

Company Name	: REACH ENERGY BERHAD
Stock Name	: REACH
Date Announced	: 19 November 2018
Type	: General Announcement
Subject	: Memorandum of Understanding
Description	: Reach Energy Berhad ("REB" or "the Company") - Memorandum of Understanding ("MOU") between the Company and Gas Processing Company LLP

INTRODUCTION

The Board of Directors of REB wishes to announce that the Company has entered into a Memorandum of Understanding ("MOU") with Gas Processing Company LLP (Company Number: No.0574), a company organized and existing under the laws of Kazakhstan and having its office address at 1, Zhubanov, Street, Aktobe City, Republic of Kazakhstan ("GPC") on 19 November 2018.

BACKGROUND OF THE MOU

GPC is in the downstream oil and gas business that processes feed gas secured from Kazakhstan state-owned national gas pipeline operator, KazTransGas ("KTG") into valuable products such as liquefied petroleum gas ("LPG"), gas condensate, and Sulphur. The Company wishes to expand from a pure upstream Oil and Gas ("O&G") company and diversify its business portfolio into downstream O&G business activities.

GPC is the Concession Owner relating to processing feed gas into downstream products for sale to export and domestic end-users. The supply for the feed gas is secured, as a feed gas supply contract with KTG has been signed, effective until Year 2040.

Both REB and GPC see a mutually beneficial partnership for REB to complement the expertise of GPC and add international presence into the gas processing business. In addition, REB views a potential partnership with GPC in other future collaborations in gas utilization projects in Kazakhstan.

SALIENT TERMS OF THE MOU

The MOU creates no contractual relationship between REB and GPC but is aimed to provide a framework of cooperation between the two parties.

The Parties agree to exchange relevant data and information on a basis of confidentiality. On satisfaction of this, both parties may hold required meetings to discuss details of collaboration and agree on the details of the collaboration via Heads of Agreement ("HoA").

This MOU shall terminate 12 months after signing or upon the signing of the definitive agreements, whichever is earlier and can be extended upon written mutual agreement. Both parties may terminate this MOU upon 30 days written notice without penalties or liabilities.

EFFECT OF THE PROPOSED COLLABORATION

The directors of REB believe that a collaboration with GPC would provide an exciting platform for REB to diversify into the oil and gas downstream business. In addition, GPC's strong ties with the local Kazakhstan government and state-owned enterprises are also seen as value-adding benefits to REB's presence in Kazakhstan.

RISK FACTORS

The directors of REB are of the view that the risk factors involved in this MOU at this juncture is minimal. In the event that the Company enters into a term arrangement, it will exercise due care in considering the risks and benefits associated and ensure all appropriate measures in planning the successful implementation of the MOU.

DOCUMENTS FOR INSPECTION

The MOU is available for inspection at the Registered Office of the Company at Level 8, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan during normal business hours for a period of three (3) months from the date of the announcement.

This announcement is dated 19 November 2018.