



# **REACH ENERGY BERHAD**

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

Report  
on  
Unaudited  
Quarterly Financial Results  
for the Period  
1 Jan 2023  
to  
31 Mar 2023

(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>Unaudited for the quarter ended</b>	<b>Unaudited for the year ended</b>	<b>Unaudited for the year ended</b>
	<b>Note</b>	<b>31 Mar 23 RM'000</b>	<b>31 Mar 22 RM'000</b>	<b>31 Mar 23 RM'000</b>	<b>31 Mar 22 RM'000</b>
Revenue		47,303	51,219	47,303	51,219
Operating expenses					
Taxes other than income taxes		(15,657)	(14,439)	(15,657)	(14,439)
Purchase, services and other direct costs		(8,324)	(6,502)	(8,324)	(6,502)
Depreciation and amortisation		(22,216)	(20,071)	(22,216)	(20,071)
Distribution expenses		(11,203)	(2,879)	(11,203)	(2,879)
Employee compensation costs		(3,847)	(3,265)	(3,847)	(3,265)
General and administration expenses		(1,278)	(1,397)	(1,278)	(1,397)
Other operating (expenses)/income – net		(4,318)	73	(4,318)	73
Total operating expenses		(66,843)	(48,480)	(66,843)	(48,480)
<b>(Loss)/profit from operations</b>		<b>(19,540)</b>	<b>2,739</b>	<b>(19,540)</b>	<b>2,739</b>
Finance income		641	10,803	641	10,803
Finance cost		(18,028)	(18,603)	(18,028)	(18,603)
Finance cost – net		(17,387)	(7,800)	(17,387)	(7,800)
<b>Loss before taxation</b>	B13	<b>(36,927)</b>	<b>(5,061)</b>	<b>(36,927)</b>	<b>(5,061)</b>
Income tax (expense)/benefit	B14	(3,080)	7,995	(3,080)	7,995
<b>(Loss)/profit for the financial period</b>		<b>(40,007)</b>	<b>2,934</b>	<b>(40,007)</b>	<b>2,934</b>
<b>(Loss)/profit attributable to:</b>					
Owners of the Company		(26,693)	366	(26,693)	366
Non-controlling interests		(13,314)	2,568	(13,314)	2,568
<b>(Loss)/profit for the financial period</b>		<b>(40,007)</b>	<b>2,934</b>	<b>(40,007)</b>	<b>2,934</b>
<b>(Loss)/earnings per share attributable to owners of the Company</b>	B12				
Basic (loss)/earnings per ordinary share (RM):		(0.01)	0.0003	(0.01)	0.0003
Diluted (loss)/earnings per ordinary share (RM):		(0.01)	0.0003	(0.01)	0.0003
<b>(Loss)/profit for the financial period</b>		<b>(40,007)</b>	<b>2,934</b>	<b>(40,007)</b>	<b>2,934</b>
<b>Other comprehensive income/(expense) net of tax</b>					
<b>Items that will be reclassified subsequently to profit or (loss):</b>					
- Foreign currency translation Differences		1,907	610	1,907	610
<b>Total comprehensive (expense)/income for the financial period</b>		<b>(38,100)</b>	<b>3,544</b>	<b>(38,100)</b>	<b>3,544</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 2022 and the accompanying explanatory notes.

