



# **REACH ENERGY BERHAD**

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

Report  
on  
Unaudited  
Quarterly Financial Results  
for the Period  
1 Oct 2021  
to  
31 Dec 2021

(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</b>	<b>Audited for the quarter ended</b>	<b>Unaudited for the year ended</b>	<b>Audited for the year ended</b>
	<b>Note</b>	<b>31 Dec 21 RM'000</b>	<b>31 Dec 20 RM'000</b>	<b>31 Dec 21 RM'000</b>	<b>31 Dec 20 RM'000</b>
Revenue		54,558	22,440	150,691	79,542
Operating expenses					
Taxes other than income taxes		(17,174)	(5,434)	(49,421)	(22,233)
Purchase, services and other direct costs		(7,747)	(6,523)	(24,569)	(30,204)
Depreciation, depletion and amortisation		(25,162)	(14,258)	(69,252)	(62,386)
Impairment of non-financial asset		-	(57,656)	-	(123,809)
Reversal of impairment of non-financial asset		-	13,919	-	13,919
Distribution expenses		(4,296)	(2,656)	(13,583)	(12,806)
Employee compensation costs		(3,363)	(3,575)	(10,583)	(13,865)
General and administration expenses		(18,368)	(3,192)	(15,858)	(17,551)
Net (loss)/reversal on impairment of financial instruments		-	(1,326)	-	(1,326)
Other operating income/(expenses) – net		(1,483)	(421)	(1,868)	2,930
Total operating expenses		<u>(77,593)</u>	<u>(81,122)</u>	<u>(185,134)</u>	<u>(267,331)</u>
<b>Loss from operations</b>		<b>(23,035)</b>	<b>(58,682)</b>	<b>(34,443)</b>	<b>(187,789)</b>
Finance income		262	132	17,649	2,114
Finance cost		(14,764)	(28,400)	(51,669)	(61,307)
Finance cost – net		<u>(14,502)</u>	<u>(28,268)</u>	<u>(34,020)</u>	<u>(59,193)</u>
<b>Loss before taxation</b>	B13	<b>(37,537)</b>	<b>(86,950)</b>	<b>(68,463)</b>	<b>(246,982)</b>
Income tax (expense)/benefit	B14	(23,960)	(12,476)	(13,371)	50,146
<b>Loss for the financial period/year</b>		<b><u>(61,497)</u></b>	<b><u>(99,426)</u></b>	<b><u>(81,834)</u></b>	<b><u>(196,836)</u></b>
<b>Loss attributable to:</b>					
Owners of the Company		(63,378)	(75,449)	(53,108)	(128,690)
Non-controlling interests		1,881	(23,977)	(28,726)	(68,146)
<b>Loss for the financial period/year</b>		<b><u>(61,497)</u></b>	<b><u>(99,426)</u></b>	<b><u>(81,834)</u></b>	<b><u>(196,836)</u></b>
<b>Loss per share attributable to owners of the Company</b>	B12				
Basic loss per ordinary share (RM):		(0.06)	(0.07)	(0.05)	(0.12)
Diluted loss per ordinary share (RM):		(0.06)	(0.07)	(0.05)	(0.12)
<b>Loss for the financial period/year</b>		<b>(61,497)</b>	<b>(99,426)</b>	<b>(81,834)</b>	<b>(196,836)</b>
<b>Other comprehensive (expense)/income, net of tax</b>					
<b>Items that will be reclassified subsequently to (loss) or profit:</b>					
- Foreign currency translation differences		(2,125)	2,122	(2,804)	9,500
<b>Total comprehensive expense for the financial period/year</b>		<b><u>(63,622)</u></b>	<b><u>(97,304)</u></b>	<b><u>(84,638)</u></b>	<b><u>(187,336)</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 2020 and the accompanying explanatory notes.

