



# **REACH ENERGY BERHAD**

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

Report  
on  
Unaudited  
Quarterly Financial Results  
for the Period  
1 July 2020  
to  
30 September 2020

(The figures have not been audited)

**REACH ENERGY BERHAD**  
**Company no. 201301004557 (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 30 Sep 20 RM'000</b>	<b>Unaudited for the quarter ended 30 Sep 19 RM'000</b>	<b>Unaudited for the year ended 30 Sep 20 RM'000</b>	<b>Unaudited for the year ended 30 Sep 19 RM'000</b>
	<b>Note</b>				
Revenue		17,439	35,208	57,102	133,052
Operating expenses					
Taxes other than income taxes		(4,664)	(12,111)	(16,799)	(42,652)
Purchase, services and other direct costs		(6,784)	(8,492)	(23,681)	(25,407)
Depreciation, depletion and amortisation		(17,532)	(12,714)	(48,128)	(41,282)
Impairment		-	-	(66,153)	-
Distribution expenses		(3,113)	(3,920)	(10,150)	(13,851)
Employee compensation costs		(2,941)	(3,192)	(10,290)	(9,876)
General and administration expenses		(11,272)	(1,856)	(14,359)	(7,172)
Other operating (expenses)/income – net		(617)	563	3,351	1,768
Total operating expenses		<u>(46,923)</u>	<u>(41,722)</u>	<u>(186,209)</u>	<u>(138,472)</u>
<b>Loss from operations</b>		<b>(29,484)</b>	<b>(6,514)</b>	<b>(129,107)</b>	<b>(5,420)</b>
Finance income		155	4,801	7,088	6,050
Finance cost		(20,993)	(15,448)	(38,013)	(47,251)
Finance cost – net		<u>(20,838)</u>	<u>(10,647)</u>	<u>(30,925)</u>	<u>(41,201)</u>
<b>Loss before taxation</b>	B13	<b>(50,322)</b>	<b>(17,161)</b>	<b>(160,032)</b>	<b>(46,621)</b>
Income tax benefits	B14	14,153	515	62,622	226
<b>Loss for the financial period</b>		<b><u>(36,169)</u></b>	<b><u>(16,646)</u></b>	<b><u>(97,410)</u></b>	<b><u>(46,395)</u></b>
<b>Loss attributable to:</b>					
Owners of the Company		(25,436)	(11,585)	(53,241)	(35,852)
Non-controlling interests		<u>(10,733)</u>	<u>(5,061)</u>	<u>(44,169)</u>	<u>(10,543)</u>
<b>Loss for the financial period</b>		<b><u>(36,169)</u></b>	<b><u>(16,646)</u></b>	<b><u>(97,410)</u></b>	<b><u>(46,395)</u></b>
<b>Earnings per share attributable to owners of the Company</b>	B12				
Basic loss per ordinary share (RM):		(0.02)	(0.01)	(0.05)	(0.03)
Diluted loss per ordinary share (RM):		(0.02)	(0.01)	(0.05)	(0.03)
<b>Loss for the financial period</b>		<b>(36,169)</b>	<b>(16,646)</b>	<b>(97,410)</b>	<b>(46,395)</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		1,385	13,966	7,378	13,820
<b>Total comprehensive expense for the financial period</b>		<b><u>(34,784)</u></b>	<b><u>(2,680)</u></b>	<b><u>(90,032)</u></b>	<b><u>(32,575)</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 2019 and the accompanying explanatory notes.

