REACH
ENERGY
WITHIN REACH

ANNUAL REPORT **2017**

ENERGY WITHIN REACH

Globally, substantial oil and gas reserves still remain unreachable or untapped in mature hydrocarbon basins. Our tagline “Energy Within Reach” reflects Reach Energy’s goal of rejuvenating brownfields and mature assets in these basins to economically access the remaining hydrocarbon reserves with new techniques and technologies.

VISION

REACH ENERGY aspires to be a leading independent Malaysian Oil & Gas Company

MISSION

REACH ENERGY aims to be a Global Player in the Oil and Gas industry to:

- Grow upstream petroleum reserves
- Deliver robust shareholder value
- Increase oil and gas production
- Develop strong technical base

CORPORATE STRATEGIES

- To build a strong base in the global upstream oil and gas value chain
- To establish an organisation of multidisciplinary teams with the right talent and capabilities to realise our Vision and Mission
- To access world class expertise and resources
- To establish strategic alliances
- To develop a productive relationship with stakeholders
- To create a balanced Exploration and Production (E&P) portfolio
- To manage risks effectively

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI DR. AZMIL KHALILI BIN DATO' KHALID

(Non-Independent Non-Executive Chairman)
(Redesignated from Executive Chairman to Non-Independent Non-Executive Chairman on 28 February 2018)

Ir. SHAHUL HAMID BIN MOHD ISMAIL

(Executive Director/Chief Executive Officer)

Y.M.TUNKU DATUK NOORUDDIN BIN TUNKU DATO' SRI SHAHABUDDIN

(Independent Non-Executive Director)
(Appointed on 11 August 2017)

IZLAN BIN IZHAB

(Senior Independent Non-Executive Director)

NIK DIN BIN NIK SULAIMAN

(Independent Non-Executive Director)

AUDIT COMMITTEE

Nik Din Bin Nik Sulaiman (Chairman)
Y.M.Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin
Izlan Bin Izhab

NOMINATION COMMITTEE

Izlan Bin Izhab (Chairman)
Y.M.Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin
Nik Din Bin Nik Sulaiman

REMUNERATION COMMITTEE

Izlan Bin Izhab (Chairman)
Y.M.Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin
Nik Din Bin Nik Sulaiman

RISK MANAGEMENT COMMITTEE

Y.M.Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin (Chairman)
Ir. Shahul Hamid Bin Mohd Ismail
Nik Din Bin Nik Sulaiman

COMPANY SECRETARIES

Chen Bee Ling (MAICSA 7046517)
Tan Lai Hong (MAICSA 7057707)

CORPORATE INFORMATION
(cont'd)

REGISTERED OFFICE

Level 8, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel No : (603) 7841 8000
Fax No : (603) 7841 8199

HEAD OFFICE

D3-5-8, Block D3, Solaris Dutamas
No. 1, Jalan Dutamas 1
50480 Kuala Lumpur, Malaysia
Tel No : (603) 6412 3000
Fax No : (603) 6412 8005
Email : info@reachenergy.com.my
Website: www.reachenergy.com.my

SHARE REGISTRAR

Symphony Share Registrars Sdn. Bhd.
(378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Tel No : (603) 7849 0777
Fax No : (603) 7841 8151/52

AUDITORS

PricewaterhouseCoopers PLT
(LLP0014401-LCA & AF1146)
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
P.O. Box 10192
50706 Kuala Lumpur

PRINCIPAL BANKERS

Hong Leong Islamic Bank Berhad
BNP Paribas Capital (Malaysia) Sdn Bhd

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

STOCK SHORT NAME AND CODE

REACH 5256 & 5256 WA

REACH IN THE NEWS

30 JUNE 2017

Reach Energy to boost oil output

> Aims to produce 4,000 to 5,000 barrels a day by the end of this year

BY V. RAGANANTHINI

PETALING JAYA: Oil producer Reach Energy Bhd is looking to boost its oil production to between 4,000 and 5,000 barrels of oil per day (bopd) by the end of the year and to increase the number of oil wells in its inventory to 88 by 2026.

The company, which saw a production level of 3,301 bopd in 2016, currently has 54 oil wells in its Kazakhstan asset, the Emir-Oil block. Of these 54 wells, 14 are currently active.

"Each well costs about US$6 million, these (capital expenditure for) 34 wells we intend to drill, is spread over many years," CEO of Reach Energy Ir Shahul Hamid (pic) told reporters after the company's AGM.