**REACH ENERGY BERHAD**  
**Company no. 201301004557 (1034400-D)**  
**(Incorporated in Malaysia)**

**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>
	<b>Unaudited for the quarter ended</b>	<b>Audited for the quarter ended</b>	<b>Unaudited for the year ended</b>	<b>Audited for the year ended</b>
<b>Note</b>	<b>31 Dec 21 RM'000</b>	<b>31 Dec 20 RM'000</b>	<b>31 Dec 21 RM'000</b>	<b>31 Dec 20 RM'000</b>
<b>Total comprehensive expense for the period/year attributable to:</b>				
Owners of the Company	(64,654)	(74,142)	(54,790)	(122,956)
Non-controlling interests	1,032	(23,162)	(29,848)	(64,380)
<b>Total comprehensive expense for the financial period/year</b>	<b>(63,622)</b>	<b>(97,304)</b>	<b>(84,638)</b>	<b>(187,336)</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 2020 and the accompanying explanatory notes.

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

	Note	Unaudited As at 31 Dec 21 RM'000	Audited As at 31 Dec 20 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,291,412	1,257,149
Intangible assets		1,299	1,490
Right use of assets		2,339	2,420
Prepayment and other receivables		3,469	3,274
Restricted cash		8,480	6,953
<b>Total non-current assets</b>		<b>1,306,999</b>	<b>1,271,286</b>
<b>Current assets</b>			
Inventories		1,688	1,835
Trade receivables		849	5,664
Prepayment and other receivables		18,427	10,559
Amount due from corporate shareholder in a subsidiary		4,064	4,007
Deposits, cash and bank balances		44,452	10,163
<b>Total current assets</b>		<b>69,480</b>	<b>32,228</b>
<b>Total assets</b>		<b>1,376,479</b>	<b>1,303,514</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables		69,536	55,824
Accruals and other payables		46,048	19,668
Lease liabilities		538	352
Amounts due to corporate shareholder in a subsidiary	A7	361,695	331,340
Current tax liabilities		2,878	2,886
Short term borrowing	A7	15,097	-
Provisions		1,757	11,205
<b>Total current liabilities</b>		<b>497,549</b>	<b>421,275</b>
<b>Net current liabilities</b>		<b>(428,069)</b>	<b>(389,047)</b>
<b>Total assets less current liabilities</b>		<b>878,930</b>	<b>882,239</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		75,218	60,758
Amounts due to corporate shareholder in a subsidiary	A7	362,465	317,278
Trade payables		9,048	8,771
Accruals and other payables		-	334
Lease liabilities		1,654	2,079
Long term borrowing	A7	23,740	-
Provisions		3,930	5,506
		<b>476,055</b>	<b>394,726</b>
<b>Net assets</b>		<b>402,875</b>	<b>487,513</b>
<b>Equity</b>			
Capital		488,975	488,975
Other reserves		180,160	181,842
Accumulated losses		(365,904)	(312,796)
Equity attributable to owners of the Company		303,231	358,021
Non-controlling interest		99,644	129,492
<b>Total Equity</b>		<b>402,875</b>	<b>487,513</b>
<b>Net assets per share (RM)</b>		<b>0.37</b>	<b>0.44</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 2020 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						
<b>As at 1 January 2021</b>	488,975	198,914	821	(17,893)	(312,796)	358,021	129,492	487,513
Loss for the financial year	-	-	-	-	(53,108)	(53,108)	(28,726)	(81,834)
Other comprehensive expense, net of tax - Foreign currency translation	-	-	-	(1,682)	-	(1,682)	(1,122)	(2,804)
Total comprehensive expense for the financial year	-	-	-	(1,682)	(53,108)	(54,790)	(29,848)	(84,638)
<b>As at 31 December 2021</b>	<b>488,975</b>	<b>198,914</b>	<b>821</b>	<b>(19,575)</b>	<b>(365,904)</b>	<b>303,231</b>	<b>99,644</b>	<b>402,875</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 2020 and the accompanying explanatory notes.