**REACH ENERGY BERHAD**  
**Company no. 201301004557 (1034400-D)**  
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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 20 RM'000	30 Sep 19 RM'000	30 Sep 20 RM'000	30 Sep 19 RM'000
<b>Total comprehensive (expense)/income for the period attributable to:</b>				
Owners of the Company	(24,604)	(3,206)	(48,814)	(12,207)
Non-controlling interests	(10,180)	526	(41,218)	(20,368)
<b>Total comprehensive expense for the financial period</b>	<b>(34,784)</b>	<b>(2,680)</b>	<b>(90,032)</b>	<b>(32,575)</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 2019 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 20 RM'000	Audited As at 31 Dec 19 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,348,270	1,425,941
Intangible assets		1,610	1,705
Right use of assets		5,540	5,856
Prepayment and other receivables		10,758	7,402
Restricted cash		6,186	6,860
<b>Total non-current assets</b>		<b>1,372,364</b>	<b>1,447,764</b>
<b>Current assets</b>			
Inventories		2,263	3,553
Trade receivables		1,166	296
Prepayment and other receivables		8,234	16,743
Amount due from corporate shareholder in a subsidiary		3,423	3,237
Deposits, cash and bank balances		5,896	35,958
<b>Total current assets</b>		<b>20,982</b>	<b>59,787</b>
<b>Total assets</b>		<b>1,393,346</b>	<b>1,507,551</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables		53,898	42,399
Accruals and other payables		20,689	18,025
Lease liabilities		744	912
Amounts due to corporate shareholder in a subsidiary	A7	8,557	8,149
Current tax liabilities		3,054	3,513
<b>Total current liabilities</b>		<b>86,942</b>	<b>72,998</b>
<b>Net current liabilities</b>		<b>(65,960)</b>	<b>(13,211)</b>
<b>Total assets less current liabilities</b>		<b>1,306,404</b>	<b>1,434,553</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		49,624	108,756
Amounts due to corporate shareholder in a subsidiary	A7	646,531	617,131
Trade payables		16,055	22,356
Accruals and other payables		548	864
Lease liabilities		3,944	4,859
Provisions		4,885	5,738
		<b>721,587</b>	<b>759,704</b>
<b>Net assets</b>		<b>584,817</b>	<b>674,849</b>
<b>Equity</b>			
Capital		488,975	488,975
Other reserves		180,569	176,108
Accumulated losses		(237,347)	(184,106)
Equity attributable to owners of the Company		432,197	480,977
Non-controlling interest		152,620	193,872
<b>Total Equity</b>		<b>584,817</b>	<b>674,849</b>
<b>Net assets per share (RM)</b>		<b>0.53</b>	<b>0.62</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 2019 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 -----→							
	Capital RM'000	Warrants reserve RM'000	Share- based payment reserves RM'000	Foreign exchange reserve RM'000	Accumulated losses RM'000			
<b>As at 1 January 2020</b>	488,975	198,914	821	(23,627)	(184,106)	480,977	193,872	674,849
Loss for the financial year	-	-	-	-	(53,241)	(53,241)	(44,169)	(97,410)
Other comprehensive expense, net of tax - Foreign currency translation	-	-	-	4,461	-	4,461	2,917	7,378
Total comprehensive income/(expense) for the financial year	-	-	-	4,461	(53,241)	(48,780)	(41,252)	(90,032)
<b>As at 30 September 2020</b>	<b>488,975</b>	<b>198,914</b>	<b>821</b>	<b>(19,166)</b>	<b>(237,347)</b>	<b>432,197</b>	<b>152,620</b>	<b>584,817</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 2019 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 contribution 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	-	-	-	-	-	(128,403)	(128,403)	(51,711)	(180,114)
Other comprehensive income, net of tax									
- Foreign currency translation	-	-	-	-	(598)	-	(598)	(399)	(997)
- Impact of restructuring of loan from corporate shareholder of a subsidiary	-	-	(81,682)	-	-	-	(81,682)	83,502	1,820
Total comprehensive income/(expense) for the year	-	-	(81,682)	-	(598)	(128,403)	(201,683)	31,392	(179,291)
<b>As at 31 December 2019</b>	488,975	198,914	-	821	(23,627)	(184,106)	480,977	193,872	674,849

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 2019 and the accompanying explanatory notes.

**REACH ENERGY BERHAD**  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	Unaudited 9 months 30 Sep 20 RM'000	Unaudited 9 months 30 Sep 19 RM'000
<b>Cash flows from operating activities</b>		
Loss before tax	(160,032)	(46,621)
Adjustments for:-		
Depreciation of property, plant and equipment	48,128	41,282
Impairment of asset	66,153	-
Unrealised foreign exchange gain, net	(5,809)	(4,752)
Finance cost	38,252	47,251
Finance income	(618)	(1,298)
Loss in disposal of assets	(164)	-
Write off of inventory	188	272
Write off of property, plant and equipment	(33)	130
Net provision for impairment of trade receivables	(23)	-
Net provision for inventory obsolescence	-	(514)
	<u>(13,958)</u>	<u>35,750</u>
Changes in working capital:		
Inventories	1,187	(106)
Prepayment and other receivables	5,671	(10,029)
Trade receivables	(858)	(8,609)
Trade payables	41,217	9,902
Other payables and accruals	(66,860)	(3,583)
Amount due to corporate shareholder in a subsidiary	(4,839)	(1,181)
<b>Cash flows (used in)/generated from operating activities</b>	<u>(38,440)</u>	<u>22,144</u>
Income tax refund	-	164
<b>Net cash (used in)/generated from operating activities</b>	<u>(38,440)</u>	<u>22,308</u>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(13,305)	(29,044)
Finance income received	618	392
Movement in restricted cash	799	61
<b>Net cash used in investing activities</b>	<u>(11,888)</u>	<u>(28,591)</u>
<b>Cash flows from financing activities</b>		
Payment of amount due to corporate shareholder in a subsidiary	(13,398)	-
Payment of lease interest	(69)	-
Payment of lease principal	(645)	-
<b>Net cash used in financing activities</b>	<u>(14,112)</u>	<u>-</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(64,440)	(6,283)
<b>Cash and cash equivalents at the beginning of the year</b>	35,958	49,007
<b>Exchange difference on cash and cash equivalents</b>	34,378	348
<b>Cash and cash equivalents at end of the period</b>	<u>5,896</u>	<u>43,072</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 2019 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 2019 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 2019.

