluation of Mineral Resources*
  - Amendments to IC Interpretation 22 *Foreign Currency Transaction and Advance Consideration*

The Group plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2020 for those accounting standards that are effective for annual periods beginning on or after 1 January 2020.

**A3. AUDITORS' OPINION ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The Group's consolidated financial statements for the financial year ended 31 December 2018 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 30 Sep 2019					
	Long term		Short term		Total borrowings	
Amount due to corporate shareholder in a subsidiary	*Foreign denomination	RM denomination	*Foreign denomination	RM denomination	*Foreign denomination	RM denomination
Unsecured	77,086	322,759	76,700	321,144	153,786	643,903
	As at 31 Dec 2018					
	Long term		Short term		Total borrowings	
Amount due to corporate shareholder in a subsidiary	*Foreign denomination	RM denomination	*Foreign denomination	RM denomination	*Foreign denomination	RM denomination
Unsecured	70,927	293,534	74,106	306,686	145,033	600,220

\*The unsecured borrowings are denominated in United States Dollars ("USD") and translated at the rate of 4.187 (2018: 4.139).

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

**(I) BORROWING (CONT'D)**

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		
184,417	Ranging from 10% to 14%	No fixed repayment period
250,487	5%	Due in 2019
62,377	Interest free	Due in 2019
68,167	4.86%	Due in 2036
25,178	Interest free	Due in 2036
8,281	Interest free	Repayable on demand
1,627	5%	Due in 2023
462	Interest free	Due in 2023
<u>42,907</u>	Interest free	No fixed repayment period
<u>643,903</u>		

**(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 30 Sep 2019.

**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 30 Sep 2019.

**A11. CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

There were no contingent liabilities or contingent assets as at 30 Sep 2019.

**A12. COMMITMENT**

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

	<b>Unaudited</b> <b>As at 30 Sep 19</b> <b>RM'000</b>	<b>Audited</b> <b>As at 31 Dec 18</b> <b>RM'000</b>
Authorised but not contracted for	52,868	32,934
Contracted but not provided for	49,246	48,977
	<u>102,114</u>	<u>81,911</u>

**(II) OPERATING LEASE COMMITMENTS**

The Group has operating lease commitments related to its non-cancellable operating leases for offices. The future aggregate minimum lease payments under these operating leases are as follows:

	<b>Unaudited</b> <b>As at 30 Sep 19</b> <b>RM'000</b>	<b>Audited</b> <b>As at 31 Dec 18</b> <b>RM'000</b>
< 1 year	629	1,929
1 – 2 years	2,137	152
2 – 5 years	1,836	-
> 5 years	3,671	-
	<u>8,273</u>	<u>2,081</u>

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**A12. COMMITMENT (CONT'D)**

**(III) According to the production contracts for four 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:**

	<b>Unaudited As at 30 Sep 19 RM'000</b>	<b>Audited As at 31 Dec 18 RM'000</b>
< 1 year	266,907	134,989
1 – 2 years	227,063	591,461
2 – 5 years	298,168	814,124
> 5 years	776,774	2,218,666
	1,568,912	3,759,240

The minimum work program includes capital expenditure of RM 106 million (2018: RM 829 million) to be incurred over the life of the production contracts expiring in 2036. Other commitments represent mainly direct operation and maintenance costs of wells and related facilities.

**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 2036.

**(I) SUMMARISED STATEMENT OF COMPREHENSIVE INCOME**

	<b>INDIVIDUAL QUARTER</b>		<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Unaudited for the quarter ended 30 Sep 19</b>		<b>Unaudited for the quarter ended 30 Sep 18</b>		<b>Unaudited for the year ended 30 Sep 19</b>		<b>Unaudited for the year ended 30 Sep 18</b>	
	<b>Oil &amp; Gas RM'000</b>	<b>Investment Holdings RM'000</b>	<b>Oil &amp; Gas RM'000</b>	<b>Investment Holdings RM'000</b>	<b>Oil &amp; Gas RM'000</b>	<b>Investment Holdings RM'000</b>	<b>Oil &amp; Gas RM'000</b>	<b>Investment Holdings RM'000</b>
Revenue	35,208	-	40,836	-	133,052	-	150,987	-
<b>Results</b>								
Operating expenses	(39,822)	(1,900)	(47,685)	(2,062)	(132,409)	(6,063)	(155,497)	(6,166)
Finance expense, net	(21,646)	10,999	(8,827)	3,877	(68,065)	26,864	(25,372)	(6,128)
(Loss)/profit before taxation	(26,260)	9,099	(15,676)	1,815	(67,422)	20,801	(29,882)	(12,294)
Income tax benefit/(expenses)	515	-	(4,426)	-	226	-	1,208	(18)
(Loss)/profit for the financial period	(25,745)	9,099	(20,102)	1,815	(67,196)	20,801	(28,674)	(12,312)