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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	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 2020</b>	488,975	198,914	821	(23,627)	(184,106)	480,977	193,872	674,849
Loss for the financial year	-	-	-	-	(128,690)	(128,690)	(68,146)	(196,836)
Other comprehensive expense, net of tax - Foreign currency translation	-	-	-	5,734	-	5,734	3,766	9,500
Total comprehensive income/(expense) for the financial year	-	-	-	5,734	(128,690)	(122,956)	(64,380)	(187,336)
<b>As at 31 December 2020</b>	<b>488,975</b>	<b>198,914</b>	<b>821</b>	<b>(17,893)</b>	<b>(312,796)</b>	<b>358,021</b>	<b>129,492</b>	<b>487,513</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 2020 and the accompanying explanatory notes.

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

	<b>Unaudited 12 months 31 Dec 21 RM'000</b>	<b>Audited 12 months 31 Dec 20 RM'000</b>
<b>Cash flows from operating activities</b>		
Loss before tax	(68,463)	(246,982)
Adjustments for:-		
Depreciation of property, plant and equipment	69,252	62,386
Impairment of asset	-	123,809
Reversal of impairment of non-financial assets	-	(13,919)
Unrealised foreign exchange loss/(gain), net	1,174	9,613
Finance cost	50,495	51,694
Finance income	(17,649)	(2,114)
Provisions for claims	-	11,724
Change in estimate of asset retirement obligations	-	(263)
Loss in disposal of assets	744	132
Write off of inventory	38	184
Write off of property, plant and equipment	-	70
Impairment charge/(reversal) of:		
- trade receivables	(23)	(2)
- cash and bank balances	-	(59)
- other receivables	-	1,387
Net (reversal)/provision for inventory obsolescence	(15)	(1,173)
	<u>35,553</u>	<u>(3,513)</u>
Changes in working capital:		
Inventories	334	2,549
Trade receivables	(5,044)	(5,620)
Prepayment and other receivables	7,315	2,270
Trade payables	12,755	2,888
Other payables and accruals	24,678	3,487
Amount due to corporate shareholder in a subsidiary	15,366	(770)
<b>Cash flows generated from/(used in) operating activities</b>	<u>90,957</u>	<u>1,291</u>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(59,198)	(15,152)
Finance income received	693	750
Movement in restricted cash	(1,245)	-
<b>Net cash used in investing activities</b>	<u>(59,750)</u>	<u>(14,402)</u>
<b>Cash flows from financing activities</b>		
Payment of amount due to corporate shareholder in a subsidiary	-	(12,294)
Payment of lease interest	(41)	(103)
Payment of lease principal	(491)	(857)
<b>Net cash used in financing activities</b>	<u>(532)</u>	<u>(13,254)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	30,675	(26,365)
<b>Cash and cash equivalents at the beginning of the year</b>	10,163	35,958
<b>Exchange difference on cash and cash equivalents</b>	3,614	570
<b>Cash and cash equivalents at end of the year</b>	<u>44,452</u>	<u>10,163</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 2020 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 2020 and the accompanying notes attached to the audited 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 2020.

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 2020 except for those standards, amendments and interpretations which are effective from the annual period beginning on or after 1 January 2021. 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 2021.

In the previous financial year, our statutory auditor had issued an unmodified opinion but with an Emphasis of Matter with regards to material uncertainty related to going concern. The material uncertainty revolved around the decrease in crude oil prices and demand, and potential suspension of operations of the Group's subsidiary, Emir Oil. To address these matters, the Group had taken measures to avoid a recurrence of the suspension and obtain additional financing.

As of year end, the Group had successfully avoided further suspension and obtained financing from an external financial institution. The position of the Group was also strengthened by the improvement in crude oil prices and demand.