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 2019 except for those standards, amendments and interpretations which are effective from the annual period beginning on or after 1 January 2020. 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 2020.

**A2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES**

The Group plans to apply the below mentioned 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.

- Amendments to MFRS 101 and MFRS 108 *"Definition of Material"*
- Amendments to MFRS 3 *"Definition of a Business"*
- The Conceptual Framework for Financial Reporting (Revised 2018)

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

The Group's consolidated financial statements for the financial year ended 31 December 2019 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.



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**A7. BORROWING, DEBT AND EQUITY SECURITY**

**(I) BORROWING**

	As at 30 Sep 2020					
	Long term		Short term		Total borrowings	
Amount due to corporate shareholder in a subsidiary	*Foreign denomination '000	RM Denomination '000	*Foreign denomination '000	RM Denomination '000	*Foreign denomination '000	RM Denomination '000
Unsecured	155,472	646,531	2,058	8,557	157,530	655,088
	As at 31 Dec 2019					
	Long term		Short term		Total borrowings	
Amount due to corporate shareholder in a subsidiary	*Foreign denomination '000	RM Denomination '000	*Foreign denomination '000	RM Denomination '000	*Foreign denomination '000	RM Denomination '000
Unsecured	150,796	617,131	1,991	8,149	152,787	625,280

\*The unsecured borrowings are denominated in United States Dollars ("USD") and translated at the rate of 4.159 (2019: 4.093).

There was a repayment of principal on deferred consideration and no drawdowns of borrowings made during the 9 months financial period ended 30 September 2020. 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		
161,131	Ranging from 10% to 14%	No fixed repayment period
234,139	5%	Due in 2021
91,551	Interest free	Due in 2021
61,135	4.86%	Due in 2036
33,489	Interest free	Due in 2036
8,557	Interest free	Repayable on demand
1,341	5%	Due in 2023
864	Interest free	Due in 2023
<u>62,881</u>	Interest free	No fixed repayment period
<u>655,088</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 September 2020.

**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 September 2020.

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**A11. CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

There were no contingent liabilities or contingent assets as at 30 September 2020.

**A12. COMMITMENT**

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

	<b>Unaudited As at 30 Sep 20 RM'000</b>	<b>Audited As at 31 Dec 19 RM'000</b>
Authorised but not contracted for	16,096	35,526
Contracted but not provided for	13,201	107,170
	<u>29,297</u>	<u>142,696</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:**

	<b>Unaudited As at 30 Sep 20 RM'000</b>	<b>Audited As at 31 Dec 19 RM'000</b>
< 1 year	284,169	201,733
1 – 2 years	749,241	326,752
2 – 5 years	674,233	299,768
> 5 years	1,528,368	763,252
	<u>3,236,011</u>	<u>1,591,505</u>

In January 2020, we were awarded two new production contracts (North Kariman and Yessen fields) which explains the increase in cost under the work program. The minimum work program includes capital expenditure of RM 646 million (2019: RM 931 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.