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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>
	<b>Unaudited for the quarter ended 31 Mar 23 RM'000</b>	<b>Unaudited for the quarter ended 31 Mar 22 RM'000</b>	<b>Unaudited for the year ended 31 Mar 23 RM'000</b>	<b>Unaudited for the year ended 31 Mar 22 RM'000</b>
<b>Note</b>				
<b>Total comprehensive (expense)/income for the period attributable to:</b>				
Owners of the Company	(25,548)	732	(25,548)	732
Non-controlling interests	(12,552)	2,812	(12,552)	2,812
<b>Total comprehensive (expense)/income for the financial period</b>	<b>(38,100)</b>	<b>3,544</b>	<b>(38,100)</b>	<b>3,544</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 2022 and the accompanying explanatory notes.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Note	Unaudited As at 31 Mar 23 RM'000	Audited As at 31 Dec 22 RM'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,242,573	1,257,518
Intangible assets	1,598	1,671
Right use of assets	3,885	3,997
Prepayment and other receivables	3,747	3,752
Restricted cash	10,085	9,045
<b>Total non-current assets</b>	<b>1,261,888</b>	<b>1,275,983</b>
<b>Current assets</b>		
Inventories	3,944	5,470
Trade receivables	668	321
Prepayment and other receivables	26,053	22,847
Amount due from corporate shareholder in a subsidiary	4,064	4,064
Deposits, cash and bank balances	6,552	10,649
<b>Total current assets</b>	<b>41,281</b>	<b>43,351</b>
<b>Total assets</b>	<b>1,303,169</b>	<b>1,319,334</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade payables	102,533	82,410
Accruals and other payables	89,690	34,772
Lease liabilities	730	755
Amounts due to related parties	13,275	391,852
Tax payable	3,209	3,243
Borrowings	8,023	29,289
Provisions	751	37,458
<b>Total current liabilities</b>	<b>218,211</b>	<b>579,779</b>
<b>Net current liabilities</b>	<b>(176,930)</b>	<b>(536,428)</b>
<b>Total assets less current liabilities</b>	<b>1,084,958</b>	<b>739,555</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	82,174	82,067
Amounts due to related parties	591,341	123,240
Trade payables	5,290	5,293
Accruals and other payables	-	291,616
Lease liabilities	2,896	2,807
Provisions	7,205	6,889
	<b>688,906</b>	<b>511,912</b>
<b>Net assets</b>	<b>396,052</b>	<b>227,643</b>
<b>Equity</b>		
Capital	695,484	488,975
Other reserves	17,643	16,498
Accumulated losses	(350,358)	(323,665)
Equity attributable to owners of the Company	362,769	181,808
Non-controlling interest	33,283	45,835
<b>Total Equity</b>	<b>396,052</b>	<b>227,643</b>
<b>Net assets per share (RM)</b>	<b>0.19</b>	<b>0.21</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 2022 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 -----→							
	Share Capital RM'000	Warrants reserve RM'000	Share- based option reserve 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 2023</b>	488,975	-	-	16,498	(323,665)	181,808	45,835	227,643
Issuance of new ordinary shares	206,509	-	-	-	-	206,509	-	206,509
Loss for the financial year	-	-	-	-	(26,693)	(26,693)	(13,314)	(40,007)
Other comprehensive expense, net of tax - Foreign currency translation	-	-	-	1,145	-	1,145	762	1,907
Total comprehensive income/(expense) for the financial year	-	-	-	1,145	(26,693)	(25,548)	(12,552)	(38,100)
<b>As at 31 March 2023</b>	<b>695,484</b>	<b>-</b>	<b>-</b>	<b>17,643</b>	<b>(350,358)</b>	<b>362,769</b>	<b>33,283</b>	<b>396,052</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 2022 and the accompanying explanatory notes.

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

←----- Attributable to Equity Holders of the Company -----→  
 ←----- Non-distributable -----→

	Share Capital RM'000	Warrants reserve RM'000	Share- based option reserve 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 2022</b>	488,975	198,914	821	(19,304)	(366,206)	303,200	99,702	402,902
Transfer of reserve upon expiry of warrants and share based options		(198,914)	821)	-	199,735	-	-	-
Loss for the financial year	-	-	-	-	(157,194)	(157,194)	(77,735)	(234,929)
Other comprehensive expense, net of tax - Foreign currency translation	-	-	-	35,802	-	35,802	23,868	59,670
Total comprehensive income/(expense) for the financial year	-	-	-	35,802	(157,194)	(121,392)	(53,867)	(175,259)
<b>As at 31 December 2022</b>	<b>488,975</b>	<b>-</b>	<b>-</b>	<b>16,498</b>	<b>(323,665)</b>	<b>181,808</b>	<b>45,835</b>	<b>227,643</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 2022 and the accompanying explanatory notes.