**A2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES**

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2021. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

**MFRSs and Amendments effective for annual periods beginning on or after 1 April 2021**

Amendments to MFRS 16	Leases – Covid-Related Rent Concession beyond 30 June 2021
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**MFRSs and Amendments effective for annual periods beginning on or after 1 January 2022**

Amendments to MFRS 3	Business Combinations – Reference to the Conceptual Framework
Amendments to MFRS 9	Financial Instruments
Annual Improvements to MFRS 9	Fees in the "10 per cent" test for Derecognition of Financial Liabilities
Annual Improvements to MFRS 16	Amendments to Illustrative Examples – Leases Incentives
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Provision, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract



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**A2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)**

**MFRSs and Amendments effective for annual periods beginning on or after 1 January 2023**

Amendments to MFRS 101	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies
Amendments to MFRS Practice Statement 2 and MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

The Group's consolidated financial statements for the financial year ended 31 December 2020 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 31 Dec 2021					
	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	86,797	362,465	86,613	361,695	173,410	724,160
External Borrowings	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000
Secured	5,685	23,740	3,615	15,097	9,300	38,837
<b>Total</b>	<b>92,482</b>	<b>386,205</b>	<b>90,228</b>	<b>376,792</b>	<b>182,710</b>	<b>762,997</b>
	As at 31 Dec 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	79,062	317,278	82,567	331,340	161,629	648,618

\*The unsecured and secured borrowings are denominated in United States Dollars ("USD") and translated at the rate of 4.176 (2020: 4.013).

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

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

**External Borrowings**

Term loan facility of principle amount up to USD 6.3 million and revolving credit facility of principle amount up to USD 3.0 million for a period not exceeding 84 months at the interest of 7% per annum, offered by Kazakhstan Bank, namely Joint Stock Company Bank RBK have been drawdown in the year of 2021 to finance Emir Oil's working capital requirements and for capital expenditure (CAPEX) in relation to its drilling activities.

**Amount due to corporate shareholder in a subsidiary**

There was no repayment of principal on deferred consideration and no drawdowns of borrowings made during the 12 months financial period ended 31 December 2021. The amount due to corporate shareholder in a subsidiary has the following interest exposures and repayment terms:

<b><u>Non-current</u></b>	<b><u>Current</u></b>	<b><u>Interest</u></b>	<b><u>Repayment terms</u></b>
RM'000	RM'000		
161,810	-	Ranging from 10% to 14%	No fixed repayment period
-	239,675	5%	Due in 2021
-	112,796	Interest free	Due in 2021
61,392	-	4.86%	Due in 2036
45,184	-	Interest free	Due in 2036
-	9,224	Interest free	Repayable on demand
1,623	-	5%	Due in 2023
963	-	Interest free	Due in 2023
91,493	-	Interest free	No fixed repayment period
<b>362,465</b>	<b>361,695</b>		

Emir Oil LLP entered into loan agreements with Palaeontol B.V. ("PBV"), a subsidiary of Reach Energy Ventures Sdn. Bhd. ("REV") in year 2012 amounted to USD 160 million to finance Emir Oil's operation. As of 31 December 2021, RM352.5 million of these loans remain unpaid. The extension of the loan agreements is being negotiated with the corporate holder of the loans.

**(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 year ended 31 December 2021.

**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 year ended 31 December 2021.

**A11. CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

There were no contingent liabilities or contingent assets as at 31 December 2021.

**REACH ENERGY BERHAD**  
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**A12. COMMITMENT**

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

	<b>Unaudited As at 31 Dec 21 RM'000</b>	<b>Audited As at 31 Dec 20 RM'000</b>
Authorised but not contracted for	20,040	7,090
Contracted but not provided for	406	28,648
	20,446	35,738

**(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 31 Dec 21 RM'000</b>	<b>Audited As at 31 Dec 20 RM'000</b>
< 1 year	282,350	477,488
1 – 2 years	488,248	551,185
2 – 5 years	534,553	617,844
> 5 years	1,205,761	1,344,605
	2,510,912	2,991,122

The minimum work program includes capital expenditure of RM 884 million (2020: RM 850 million) to be incurred over the life of the production contracts expiring in 2044. 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 2044.