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

**(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 20</b>		<b>Unaudited for the quarter ended 30 Sep 19</b>		<b>Unaudited for the year ended 30 Sep 20</b>		<b>Unaudited for the year ended 30 Sep 19</b>	
	<b>Oil &amp; Gas</b>	<b>Investment Holdings</b>	<b>Oil &amp; Gas</b>	<b>Investment Holdings</b>	<b>Oil &amp; Gas</b>	<b>Investment Holdings</b>	<b>Oil &amp; Gas</b>	<b>Investment Holdings</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	17,439	-	35,208	-	57,102	-	133,052	-
<b>Results</b>								
Operating expenses	(45,369)	(1,554)	(39,822)	(1,900)	(180,278)	(5,931)	(132,409)	(6,063)
Finance (cost)/ income, net	(3,060)	(17,778)	(21,646)	10,999	(19,979)	(10,946)	(68,065)	26,864
(Loss)/profit before taxation	(30,990)	(19,332)	(26,260)	9,099	(143,155)	(16,877)	(67,422)	20,801
Income tax benefits	14,153	-	515	-	62,622	-	226	-
(Loss)/profit for the financial period	(16,837)	(19,332)	(25,745)	9,099	(80,533)	(16,877)	(67,196)	20,801

The amounts are denominated in United States Dollars ("USD") and translated at an average rate of 4.239 (2019: 4.139).

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

	<b>Unaudited as at 30 Sep 20</b>		<b>Audited as at 31 Dec 19</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>
Non-current assets	1,372,196	168	1,447,407	357
Current assets	13,776	7,206	34,163	25,623
Current liabilities	(84,075)	(2,867)	(69,685)	(3,312)
Non-current liabilities	(497,460)	(224,127)	(543,492)	(216,212)
Net assets	804,437	(219,620)	868,393	(193,545)
Accumulated non-controlling interest		152,620		193,872

The amounts are denominated in United States Dollars ("USD") and translated at the closing rate of 4.159 (2019: 4.093).

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

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

	<b>INDIVIDUAL QUARTER</b>	<b>INDIVIDUAL QUARTER</b>	<b>CUMULATIVE QUARTER</b>	<b>CUMULATIVE QUARTER</b>
	<b>Unaudited for the quarter ended 30 Sep 20</b>	<b>Unaudited for the quarter ended 30 Sep 19</b>	<b>Unaudited for the year ended 30 Sep 20</b>	<b>Unaudited for the year ended 30 Sep 19</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	17,439	35,208	57,102	133,052
Operating expenses	(46,923)	(41,722)	(186,209)	(138,472)
EBITDA	(11,952)	6,200	(80,979)	35,862
Loss before tax	(50,322)	(17,161)	(160,032)	(46,621)
Loss after tax	(36,169)	(16,646)	(97,410)	(46,395)

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

**(I) COMPARING WITH PRECEDING YEAR QUARTER RESULTS (CONT'D)**

**Individual Quarter**

The Group recorded revenue of RM 17.4 million for the current quarter under review as compared to RM 35.2 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 2020 was 1,768 bopd as compared to 2,200 bopd for the third quarter 2019.

Operating expenses for the third quarter showed an increase of RM 5.2 million as compared to the corresponding third quarter of 2019. The increase was mainly due to the provision for penalties and fines.

As a result of lower revenue and higher operating expenses, the Group recorded negative Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 12.0 million in the third quarter of 2020 as compared to positive EBITDA of RM 6.2 million in the third quarter of 2019.

The Finance Cost of RM 21.0 million in the third quarter of 2020 mainly consists of interest payable to corporate shareholder.

The Group has recorded Loss before Tax of RM 50.3 million in the third quarter of 2020, as compared to Loss before Tax of RM 17.2 million in the third quarter of 2019.

Currently, the Group's net asset per share stands at RM 0.53 as compared to the closing market price of RM 0.095 per share on 27 November 2020.

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

	<b>CURRENT QUARTER</b>	<b>IMMEDIATE PRECEDING QUARTER</b>
	<b>Unaudited for the period ended 30 Sep 20 RM'000</b>	<b>Unaudited for the period ended 30 Jun 20 RM'000</b>
Revenue	17,439	16,982
Operating expenses	(46,923)	(91,915)
EBITDA	(11,952)	(61,522)
Loss before tax	(50,322)	(93,093)
Loss after tax	(36,169)	(53,936)

The Group's revenue for the current quarter under review has an increase of RM 0.5 million to RM 17.4 million as compared to the second quarter of 2020. The higher revenue was contributed by the higher production in the third quarter of 2020 of 1,768 bopd, as compared to 1,458 bopd in second quarter of 2020.

For the second quarter of 2020, the operating expenses and negative EBITDA was higher as compared to the third quarter of 2020 was mainly due to the provision for impairment in second quarter of 2020.