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

	<b>Unaudited 3 months 31 Mar 23 RM'000</b>	<b>Unaudited 3 months 31 Mar 22 RM'000</b>
<b>Cash flows from operating activities</b>		
Loss before tax	(36,927)	(5,061)
Adjustments for: -		
Depreciation of property, plant and equipment	22,216	20,071
Unrealised foreign exchange loss, net	377	6,541
Finance cost	17,651	12,062
Finance income	(641)	(10,803)
Change in estimate of asset retirement obligations	-	2
Loss in disposal of assets	40	-
Write off of inventory	96	52
Impairment (reversal)/charge of:		
- trade receivables	(2)	1
- cash and bank balances	1	5
- other receivables	(1,547)	18
	<u>1,264</u>	<u>22,888</u>
Changes in working capital:		
Inventories	1,412	1,609
Trade receivables	349	7,074
Prepayment and other receivables	4,816	490
Trade payables	19,577	3,358
Other payables and accruals	(9,936)	(23,115)
Amount due from corporate shareholder in a subsidiary	(3,468)	-
<b>Net cash flows generated from operating activities</b>	<u>14,014</u>	<u>12,304</u>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(20,490)	(8,482)
Finance income received	152	123
Movement in restricted cash	(1,041)	(302)
<b>Net cash used in from investing activities</b>	<u>(21,379)</u>	<u>(8,661)</u>
<b>Cash flows from financing activities</b>		
Drawdown of borrowings	3,771	-
Repayment of borrowing	(286)	(13,162)
Payment of lease interest	(5)	(15)
Payment of lease principal	(201)	(108)
<b>Net cash generated from/(used in) financing activities</b>	<u>3,279</u>	<u>(13,285)</u>
<b>Net decrease in cash and cash equivalents</b>	(4,086)	(9,642)
<b>Cash and cash equivalents at the beginning of the year</b>	10,649	44,452
<b>Exchange difference on cash and cash equivalents</b>	(11)	(9,702)
<b>Cash and cash equivalents at end of the year</b>	<u>6,552</u>	<u>25,108</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 2022 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 2022 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 2022.

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 2022, except for those standards, amendments and interpretations which are effective from the annual period beginning on or after 1 January 2023.

In the previous financial year, our statutory auditor have issued an unqualified audit opinion with emphasis of matter on material uncertainty relating to going concern. The material uncertainty arising from the continued volatility in crude oil prices, future ability of Super Racer Limited and its sole shareholder to provide timely and sufficient financial support together with the liquidity position of the Group's audited consolidated financial statements for the financial year ended 31 December 2022.

**A2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES**

The significant accounting policies adopted by the Group in this Report are consistent with those adopted in the audited consolidated financial statements for the financial year ended 31 December 2022 except for the adoption of the following new accounting standards and amendments to standards and interpretations:

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

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

The adoption of the above accounting standards and amendments to standards and interpretations are not expected to have material financial impact to the financial statements of the Group.

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

The Group's consolidated financial statements for the financial year ended 31 December 2022 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 31 Mar 2023					
	Long term		Short term		Total borrowings	
Amount due to related parties	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000
Unsecured	134,121	591,341	3,011	13,275	137,132	604,616
External Borrowings	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000
Secured	-	-	1,833	8,023	1,833	8,023
<b>Total</b>	<b>134,121</b>	<b>591,341</b>	<b>4,844</b>	<b>21,298</b>	<b>138,965</b>	<b>612,639</b>
	As at 31 Dec 2022					
	Long term		Short term		Total borrowings	
Amount due to related parties	*Foreign denomination '000	RM Denomination '000	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM Denomination '000
Unsecured	27,927	123,240	88,795	391,852	116,722	515,092
External Borrowings	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000
Secured	-	-	6,615	29,289	6,615	29,289
<b>Total</b>	<b>27,927</b>	<b>123,240</b>	<b>95,410</b>	<b>421,141</b>	<b>123,337</b>	<b>544,381</b>

\*The unsecured and secured borrowings are denominated in United States Dollars ("USD") and translated at the rate of 4.409 (2022: 4.413).

**External Borrowings**

- a) The term loan principal of USD 5.6 million carries an interest rate of 7% per annum for a period of 72 months was offered and provided by Kazakhstan Bank, namely Joint Stock Company Bank RBK in year 2022. The term loan had been drawdown to finance Emir Oil's working capital requirements and for capital expenditure (CAPEX) in relation to its drilling activities.

On 17 February 2023, the Group received notification of non-compliance with non-financial covenants. The non-compliance was because of the Group's involvement in several litigation cases and non-compliance of minimum work programs which in the opinion of the lender, posed a risk as to the timeliness in fulfilling its Group's obligations under the term loan. As a result of the breach of covenants, the Group was required to settle the term loan immediately. The Group fully settled the term loan on 21 February 2023.