The amounts are denominated in United States Dollars ("USD") and translated at an average rate of 4.139 (2018: 4.036).

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**B1. OPERATING SEGMENTS (CONT'D)**

**(II) SUMMARISED STATEMENT OF FINANCIAL POSITION**

	Unaudited as at 30 Sep 19		Audited as at 31 Dec 18	
	Oil & Gas RM'000	Investment Holdings RM'000	Oil & Gas RM'000	Investment Holdings RM'000
Non-current assets	1,594,183	17	1,589,288	19
Current assets	80,263	15,709	60,964	21,043
Current liabilities	(381,066)	(519)	(361,054)	(919)
Non-current liabilities	(259,219)	(227,803)	(455,201)	-
Net assets	1,034,161	(212,596)	833,997	20,143
Accumulated non-controlling interest		157,466		162,480

The amounts are denominated in United States Dollars ("USD") and translated at the closing rate of 4.187 (2018: 4.139).

**B2. OVERALL REVIEW OF GROUP'S FINANCIAL PERFORMANCE**

**(I) COMPARING WITH PRECEDING YEAR QUARTER RESULTS**

	INDIVIDUAL QUARTER Unaudited for the quarter ended 30 Sep 19 RM'000	INDIVIDUAL QUARTER Unaudited for the quarter ended 30 Sep 18 RM'000	CUMULATIVE QUARTER Unaudited for the year ended 30 Sep 19 RM'000	CUMULATIVE QUARTER Unaudited for the year ended 30 Sep 18 RM'000
Revenue	35,208	40,836	133,052	150,987
Operating expenses	(41,722)	(49,747)	(138,472)	(161,663)
EBITDA	6,200	9,994	35,862	47,608
Loss before tax	(17,161)	(13,861)	(46,621)	(42,176)
Loss after tax	(16,646)	(18,287)	(46,395)	(40,986)

The Group recorded revenue of RM 35.2 million for the current quarter under review as compared to RM 40.8 million in the preceding year corresponding quarter. The lower revenue for the current quarter was due to lower production. The average production for the third quarter of 2019 was 2,200 bopd as compared to 2,600 bopd for the third quarter 2018.

Taxes other than Income Tax for the current quarter under review was lower by 26.4% as compared to the third quarter of 2018 mainly due to the lower production rate.

The 32.7% decrease (from RM 18.9 million to RM 12.7 million) in Depreciation, Depletion and Amortization (DD&A) for the current quarter under review was in tandem with the lower production rate.

As a result of lower revenue with fixed overhead expenses, the Group recorded lower Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 6.2 million in the third quarter of 2019 as compared to RM 10.0 million in the third quarter of 2018.

The Finance Cost of RM 15.4 million in the third quarter of 2019 mainly consists of interest payable to corporate shareholder.

The Group has recorded Loss before Tax of RM 17.2 million in the third quarter of 2019, compared to Loss before Tax of RM 13.9 million in the third quarter of 2018.

Currently, the Group's net asset per share stands at RM 0.75 as compared to the closing market price of RM 0.19 per share on 25 Nov 2019.