Emir-Oil currently produces from four oil and gas fields, namely Aksaz, Dolinnoe, Emir and Kariman, and has two development fields known as North Kariman and Yessen.

According to Shahul, the company is planning to start producing in these development fields, which already have wells used for test productions, and is hoping to secure production licences by the first half of 2018.

Besides that, it will be investing RM35 million to build two pipelines between 20km and 25km long, which will connect its asset to state lines. This project, which is expected to be completed by the end of next year, will be funded internally.

Going forward, the company which has a production costs of USD15 per barrel is looking to keep production cost low and maximise its resources.

About 80% of the targeted sales revenue for this year are expected to be contributed by exports, while 20% are expected to come from domestic sales within Kazakhstan.

Reach Energy, whose reserve levels are at 95 million barrels, is also targeting to produce an average of 1.18 million stock tank barrels this year with an average of 3,500 barrels of oil per day.

On another note, it said no decision has been taken thus far on a proposed private placement exercise, through which it can raise up to RM180 million to address the potential cash shortfall to purchase shares from dissenting shareholders in relation to its qualifying acquisition (QA).

However, it has not ruled out the possibility of undertaking the exercise, saying that the "option is still on the table".

The company had cash in hand of RM88.50 million as at March 31, 2017.

Reach Energy's two prime customers are Kazakhstan-based crude oil and gas distributors, Euro Asian Oil SA and KazTransGas.

Reach Energy graduated from being a special purpose acquisition company after acquiring a QA in November last year. It acquired a 60% stake in Palaeontol BV, the owner of the onshore oil and gas field called Emir-Oil LLP in Kazakhstan, for US$154.89 million (RM640.54 million) last year.

Reach Energy's share price closed up one sen to 46 sen yesterday.

30 JUNE 2017

MAXIMISING OPERATIONAL EFFICIENCY

REACH ENERGY TO EXPAND E&P ACTIVITIES

Firm to focus on Emir-Oil, increase drilling in Kazakhstan

ZARINA ZAKARIAH
KUALA LUMPUR

Reach Energy chief executive officer Shahul Hamid says the company would be focusing on its latest acquired company in Kazakhstan, Emir-Oil, to occupy its operations beyond the contract period of 29 years.

24 JULY 2017

Reach Energy remains optimistic about Emir-Oil

It hopes to convince investors of the long-term value of the investment

13 JULY 2017

REACH ENERGY BOOST FOR MANGYSTAU

Firm aims to attract up to US$1b worth of Malaysian investments into region

BLOIS BAHARI
ASTANA

REACH Energy Bhd is helping to get Malaysian companies to invest US$500 million to US$1 billion (RM2.1 billion to RM4.3 billion) in Kazakhstan over three years.

The company yesterday signed a non-binding deal with the Akimat (regional government) of Mangystau in southwest Kazakhstan.

Reach Energy will assist in attracting Malaysian companies to invest in priority industries in Mangystau such as oil and gas (O&G), infrastructure, construction, electricity and water supply as well as tourism.

The company will also support and promote gas utilisation development in Mangystau. This includes the construction of a methanol plant, liquefied petroleum gas facilities, a power generation plant and other gas utilisation facilities.

The memorandum of understanding (MoU) was signed by Reach Energy executive director and chief executive officer Shahul Hamid Mohd Ismail and Mangystau regional government head Yeraly Tugzhanov during the Malaysia-Kazakhstan business forum, here, yesterday.

"This region has great potential for Malaysian investments and since Reach Energy is here, we want to work closely with the regional administration to attract more Malaysian investors to the region," Shahul told NST Business.

Reach Energy has 54 O&G wells in Mangystau, with plans to increase them to 88 by 2026. It is the operator of the Emir-Oil concession block in the region.

Earlier at a press conference, Shahul said the field is slightly bigger than Singapore.

"There are lots of opportunities and it's only partially explored... the oil is of very high quality," he added.

Deputy International Trade and Industry Minister Datuk Ahmad Maslan said the MoU is a milestone that serves Malaysia and Kazakhstan's common interests.

"With more than 80 Malaysian government and private organisations showcasing their products and services at Expo 2017 Astana, we foresee more deals and MoUs being signed," he added.