For the current quarter under review, the Group has recorded Loss before Tax of RM 50.3 million and Loss after Tax of RM 36.1 million as compared to the second quarter of 2020 Loss before Tax of RM 93.1 million and Loss after Tax of RM 53.9 million.

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

The Group recorded a Loss before Tax of RM 160.0 million in the current 9 months period ended 30 September 2020 while in the corresponding 9 months period ended 30 September 2019, the Group recorded a Loss before Tax of RM 46.6 million.

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**B4. PROSPECT**

The oil and gas outlook for this year is expected to remain challenging, due to the volatility in the global and domestic markets. This is further compounded by the prolonged COVID-19 pandemic. Our operations remain uninterrupted although country-wide movement restrictions continue. The oil price dropped significantly in the first quarter of 2020 but has gradually moved up in since then. We however managed to turn-around our oil production in the third quarter of 2020 via selective workover program.

Due to prevailing COVID-19 situation and economic considerations, our CAPEX allocation for 2020 will be minimal on the basis of strictly non-discretionary spending. Yessen 4 exploration well had been completed and managed to produce on intermittent basis. Further evaluation is to be conducted to assess capability of this well.

Completion of the new Central Processing Facilities ("CPF") will be deferred until production exceeds 6,000 bopd which is the processing limit of the existing facilities.

Electrical Submersible Pumps continue to play a major role notably for Kariman field in order to continuously develop the field. . Water and gas injection studies are on-going as part of our enhanced oil recovery initiative.

The average production for the third quarter of 2020 was 1,768 bopd while YTD oil production rate is around 1,690 bopd (as at 30 September 2020).

**B5. RESERVES**

As part of our responsibility as a public-listed E&P Company, we provide transparency of our core assets to shareholders and the public. Our appointed Independent Reserves Auditor/Assessor, Gaffney Cline and Associates ("GCA"), had completed an independent reserves and economic evaluation of oil and gas properties in the Emir-Oil Concession Block, as at the effective date of 31 December 2019.

As at 31 December 2019, 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 <u>(PROVED RESERVES)</u>	2P <u>(PROVED + PROBABLE RESERVES)</u>	3P <u>(PROVED + PROBABLE + POSSIBLE RESERVES)</u>
Kariman	13.33	50.87	85.77
Dolinnoe	1.55	3.39	5.98
Aksaz	0.91	1.74	3.10
Yessen	0.87	2.53	7.11
Emir	0.02	0.05	0.12
<b>Total</b>	<b>16.68</b>	<b>58.58</b>	<b>102.08</b>

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**B5. RESERVES (CONT'D)**

**(II) GAS**

FIELD	GAS RESERVES (BSCF)		
	1P <u>(PROVED RESERVES)</u>	2P <u>(PROVED + PROBABLE RESERVES)</u>	3P <u>(PROVED + PROBABLE + POSSIBLE RESERVES)</u>
Kariman	11.28	60.38	94.18
Dolinnoe	6.30	13.52	23.45
Aksaz	5.90	11.58	20.98
Yessen	0.20	0.63	1.93
Emir	0.00	0.01	0.03
<b>Total</b>	<b>23.68</b>	<b>86.12</b>	<b>140.57</b>

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

FIELD	OIL AND GAS RESERVES (MMBOE)		
	1P <u>(PROVED RESERVES)</u>	2P <u>(PROVED + PROBABLE RESERVES)</u>	3P <u>(PROVED + PROBABLE + POSSIBLE RESERVES)</u>
Kariman	15.21	60.93	101.47
Dolinnoe	2.60	5.64	9.89
Aksaz	1.89	3.67	6.60
Yessen	0.90	2.64	7.43
Emir	0.02	0.05	0.13
<b>Total</b>	<b>20.62</b>	<b>72.93</b>	<b>125.52</b>

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

<u>Purpose of Utilisation</u>	<u>Proposed Utilisation</u> RM'000	<u>Actual Utilisation</u> RM'000
Acquisition of the target company/asset	710,625	580,528
Working capital		
- Remuneration of the management team	15,459	15,942
- Pre-IPO office and corporate expenses	611	25,646
- Others	26,475	34,101
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 September 2020.

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

There were no sale of unquoted investment and /or properties during the financial period ended 30 September 2020.

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

There were no financial instruments with material off-balance sheet risk as at 30 September 2020.