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

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

	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER		CUMULATIVE QUARTER		CUMULATIVE QUARTER	
	Unaudited for the quarter ended 31 Dec 21		Audited for the quarter ended 31 Dec 20		Unaudited for the year ended 31 Dec 21		Audited for the year ended 31 Dec 20	
	Oil & Gas RM'000	Investment Holdings RM'000	Oil & Gas RM'000	Investment Holdings RM'000	Oil & Gas RM'000	Investment Holdings RM'000	Oil & Gas RM'000	Investment Holdings RM'000
Revenue	54,558	-	22,440	-	150,691	-	79,542	-
<b>Results</b>								
Operating expenses	(76,373)	(1,220)	(79,618)	(1,504)	(180,912)	(4,222)	(259,897)	(7,434)
Finance (cost)/income, net	(7,554)	(6,948)	(7,936)	(20,332)	(28,223)	(5,797)	(27,914)	(31,279)
Loss before taxation	(29,369)	(8,168)	(65,114)	(21,836)	(58,444)	(10,019)	(208,269)	(38,713)
Income tax (expense)/benefit	(23,960)	-	(12,476)	-	(13,371)	-	50,146	-
Loss for the financial period/year	(53,329)	(8,168)	(77,590)	(21,836)	(71,815)	(10,019)	(158,123)	(38,713)

The amounts are denominated in United States Dollars ("USD") and translated at an average rate of 4.150 (2020: 4.199).

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

	Unaudited as at 31 Dec 21		Audited as at 31 Dec 20	
	Oil & Gas RM'000	Investment Holdings RM'000	Oil & Gas RM'000	Investment Holdings RM'000
Non-current assets	1,306,901	98	1,271,179	107
Current assets	65,008	4,472	25,941	6,287
Current liabilities	(493,219)	(4,330)	(417,864)	(3,411)
Non-current liabilities	(222,754)	(253,301)	(172,965)	(221,761)
Net assets	655,936	(253,061)	706,291	(218,778)
Accumulated non-controlling interest		99,644		129,492

The amounts are denominated in United States Dollars ("USD") and translated at the closing rate of 4.176 (2020: 4.013).

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

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

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 31 Dec 21 RM'000	Audited for the quarter ended 31 Dec 20 RM'000	Unaudited for the year ended 31 Dec 21 RM'000	Audited for the year ended 31 Dec 20 RM'000
Revenue	54,558	22,440	150,691	79,542
Operating expenses	(77,593)	(81,122)	(185,134)	(267,331)
EBITDA	2,127	(44,424)	34,809	(125,403)
Loss before tax	(37,537)	(86,950)	(68,463)	(246,982)
Loss after tax	(61,497)	(99,426)	(81,834)	(196,836)

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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 54.6 million for the current quarter under review as compared to RM 22.4 million in the corresponding quarter of the preceding year.

The average production for the fourth quarter of 2021 was 2,248 bopd as compared to 1,904 bopd for the fourth quarter of 2020.

The higher revenue for the current quarter under review as compared to the corresponding quarter of the preceding year was contributed by the higher Brent oil price and higher production volume in the current quarter as compared to the corresponding quarter of the preceding year.

Operating expenses for the current quarter showed a decrease of RM 3.5 million as compared to the corresponding quarter of the preceding year. The lower operating expenses was attributed by no impairment provision for the fourth quarter of 2021. For the quarter under review, included in the general and administration expenses was the provision of the potential fines for non-fulfilment of contractual obligations.

The Group recorded Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 2.1 million in the fourth quarter of 2021 as compared to the negative EBITDA of RM 44.4 million in the fourth quarter of 2020. The higher EBITDA in the fourth quarter of 2021 was contributed by the higher revenue as explained above.

The Finance Cost of RM 14.8 million in the fourth quarter of 2021 mainly consists of interest payable to corporate shareholder.

The Group has recorded Loss before Tax of RM 37.5 million in the fourth quarter of 2021, as compared to Loss before Tax of RM 87.0 million in the fourth quarter of 2020.