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

**(II) COMPARING WITH IMMEDIATE PRECEDING QUARTER RESULTS**

	<b>CURRENT QUARTER</b>	<b>IMMEDIATE PRECEDING QUARTER</b>
	<b>Unaudited for the period ended 30 Sep 19 RM'000</b>	<b>Unaudited for the period ended 30 June 19 RM'000</b>
Revenue	35,208	47,070
Operating expenses	(41,722)	(46,531)
EBITDA	6,200	14,063
Loss before tax	(17,161)	(9,344)
Loss after tax	<u>(16,646)</u>	<u>(16,994)</u>

The Group's revenue for the current quarter under review has decreased by 25.2% to RM 35.2 million from RM 47.1 million in the second quarter of 2019, due to lower production of 2,200 bopd as compared to the second quarter production of 2,400 bopd.

For the current quarter under review, operating expenses recorded slightly lower as compared to the second quarter of 2019. The Group has recorded 55.9% decrease (RM 7.9 million) in Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) as compared to the second quarter of 2019.

The decrease in EBITDA for the current quarter under review was due to lower revenue arising from lower production level as compared to the second quarter of 2019.

For the current quarter under review, the Group has recorded Loss before Tax of RM 17.2 million and Loss after Tax of RM 16.6 million compared to the second quarter of 2019 Loss before Tax of RM 9.3 million and Loss after Tax of RM 17.0 million.

**B3. MATERIAL CHANGE IN PROFIT BEFORE TAXATION**

The Group recorded a Loss before Tax of RM 46.6 million in the current nine months period ended 30 September 2019 while in the corresponding nine months period ended 30 September 2018, the Group recorded a Loss before Tax of RM 46.4 million.

**B4. PROSPECT**

Spudding of the Exploration Well Yessen-4 (Y-4) is planned for December 2019 with Exploration Well North Kariman-1 Sidetrack-2 (NK-1 ST2) slotted in early 2020.

The exploration wells Kariman 16 (K-16) and Kariman 15 (K-15) drilled in 2018/2019 period have been successfully perforated in October/November 2019 with positive results.

As the current Exploration Contract is expiring in January 2020, the process to prolong the contract has been well underway and we expect to receive the required approvals from the Authorities before the expiry date.

The applications to obtain Production Contracts for North Kariman and Yessen Fields are also in the final stage of approval by the Authorities.

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**B5. RESERVES**

The Reserves Assessor, Gaffney, Cline & Associates ("GCA"), has performed an assessment of the Reserves and Resources of the Emir Oil Concession Block, located in Kazakhstan, as at Effective Date of 31 December 2018. This follows on from a similar assessment made by GCA for the previous year.

The Company's 2P Reserves have increased from the previous year's audit, as GCA has allocated 88 MMBOE of 2P Oil and Gas Reserves as at end of 2018. This represents a 9% increase from previous year's audit by GCA.

As at 31 December 2018, 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 <b>(PROVED RESERVES)</b>	2P <b>(PROVED + PROBABLE RESERVES)</b>	3P <b>(PROVED + PROBABLE + POSSIBLE RESERVES)</b>
Kariman	12.416	49.990	77.282
Dolinnoe	7.743	15.590	25.369
Aksaz	0.245	1.440	2.746
Yessen	2.448	4.970	7.820
Emir	1.791	3.310	5.621
<b>Total</b>	<b>24.643</b>	<b>75.300</b>	<b>118.838</b>

**(II) GAS**

FIELD	GAS RESERVES (BSCF)		
	1P <b>(PROVED RESERVES)</b>	2P <b>(PROVED + PROBABLE RESERVES)</b>	3P <b>(PROVED + PROBABLE + POSSIBLE RESERVES)</b>
Kariman	4.612	26.410	39.051
Dolinnoe	19.835	31.284	52.439
Aksaz	2.594	18.090	40.549
Yessen	1.546	2.312	4.047
Emir	0.502	0.738	1.494
<b>Total</b>	<b>29.089</b>	<b>78.834</b>	<b>137.580</b>

**(III) OIL, LPG AND GAS**

FIELD	OIL AND GAS RESERVES (MMBOE)		
	1P <b>(PROVED RESERVES)</b>	2P <b>(PROVED + PROBABLE RESERVES)</b>	3P <b>(PROVED + PROBABLE + POSSIBLE RESERVES)</b>
Kariman	13.184	54.392	83.791
Dolinnoe	11.048	20.804	34.109
Aksaz	0.677	4.455	9.504
Yessen	2.706	5.355	8.495
Emir	1.875	3.433	5.870
<b>Total</b>	<b>29.490</b>	<b>88.439</b>	<b>141.769</b>

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**B6. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL**

<b>Purpose of Utilisation</b>	<b>Proposed Utilisation</b>	<b>Actual Utilisation</b>
	<b>RM'000</b>	<b>RM'000</b>
Acquisition of the target company/asset	710,625	580,528
Working capital		
- Remuneration of the management team	15,459	13,875
- Pre-IPO office and corporate expenses	611	25,646
- Others	26,475	38,262
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 30 Sep 2019.