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**B11. MATERIAL LITIGATION**

**(I) LITIGATION INVOLVING EMIR-OIL LLP AND MINISTRY OF ENERGY IN KAZAKHSTAN IN CONNECTION TO GAS DISPERSION VIOLATIONS FROM OPEN TANKS AT EMIR-OIL**

Emir-Oil LLP ("EO"), the Company's sub-subsiary had received a Statement of Claim from Ministry of Energy ("MOE") in Kazakhstan in connection with the inspection carried out by MOE.

During the inspection carried out by MOE for the periods from January 2018 up to September 2019, MOE observed some substance of gas dispersion violations from open tanks at Emir-Oil. In general, gas dispersion is not permitted pursuant to the Subsoil Use Codes in Kazakhstan.

The Court in Kazakhstan ("the Court") had on 13 November 2020 ruled that EO had lost the court case and shall pay for the damages amounting to RM 7,292,000 (KZT 760,000,000). The Court further indicated that EO could file its appeal before 13 December 2020.

Currently, the Company is seeking necessary legal advice to resolve and/or to defend the legal suit.

**(II) LITIGATION INVOLVING EMIR-OIL LLP AND MINISTRY OF ENERGY IN KAZAKHSTAN IN CONNECTION TO GAS DISPERSION VIOLATIONS FROM EMIR-OIL'S OPERATING FACILITIES**

Emir-Oil LLP ("EO"), the Company's sub-subsiary had received a Statement of Claim from Ministry of Energy ("MOE") in Kazakhstan in connection with the inspection carried out by MOE.

During the inspection carried out by MOE for the periods from January 2018 up to September 2019, MOE observed some substance of gas dispersion violations from EO's operating facilities. In general, gas dispersion is not permitted pursuant to the Subsoil Use Codes in Kazakhstan.

The Court in Kazakhstan ("the Court") had on 19 November 2020 ruled that EO had lost the court case and shall pay for the damages amounting to RM 3,181,000 (KZT 332,271,208). The Court further indicated that EO could file its appeal before 19 December 2020.

Currently, the Company is seeking necessary legal advice to resolve and/or to defend the legal suit.

**B12. EARNINGS PER SHARE**

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

The calculation of basic loss per ordinary share as at 30 September 2020 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 20 RM'000</b>	<b>Unaudited for the quarter ended 30 Sep 19 RM'000</b>	<b>Unaudited for the year ended 30 Sep 20 RM'000</b>	<b>Unaudited for the year ended 30 Sep 19 RM'000</b>
Loss after taxation attributable to owner of the Company	(25,436)	(11,585)	(53,241)	(35,852)
Weighted average number of ordinary shares	1,096,413	1,096,413	1,096,413	1,096,413
Basic loss per ordinary share (RM)	(0.02)	(0.01)	(0.05)	(0.03)
Diluted loss per ordinary share (RM)	(0.02)	(0.01)	(0.05)	(0.03)

**(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 20 RM'000</b>	<b>Unaudited for the quarter ended 30 Sep 19 RM'000</b>	<b>Unaudited for the year ended 30 Sep 20 RM'000</b>	<b>Unaudited for the year ended 30 Sep 19 RM'000</b>
Loss before taxation is arrived after charging/(crediting):				
Interest income from deposits with licensed banks	155	458	618	1,298
Other finance expenses	-	(6)	-	-
Foreign exchange (loss)/gain, net	(12,174)	4,349	6,470	4,752
Interest expenses on loan from corporate shareholder in a subsidiary	(6,663)	(8,750)	(19,927)	(27,247)
Interest expenses on deferred consideration	(5,731)	(6,475)	(17,216)	(19,073)
Other finance cost	3,575	(223)	(870)	(931)

**B14. INCOME TAX BENEFITS/(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 20 RM'000</b>	<b>Unaudited for the quarter ended 30 Sep 19 RM'000</b>	<b>Unaudited for the year ended 30 Sep 20 RM'000</b>	<b>Unaudited for the year ended 30 Sep 19 RM'000</b>
Current income tax				
Malaysian income tax:				
- Current period/year	-	-	-	-
Foreign income tax:				
- Current year	8	27	1,225	956
- Under provision in prior year	-	(313)	-	926
Deferred income tax:				
- Origination and reversal of temporary difference	14,145	801	61,397	(1,656)
	<u>14,153</u>	<u>515</u>	<u>62,622</u>	<u>226</u>

In the current year, the income tax is calculated at the statutory tax rate of 24% (2019: 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**  
**30 NOVEMBER 2020**