As the non-compliance related to a condition that existed as at 31 December 2022, the term loan was reclassified as current liabilities in year 2022.

- b) The term loan principal of USD 1.2 million carries an interest rate of 5% per annum had been entered with Ruima Group Limited in the year of 2022. The total of the term loan facility has been upsized to USD 1.8 million in year 2023 and the repayment date and drawdown period has been further extended to 30 September 2023. The term loan has been fully drawdown in the year of 2023 to finance Reach Energy Berhad's working capital requirements.
- c) The revolving credit facility amounted to USD 3.0 million carries an interest rate of 7% per annum for a period of 12 months offered and provided by Kazakhstan Bank, namely Joint Stock Company Bank RBK was fully settled on 10 January 2022.

Both facilities are secured by the Group's property, plant and equipment.

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

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

**Amounts due to related parties**

There was no repayment of principal on borrowings and no drawdowns of borrowings made during the 3 months financial period ended 31 March 2023. The amounts due to related parties have the following interest exposures and repayment terms:

<b><u>Non-current</u></b> RM'000	<b><u>Current</u></b> RM'000	<b><u>Interest</u></b>	<b><u>Repayment terms</u></b>
78,599		5%	No fixed repayment period
21		Interest free	No fixed repayment period
222,829	-	5%	Due in 2025
163,953	-	Interest free	Due in 2025
64,518	-	4.86%	Due in 2036
61,421	-	Interest free	Due in 2036
-	10,198	Interest free	Repayable on demand
-	1,713	5%	Due in 2023
-	1,364	Interest free	Due in 2023
<u>591,341</u>	<u>13,275</u>		

**(II) EQUITY**

The Group had on 25 November 2022 announced a proposal to offset USD 49,562,125 or RM 206,508,856 (RM1.00 : USD0.24) amount owing to Super Racer Limited ('SRL') via the issuance of 1,032,544,282 new ordinary shares in Reach Energy Berhad ('REB') to SRL at an issue price of RM0.20 per share ('Proposed Debt Settlement').

On 29 March 2023, the Group completed the Proposed Debt Settlement. Following its completion, SRL holds a direct interest of 48.5% in REB. The remaining debt owing to SRL of USD 17,826,886 or RM 78,452,560 is now subjected to an interest rate of 5% per annum reduced from the current interest rate of 14% per annum.

The issued and paid up capital of REB have increased by RM 206,508,856 during the current period.

**(III) WARRANTS 2014/2022**

The Warrants expired on 15 August 2022 and have since been de-listed from the Official List of Bursa Malaysia Securities Berhad.

**A8. DIVIDEND PAID**

There was no dividend declared or paid during the current financial period ended 31 March 2023.

**A9. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE YEAR**

- a) The Group had on 25 November 2022 announced a proposal to offset USD 49,562,125 or RM 206,508,856 (RM1.00 : USD0.24) amount owing to Super Racer Limited ('SRL') via the issuance of 1,032,544,282 new ordinary shares in Reach Energy Berhad ('REB') to SRL at an issue price of RM0.20 per share ('Proposed Debt Settlement').

The shareholders of REB had on 15 December 2022 approved the Proposed Debt Settlement.

On 29 March 2023, the Group completed the Proposed Debt Settlement. Following its completion, SRL holds a direct interest of 48.5% in REB. The remaining debt owing to SRL of USD 17,826,886 or RM 78,452,560 is now subjected to an interest rate of 5% per annum reduced from the current interest rate of 14% per annum.

- b) On 29 March 2023, SRL had entered into a shareholder loan agreement with REB to provide a loan facility of USD 5 million (equivalent to RM 22.9 million) to REB at an interest rate equivalent to the Bank Negara Malaysia overnight policy rate as at the date of each period in which interest is payable.

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**A9. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE YEAR (CONT'D)**

- c) On 3 April 2023, the Board of Directors of REB announced that REB was an affected listed issuer under Practice Note 17 ("PN17") of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"). REB triggered Paragraph 2.1(e) of PN17 of the Listing Requirements, where REB had:
- an unqualified audit opinion which highlighted a paragraph on material uncertainty related to going concern on the Group in respect of the Group's Audited Financial Statements for the financial year ended 31 December 2021; and
  - in respect of REB's unaudited financial statements for the financial year ended 31 December 2022 whereby REB's shareholders' equity on a consolidated basis is 50% or less of its share capital as announced on 28 February 2023.