Currently, the Group's net asset per share stands at RM 0.37 as compared to the closing market price of RM 0.07 per share on 25 February 2022.

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

	<b>CURRENT QUARTER</b>	<b>IMMEDIATE PRECEDING QUARTER</b>
	<b>Unaudited</b>	<b>Unaudited</b>
	<b>for the period ended</b>	<b>for the period ended</b>
	<b>31 Dec 21</b>	<b>30 Sep 21</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue	54,558	41,974
Operating expenses	(77,593)	(41,844)
EBITDA	2,127	19,128
Loss before tax	(37,537)	(10,240)
Loss after tax	<u>(61,497)</u>	<u>(6,239)</u>

The Group's revenue for the current quarter under review has an increase of RM 12.6 million as compared to the third quarter of 2021. The revenue for the current quarter under review was higher as compared to the preceding quarter was contributed by the increase in the production.

The average production for the fourth quarter of 2021 was 2,248 bopd as compared to 2,321 bopd for the third quarter of 2021.

Operating expenses for the fourth quarter of 2021 showed an increase of RM 35.7 million as compared to the preceding quarter. The increase in the operating expenses for the fourth quarter of 2021 was due to the additional provision of the potential fines for non-fulfilment of contractual obligations in general and administration expenses.

The Group recorded lower Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 2.1 million for the current quarter under review as compared to EBITDA of RM 19.1 million in the third quarter of 2021 was mainly due to the higher operating expenses as explained above.

For the current quarter under review, the Group has recorded Loss before Tax of RM 37.5 million and Loss after Tax of RM 61.5 million as compared to the third quarter of 2021 Loss before Tax of RM 10.2 million and Loss after Tax of RM 6.2 million.

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

The Group recorded a Loss before Tax of RM 68.5 million in the current twelve months period ended 31 December 2021 while in the corresponding twelve months period ended 31 December 2020, the Group recorded a Loss before Tax of RM 247.0 million.

**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. In this respect, Reach Energy Berhad ("the Group") together with its major sub-subsidiary, Emir-Oil ("EO") will continue with its turnaround plan to improve its performance both near term and long term. The main target is to enhance its production, rectify violation issues, secure funding and optimise the cost.

To sustain production, we will continue with the workover program which include replacing the electrical submersible pumps, adding perforations into the new reservoirs, well stimulation and reactivation of idle wells.

The Board of Directors of Reach Energy Berhad will continue to take measures to improve its financial positions and increase the shareholder value.

Emir-Oil has about 66 million barrels of oil equivalent ("MMboe") remaining estimated 2P oil and gas reserves at the end of 2020. To capture these reserves, 31 new development wells are required to be drilled. One of the strategies to increase production immediately is to drill new development wells in prolific locations first, and conduct the remaining program in stages in accordance with the Group's financial capability. The drilling program has commenced in the third quarter of 2021.

There are also two exploration commitment wells, which are now deferred until the end of its exploration period, currently in 2022. In addition, 13 new prospects remained in the exploration Block, and we will further assess the Block's potentials based on the outcome from the new exploration wells.

Another initiative to increase production and reserves is to install the gas injection facilities to maintain the reservoir pressure. This project will be conducted in two phases in the main Kariman field, with Phase 1 targeted to be completed this year. Phase 2 will follow suit after that.

As export sales is more profitable than domestic, Emir-Oil is striving to get more export quota every month from the Ministry of Energy of Kazakhstan.

Emir-Oil is committed to resolve all the violation issues by year 2022. This rectification project will be conducted in two phases. The Phase 1 is considering the basic enhancement of the facilities to enable it to operate within the guidelines, while Phase 2 will assess the entire facilities in a more comprehensive manner.

Emir-Oil is also progressing well in keeping the unit production cost down to a more sustainable level. We managed to keep the unit production cost at below USD10/barrel in the third quarter of 2021.