**B9. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES**

There were no sale of unquoted investment and /or properties during the financial period ended 30 Sep 2019.

**B10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK**

There were no financial instruments with material off-balance sheet risk as at 30 Sep 2019.

**B11. MATERIAL LITIGATION**

There were no material litigations as at 30 Sep 2019.

**B12. EARNINGS PER SHARE**

**(I) BASIC LOSS PER ORDINARY SHARE**

The calculation of basic loss per ordinary share as at 30 Sep 2019 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, as follows:-

	<b>INDIVIDUAL QUARTER</b>	<b>INDIVIDUAL QUARTER</b>	<b>CUMULATIVE QUARTER</b>	<b>CUMULATIVE QUARTER</b>
	<b>Unaudited for the quarter ended 30 Sep 19 RM'000</b>	<b>Unaudited for the quarter ended 30 Sep 18 RM'000</b>	<b>Unaudited for the year ended 30 Sep 19 RM'000</b>	<b>Unaudited for the year ended 30 Sep 18 RM'000</b>
Loss after taxation attributable to owner of the Company	(11,585)	(5,125)	(35,852)	(14,928)
Weighted average number of ordinary shares	1,096,413	1,096,413	1,096,413	1,096,413
Basic loss per ordinary share (RM)	(0.01)	(0.01)	(0.03)	(0.01)
Diluted loss per ordinary share (RM)	(0.01)	(0.01)	(0.03)	(0.01)

**(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.

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**B13. LOSS BEFORE TAXATION**

	<b>INDIVIDUAL QUARTER</b>	<b>INDIVIDUAL QUARTER</b>	<b>CUMULATIVE QUARTER</b>	<b>CUMULATIVE QUARTER</b>
	<b>Unaudited for the quarter ended 30 Sep 19 RM'000</b>	<b>Unaudited for the quarter ended 30 Sep 18 RM'000</b>	<b>Unaudited for the year ended 30 Sep 19 RM'000</b>	<b>Unaudited for the year ended 30 Sep 18 RM'000</b>
Loss before taxation is arrived after charging/(crediting):				
Interest income from deposits with licensed banks	458	394	1,298	1,176
Other finance (expenses)/income	(6)	117	-	163
Foreign exchange gain	4,349	9,084	4,752	7,589
Interest expenses on loan from corporate shareholder in a subsidiary	(8,750)	(8,544)	(27,247)	(24,318)
Interest expenses on deferred consideration	(6,475)	(5,611)	(19,073)	(14,666)
Other finance cost	(223)	(390)	(931)	(1,444)

**B14. INCOME TAX EXPENSES**

	<b>INDIVIDUAL QUARTER</b>	<b>INDIVIDUAL QUARTER</b>	<b>CUMULATIVE QUARTER</b>	<b>CUMULATIVE QUARTER</b>
	<b>Unaudited for the quarter ended 30 Sep 19 RM'000</b>	<b>Unaudited for the quarter ended 30 Sep 18 RM'000</b>	<b>Unaudited for the year ended 30 Sep 19 RM'000</b>	<b>Unaudited for the year ended 30 Sep 18 RM'000</b>
Current income tax				
Malaysian income tax:				
- Current period/year	-	-	-	(18)
Foreign income tax:				
- Current year	27	-	956	-
- Under provision in prior year	(313)	-	926	-
Deferred income tax:				
- Origination and reversal of temporary difference	801	(4,426)	(1,656)	1,208
	515	(4,426)	226	1,190

In the current year, the income tax is calculated at the statutory tax rate of 24% (2018: 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**  
**26 NOVEMBER 2019**