Pursuant to the PN17 of the Listing Requirements, REB is required to regularise its condition in the following manner:

- (i) within 12 months from the date of this announcement:
1. submit a regularisation plan to the Securities Commission Malaysia ("SC") if the plan will result in a significant change in the business direction or policy of the Company; or
  2. submit a regularisation plan to Bursa Securities if the plan will not result in a significant change in the business direction or policy of the Company, and obtain Bursa Securities' approval to implement the plan; and
- (ii) implement the plan within the timeframe stipulated by the SC or Bursa Securities as the case may be.

First announcement has been made on 2 May 2023 to inform that REB is in the midst of formulating a regularisation plan to address its financial condition ("Regularisation Plan").

Further announcement will be made to Bursa Malaysia Securities Berhad with regards to the development of the Regularisation Plan in due course.

**A10. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the current financial period ended 31 March 2023.

**A11. CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

There were no contingent liabilities or contingent assets as at 31 March 2023.

**A12. COMMITMENT**

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

	<b>Unaudited As at 31 Mar 23 RM'000</b>	<b>Audited As at 31 Dec 22 RM'000</b>
Authorised but not contracted for	131,960	27,519
Contracted but not provided for	11,402	5,113
	143,362	32,632

**(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 Mar 23 RM'000</b>	<b>Audited As at 31 Dec 22 RM'000</b>
< 1 year	233,013	241,030
1 – 2 years	363,336	418,062
2 – 5 years	450,262	476,827
> 5 years	948,062	1,016,875
	1,994,673	2,152,794

The minimum work program includes capital expenditure of RM 690 million (2022: RM 690 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.

**REACH ENERGY BERHAD**  
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**(Incorporated in Malaysia)**

**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 consist 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.

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

	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER		CUMULATIVE QUARTER		CUMULATIVE QUARTER	
	Unaudited for the quarter ended 31 Mar 23		Unaudited for the quarter ended 31 Mar 22		Unaudited for the year ended 31 Mar 23		Unaudited for the year ended 31 Mar 22	
	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	47,303	-	51,219	-	47,303	-	51,219	-
<b>Results</b>								
Operating expenses	(65,722)	(1,121)	(47,719)	(761)	(65,722)	(1,121)	(47,719)	(761)
Finance cost, net	(11,788)	(5,599)	(5,076)	(2,724)	(11,788)	(5,599)	(5,076)	(2,724)
Loss before taxation	(30,207)	(6,720)	(1,576)	(3,485)	(30,207)	(6,720)	(1,576)	(3,485)
Income tax (expense)/benefit	(3,080)	-	7,995	-	(3,080)	-	7,995	-
(Loss)/Profit for the financial period	(33,287)	(6,720)	6,419	(3,485)	(33,287)	(6,720)	6,419	(3,485)

The amounts are denominated in United States Dollars ("USD") and translated at an average rate of 4.380 (2022: 4.198).

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

	Unaudited as at 31 Mar 23		Audited as at 31 Dec 22	
	Oil & Gas RM'000	Investment Holdings RM'000	Oil & Gas RM'000	Investment Holdings RM'000
Non-current assets	1,261,815	73	1,275,866	117
Current assets	35,392	5,889	38,989	4,362
Current liabilities	(204,953)	(13,258)	(569,158)	(10,621)
Non-current liabilities	(610,286)	(78,620)	(220,295)	(291,617)
Net assets/(liabilities)	481,968	(85,916)	525,402	(297,759)
Accumulated non-controlling interest			33,283	45,835

The amounts are denominated in United States Dollars ("USD") and translated at the closing rate of 4.409 (2022: 4.413).