On the corporate financing, Emir-Oil had obtained a loan from Kazakhstan Bank amounting to USD 9.3 million in January 2021 to finance its CAPEX investment. The Group and Emir-Oil plan to obtain additional loan of USD 25 million to USD 30 million in next few years to further finance its CAPEX investment and expansion plan as mentioned above.

In summary, Emir-Oil needs to drill more development wells to increase the production. Gas injection is important for reservoir pressure maintenance in the Kariman field. Cost optimisation is the key to manage our cash netback and we need to get more export quota.

Barring any unforeseen circumstances, the Board of Directors believe with our well positioned strategies to continue developing the plans, the Group will generate an improved performance.

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**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"), is in the midst of completing an independent reserves and economic evaluation of oil and gas properties in the Emir-Oil Concession Block.

As at 31 December 2020, the gross reserves (100% basis) for the projection period of 2021 to 2042 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	11.95	48.06	81.05
Dolinnoe	1.66	3.67	6.46
Aksaz	0.25	0.42	0.68
Yessen	1.15	1.33	1.41
Emir	0.03	0.07	0.14
<b>Total</b>	<b>15.04</b>	<b>53.55</b>	<b>89.74</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	10.68	57.25	87.28
Dolinnoe	7.47	15.87	27.25
Aksaz	1.83	3.04	4.96
Yessen	0.05	0.06	0.06
Emir	0.00	0.01	0.04
<b>Total</b>	<b>20.03</b>	<b>76.23</b>	<b>119.59</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	13.73	57.60	95.60
Dolinnoe	2.91	6.32	11.00
Aksaz	0.56	0.93	1.51
Yessen	1.16	1.34	1.42
Emir	0.03	0.07	0.15
<b>Total</b>	<b>18.39</b>	<b>66.26</b>	<b>109.68</b>

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

<b><u>Purpose of Utilisation</u></b>	<b><u>Proposed Utilisation</u></b>		<b><u>Actual Utilisation</u></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		19,642
- Pre-IPO office and corporate expenses		611		25,646
- Others		26,475		33,496
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 31 December 2021.

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

There were no sale of unquoted investment and /or properties during the financial period ended 31 December 2021.

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

There were no financial instruments with material off-balance sheet risk as at 31 December 2021.

**B11. MATERIAL LITIGATION**

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

Emir-Oil LLP ("EO"), the Company's sub-subsidiary 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 also indicated that the EO may submit appeal within one month from the date of receipt of the ruling in writing.

The company filed an appeal with the Supreme Court of the Republic of Kazakhstan on 15 December 2020.

The Court in Kazakhstan ("the Court") had on 10 November 2021 ruled that the penalty amount had been decreased from RM 7,292,000 (KZT 760,000,000) to RM 3,733,000 (KZT 385,556,487) to be recovered from EO.

The Company had paid the fine on 22 November 2021.



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**B11. MATERIAL LITIGATION (CONT'D)**

**(II) LITIGATION INVOLVING EMIR-OIL LLP AND MINISTRY OF ENERGY IN KAZAKHSTAN IN CONNECTION WITH 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 also indicated that the EO may submit appeal within one month from the date of receipt of the ruling in writing.

The company filed an appeal with the Supreme Court of the Republic of Kazakhstan on 22 December 2020.

The Court in Kazakhstan ("the Court") had on 12 November 2021 ruled that the penalty amount had been decreased from RM 3,181,000 (KZT 332,271,208) to RM 619,000 (KZT 64,012,814) to be recovered from EO.

The Company had paid the fine on 22 November 2021.

**(III) LITIGATION INVOLVING EMIR-OIL LLP AND MINISTRY OF ENERGY IN KAZAKHSTAN IN CONNECTION WITH GAS DISPERSION VIOLATIONS AT EMIR OIL FACILITIES DURING OIL OPERATIONS**

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.

The Mangystau Regional Court in Kazakhstan ("the Court") had on 12 February 2021 ruled that EO had lost the appeal and was ordered to suspend its operation for two (2) months effective from the ruling date on 12 February 2021. The financial and operational impact to the Company associated with the two (2) months suspension of operations is estimated to contribute 13% to 15% reduction in the total annual revenue for the financial year ended 31 December 2021.