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**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 31 Mar 23 RM'000</b>	<b>Unaudited for the quarter ended 31 Mar 22 RM'000</b>	<b>Unaudited for the year ended 31 Mar 23 RM'000</b>	<b>Unaudited for the year ended 31 Mar 22 RM'000</b>
Revenue	47,303	51,219	47,303	51,219
Operating expenses	(66,843)	(48,480)	(66,843)	(48,480)
EBITDA	2,676	22,810	2,676	22,810
Loss before tax	(36,927)	(5,061)	(36,927)	(5,061)
(Loss)/profit after tax	(40,007)	2,934	(40,007)	2,934

**Individual Quarter**

The Group recorded revenue of RM 47.3 million for the current quarter under review as compared to RM 51.2 million in the corresponding quarter of the preceding year.

The average production for the first quarter of 2023 was 2,458 bopd as compared to 1,965 bopd for the first quarter of 2022.

The Group recorded a lower revenue for the current quarter under review as compared to the corresponding quarter of the preceding year. The lower revenue was caused by the lower average selling price arising from the price differential for export sales in the current quarter as compared to the corresponding quarter of the preceding year.

Operating expenses for the current quarter showed an increase of RM 18.4 million as compared to the corresponding quarter of the preceding year. The increase in the operating expenses was mainly due to the increase in the Distribution Expenses as well as the exchange differences from operation transactions.

The Group recorded positive Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 2.7 million in the first quarter of 2023 as compared to positive EBITDA of RM 22.8 million in the first quarter of 2022. The lower EBITDA in the first quarter of 2023 was due to the higher operating expenses as explained above.

The Finance Cost of RM 18.0 million in the first quarter of 2023 mainly consists of interest payable to related parties.

The Group has recorded Loss before Tax of RM 36.9 million in the first quarter of 2023, as compared to Loss before Tax of RM 5.1 million in the first quarter of 2022. The Loss before Tax for the current quarter under review was due to the higher operating expenses as explained above.

Currently, the Group's net asset per share stands at RM 0.19 as compared to the closing market price of RM 0.05 per share on 24 May 2023.

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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 31 Mar 23 RM'000</b>	<b>Audited for the period ended 31 Dec 22 RM'000</b>
Revenue	47,303	55,311
Operating expenses	(66,843)	(159,904)
EBITDA	2,676	(85,288)
Loss before tax	(36,927)	(202,321)
Loss after tax	(40,007)	(234,741)

The Group recorded revenue of RM 47.3 million for the current quarter under review as compared to RM 55.3 million in the preceding quarter. The lower revenue for the current quarter under review as compare to preceding quarter was attributed by the lower production.

The average production was 2,458 bopd for the first quarter of 2023 was lower as compared to 2,774 bopd for the fourth quarter of 2022.

The Group recorded a lower operating expense of RM 66.8 million in the first quarter of 2023 as compared to RM 159.9 million in the preceding quarter. The higher operating expenses in the fourth quarter of 2022 was mainly due to the provision of the impairment of non-financial assets.

The Group recorded a lower positive Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 2.7 million for the current quarter under review as compared to the negative EBITDA of RM 85.3 million in the fourth quarter of 2022. It was mainly due to the lower revenue in the current quarter of 2023 as explained above.

For the current quarter under review, the Group has recorded Loss before Tax of RM 36.9 million and Loss after Tax of RM 40.0 million as compared to the fourth quarter of 2022 of Loss before Tax of RM 202.3 million and Loss after Tax of RM 234.7 million.

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

The Group recorded a Loss before Tax of RM 40.0 million in the current three months period ended 31 March 2023 while in the corresponding three months period ended 31 March 2022, the Group recorded a Profit before Tax of RM 2.9 million.

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**B4. PROSPECT**

Moving forward, we continue to expect the path towards sustained demand recovery to remain fragile and uncertain as the oil market adjusts to both short-term and long-term landscapes, driven by the resumption of economic activities amidst the ongoing COVID-19 pandemic. Not only that, the industry is also facing headwinds from the geopolitical conflict between Russia and Ukraine which resulted in a price inflation and goods distribution disruption.

For delivering of our production target, we will continue to place emphasis on efforts to sustain and further enhance current production level through extensive-well workover programs which will involve the replacement of electrical submersible pumps ("ESPs") for the artificial lifting of oil to the surface. At the same time, we will also perform maintenance works to improve facilities uptime, facilities debottlenecking, re-perforation, acid stimulation and reactivation of idle wells to further this objective along. The drilling program will be completed in stages in accordance with the Group's financial capability. The gas injection initiative will be divided into two phases with Phase 1 involving the injection of the gas into one of the Kariman's wells.