Emir Oil LLP had resumed its operation on 13 April 2021 after the expiry of suspension period of 2 months from Mangystau Regional Court in Kazakhstan ("the Court") order date.

**(IV) LITIGATION INVOLVING EMIR-OIL LLP AND DEPARTMENT OF INDUSTRIAL SAFETY OF MANGISTAU REGION IN KAZAKHSTAN IN CONNECTION WITH THE VIOLATIONS OF INDUSTRY SAFETY IN THE OPERATION OF HAZARDOUS FACILITIES AND TECHNICAL EQUIPMENT AT EMIR-OIL**

Emir-Oil LLP ("EO"), the Company's sub-subsiary had received a Statement of Claim in connection with the inspection carried out by the Department of Industrial Safety of Mangistau region of the Republic of Kazakhstan.

During an audit conducted for the period from 14 October 2021 to 27 October 2021, the Department of Industrial Safety of Mangistau region had discovered the violation of industrial safety in some of the EO facilities. In accordance with the legislation on civil protection, the operation of hazardous facilities and equipment in the field of industrial safety is prohibited.

The Court hearing took place on 8 December 2021 and the judge had deferred the decision to the next day on 9 December 2021. Subsequently on 9 December 2021, the Court had ruled in favour of EO and dismissed the Industrial Safety Department's lawsuit, and thus, suspension of EO's facilities and technical equipment is not necessary.

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**B12. LOSS PER SHARE**

**(I) LOSS PER ORDINARY SHARE**

The calculation of basic loss per ordinary share as at 31 December 2021 was based on the profit 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 31 Dec 21 RM'000</b>	<b>Audited for the quarter ended 31 Dec 20 RM'000</b>	<b>Unaudited for the year ended 31 Dec 21 RM'000</b>	<b>Audited for the year ended 31 Dec 20 RM'000</b>
Loss after taxation attributable to owner of the Company	(63,378)	(75,449)	(53,108)	(128,690)
Weighted average number of ordinary shares	1,096,413	1,096,413	1,096,413	1,096,413
Basic loss per ordinary share (RM)	(0.06)	(0.07)	(0.05)	(0.12)
Diluted loss per ordinary share (RM)	(0.06)	(0.07)	(0.05)	(0.12)

**(II) DILUTED LOSS PER ORDINARY SHARE**

Diluted 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.

**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 31 Dec 21 RM'000</b>	<b>Audited for the quarter ended 31 Dec 20 RM'000</b>	<b>Unaudited for the year ended 31 Dec 21 RM'000</b>	<b>Audited for the year ended 31 Dec 20 RM'000</b>
Loss before taxation is arrived after charging/(crediting):				
Interest income from deposits with licensed banks	235	132	693	750
Other finance income	27	-	27	-
Foreign exchange (loss)/gain, net	(945)	(5,106)	16,929	1,364
Interest expenses on loan from corporate shareholder in a subsidiary	(5,553)	(6,526)	(25,950)	(26,454)
Interest expenses on deferred consideration	(5,722)	(5,601)	(22,480)	(22,816)
Other finance cost	(2,544)	(11,167)	(3,239)	(12,037)

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**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 31 Dec 21 RM'000</b>	<b>Audited for the quarter ended 31 Dec 20 RM'000</b>	<b>Unaudited for the year ended 31 Dec 21 RM'000</b>	<b>Audited for the year ended 31 Dec 20 RM'000</b>
Current income tax				
Foreign income tax:				
- Current year	118	(21)	589	1,203
Deferred income tax:				
- Origination and reversal of temporary difference	(24,078)	(12,455)	(13,960)	48,943
	<u>(23,960)</u>	<u>(12,476)</u>	<u>(13,371)</u>	<u>50,146</u>

In the current year, the income tax is calculated at the statutory tax rate of 24% (2020: 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**  
**28 FEBRUARY 2022**