The oil sanctions imposed on Russia resulting from the Russian-Ukraine War had caused oil prices to increase in a short period of time. This had caused a price differential between Emir Oil's export sale price and the global benchmark Brent price. As a result, the net back from the export sale has been reduced significantly which has given pressure to the revenue and cash flow risk on Emir-Oil.

Emir Oil is in the process to explore new route and suppliers to mitigate these risks amid the war rages on.

In summary, Emir-Oil needs to drill more development wells, perform well workovers and production enhancement initiatives to increase the production and implement cost optimisation efforts. The implementation of gas injection project marked a significant milestone in Emir-Oil operations as a prudent operator.

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 and growth moving forward.

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**B5. RESERVES**

As part of our responsibilities as a public-listed E&P Company, we provide transparency of our core assets to shareholders and the public. Our appointed Independent Reserves Assessor, 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 2022.

As at 31 December 2022, 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	13.12	40.39	63.47
Dolinnoe	2.82	5.18	7.89
Aksaz	0.52	0.91	1.53
Yessen	0.50	0.75	1.05
Emir	0.03	0.07	0.14
<b>Total</b>	<b>16.99</b>	<b>47.30</b>	<b>74.08</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	13.64	50.36	75.03
Dolinnoe	12.87	23.52	34.95
Aksaz	2.92	5.45	9.22
Yessen	0.02	0.03	0.04
Emir	0.00	0.01	0.01
<b>Total</b>	<b>29.45</b>	<b>79.37</b>	<b>119.25</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	15.39	48.78	75.98
Dolinnoe	4.97	9.10	13.72
Aksaz	1.01	1.82	3.07
Yessen	0.50	0.76	1.06
Emir	0.03	0.07	0.14
<b>Total</b>	<b>21.90</b>	<b>60.53</b>	<b>93.97</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>RM'000</b>	<b><u>Actual Utilisation</u></b> <b>RM'000</b>
Acquisition of the target company/asset	710,625	580,528
Working capital		
- Remuneration of the management team	15,459	18,058
- Pre-IPO office and corporate expenses	611	25,646
- Others	26,475	35,205
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 March 2023.

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

There were no sale of unquoted investment and /or properties during the financial period ended 31 March 2023.

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

There were no financial instruments with material off-balance sheet risk as at 31 March 2023.

**B11. MATERIAL LITIGATION**

**(I) LITIGATION INVOLVING EMIR-OIL LLP AND MINISTRY OF ENERGY OF KAZAKHSTAN ("MOE") IN CONNECTION WITH THE APPLICATION ON THE DEFERRAL OF CONTRACTUAL OBLIGATIONS OF DOLINNOE'S OIL FIELD**

Emir-Oil LLP ("Emir-Oil") had filed a claim to Ministry of Energy of Kazakhstan ("MOE") at Economic Court of Nur-Sultan on 15 July 2022 relating to the approval of the Amendment No. 4 on the deferral of the contractual obligations of Dolinnoe's oil field in 2020 and 2021 to a later period.

During the period from 2020-2022, Emir-Oil had submitted several applications to the MOE for the postponement of obligations for 2020 and 2021 to a later period. MOE, however, had rejected Emir-Oil's application on the transfer of obligations to a later period.

On 15 July 2022, Emir-Oil had decided to submit the claim to the Economic Court of Nur-Sultan to establish the rejection of the MOE as unjustifiable and oblige the MOE to postpone the obligations to a later period.

The preliminary hearing had been held on 8 August 2022 and the second hearing had been held on 22 August 2022. Economic Court of Nur-Sultan on 22 August 2022 had rejected the claim of Emir-Oil.

Emir-Oil had filed its appeal with the Court of the City of Astana on 23 September 2022. The Court of the City of Astana on 28 October 2022 had supported the position of the MOE and rejected the claim of Emir-Oil.

Emir-Oil had filed a cassation complaint ("the Complaint") to the Supreme Court of the Republic of Kazakhstan on 25 April 2023 and the Complaint will be considered within 30 days from the completion of the preliminary examination of the Complaint.

In the event that the suit is not in favour of Emir-Oil, the financial and operation impact to the Emir-Oil shall be limited to fulfil the contractual obligations and pay a fine of KZT2,632,000,000 (RM24,761,000). As at 31 December 2022, the Group has recognised a provision for this fine amount.

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

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

**(II) LITIGATION INVOLVING EMIR-OIL LLP AND STANDARD PETROLEUM LLP IN CONNECTION WITH THE REFUSAL OF SUPPLY CONTRACT BY EMIR-OIL LLP**

On 15 November 2022, Standard Petroleum LLP filed a claim against Emir-Oil LLP in Court of Kazakhstan ("the Court") for a recovery of lost of profits of KZT 206,401,515, a fine KZT 19,720,000, a penalty fee of KZT 2,406,386, lawyer's expenses of KZT 6,300,000, state duty of KZT 6,855,838, and recognition of refusal of supply contract with Standard Petroleum LLP by Emir-Oil LLP as illegal.

Based on the decision of the Court dated 13 February 2023, the Court ordered to recover from Emir-Oil LLP in favor of Standard Petroleum LLP on lost of profits KZT 206,401,515, a penalty of KZT 1,122,980, state duty of KZT 6,227,267 and lawyer's expenses of KZT 6,300,000. Emir-Oil has filed an appeal in March 2023. The court of second instance rejected the appeal on 26 April 2023, the decision of the court of first instance was left unchanged.

As at 31 December 2022, the Group recognised a provision of KZT 220,051,762 (equivalent to RM2,095,000) based on the Court's decision. Emir-Oil LLP intends to appeal the Court's decision.

**B12. (LOSS)/EARNINGS PER SHARE**

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

The calculation of basic (loss)/earnings per ordinary share as at 31 March 2023 was based on the (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, as follows: -

	<b>INDIVIDUAL QUARTER Unaudited for the quarter ended 31 Mar 23 RM'000</b>	<b>INDIVIDUAL QUARTER Unaudited for the quarter ended 31 Mar 22 RM'000</b>	<b>CUMULATIVE QUARTER Unaudited for the year ended 31 Mar 23 RM'000</b>	<b>CUMULATIVE QUARTER Unaudited for the year ended 31 Mar 22 RM'000</b>
(Loss)/profit after taxation attributable to owner of the Company	(26,693)	366	(26,693)	366
Weighted average number of ordinary shares	2,128,957	1,096,413	2,128,957	1,096,413
Basic (loss)/earnings per ordinary share (RM)	(0.01)	0.0003	(0.01)	0.0003
Diluted (loss)/earnings per ordinary share (RM)	(0.01)	0.0003	(0.01)	0.0003

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

Diluted (loss)/earnings 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.

As at 31 March 2023, there is no dilutive potential ordinary shares.

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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 31 Mar 23 RM'000</b>	<b>Unaudited for the quarter ended 31 Mar 22 RM'000</b>	<b>Unaudited for the year ended 31 Mar 23 RM'000</b>	<b>Unaudited for the year ended 31 Mar 22 RM'000</b>
Loss before taxation is arrived after charging/(crediting):				
Interest income from deposits with licensed banks	1	-	1	-
Other finance income	151	123	151	123
Foreign exchange gain, net	489	10,680	489	10,680
Interest expenses on loan from corporate shareholder in a subsidiary	(11,295)	(5,751)	(11,295)	(5,751)
Interest expenses on deferred consideration	(5,763)	(5,608)	(5,763)	(5,608)
Other finance cost	(970)	(7,244)	(970)	(7,244)

**B14. INCOME TAX BENEFITS**

	<b>INDIVIDUAL QUARTER</b>	<b>INDIVIDUAL QUARTER</b>	<b>CUMULATIVE QUARTER</b>	<b>CUMULATIVE QUARTER</b>
	<b>Unaudited for the quarter ended 31 Mar 23 RM'000</b>	<b>Unaudited for the quarter ended 31 Mar 22 RM'000</b>	<b>Unaudited for the year ended 31 Mar 23 RM'000</b>	<b>Unaudited for the year ended 31 Mar 22 RM'000</b>
Current income tax				
Foreign income tax:				
- Current year	149	69	149	69
Deferred income tax:				
- Origination and reversal of temporary difference	(3,229)	7,926	(3,229)	7,926
	(3,080)	7,995	(3,080)	7,995

In the current year, the income tax is calculated at the statutory tax rate of 24% (2022: 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**  
**25 MAY 2023**