REACH IN THE NEWS
(cont'd)

30 JUNE 2017

Reach Energy sasar tingkat pengeluaran 5,000 tong sehari

Syarikat maksimum kecekapan operasi, kukuh asas aliran tunai

"Kami menjangkakan harga minyak akan terus kekal tidak menentu, namun kebanyakan ramalan menunjukkan harga minyak sedang pulih. Kami percaya pelaburan kami di Kazakhstan akan membuahkan hasil"

Shahul Hamid, Ketua Pegawai Eksekutif Reach Energy Bhd

30 JUNE 2017

88 telaga minyak di Kazakhstan

Sasaran Reach Energy menjelang 2026

"Syarikat sasar hasil 5,000 tong minyak sehari" Shahul

14 MAY 2017

冀日收40万元

Reach看好哈国产油量

2年专注哈萨克业务

股价严重被低估

13 JULY 2017

Reach能源签备忘录 投资哈萨克油田开采

新油田大过新加坡

30 JUNE 2017

建输油管减运输费

Reach拟降成本拚净利

私下配售未定案

冀油井增至88口

PROFILES OF BOARD OF DIRECTORS

Tan Sri Dr. Azmil Khalili Bin Dato' Khalid

Non-Independent Non-Executive Chairman
57, Male, Malaysian

Date of Appointment
23 January 2017

Tenure of Directorship
One (1) year and three (3) months

MEMBERSHIP OF BOARD COMMITTEE:

Nil

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Bachelors of Science in Civil Engineering, University of Hertfordshire, Hatfield, England
- Bachelors of Science in Civil Engineering, Northrop University, Los Angeles, California
- Masters of Business Administration, California State University, Dominguez Hills
- Doctorate of Science (Honorary), University of Hertfordshire, Hatfield, England

WORKING EXPERIENCE:

Tan Sri Dr. Azmil Khalili bin Dato' Khalid ("Tan Sri Dr. Azmil") began his career with Tarmac National Construction in the United Kingdom and upon his return to Malaysia worked for Trust International Insurance and Citibank NA. Later, Tan Sri Dr. Azmil joined the AlloyMTD Group where he held the position of General Manager of Corporate Planning on moving to MTD Capital Bhd in 1993 and assumed the helm as Group Managing Director in 1996. On 1 June 2009, he was re-designated as President and Chief Executive Officer. He concurrently held the same position in the listed subsidiary of MTD Capital Bhd, namely, MTD ACPI Engineering Berhad, and was also the Chairman of MTD Walkers PLC, a foreign subsidiary of MTD Capital Bhd listed on the Colombo Stock Exchange in the Republic of Sri Lanka. Tan Sri Dr. Azmil was the President and Chief Executive Officer of ANIH Berhad, a toll concession company. He is a Trustee of the Perdana Leadership Foundation, and Chairman of the Malaysia-Philippines Business Council (2014). Tan Sri Dr. Azmil also sits on the board of several private limited companies.

OTHER INFORMATION:

Tan Sri Dr. Azmil has no conflict of interest with the Company and does not have any family relationships with any Director. Tan Sri Dr. Azmil is deemed a major shareholder of the Company and his interest is disclosed in the securities of the Company as set out in the Analysis of Shareholdings of this Annual Report. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any. He has attended six (6) out of seven (7) Board meetings held since the date of his appointment.

DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- ANIH Berhad
- UEM Sunrise Bhd

PROFILES OF BOARD OF DIRECTORS (cont'd)

Ir. Shahul Hamid Bin Mohd Ismail

Executive Director / CEO
68, Male, Malaysian

Date of Appointment
7 February 2013

Tenure of Directorship
Five (5) years and two (2) months

MEMBERSHIP OF BOARD COMMITTEE:

- Risk Management Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Bachelor of Engineering (Honours), Mechanical Engineering, University of Adelaide, Australia
- Master of Engineering Science in Mechanical Engineering, University of Adelaide, Australia
- MIE Aust., CP Eng., Reg.P.Eng.(Aust), MIE M'sia, P.Eng. (M'sia)

WORKING EXPERIENCE:

Ir. Shahul Hamid bin Mohd Ismail ("Ir. Shahul") was the first director of the Company since its inception on 7 February 2013. He has been in the Petroleum Industry for the past 38 years, mainly with Exxon and Shell, and has held a rotation of assignments in Malaysia and overseas covering a wide variety of managerial, technical and commercial aspects of the business. Prior to Reach Energy, Ir. Shahul was technical advisor and board member of several oil & gas services companies. During his tenure as the Group CEO of Daya Materials group of companies from 2007 to 2009, Ir. Shahul established the Oil & Gas ventures for a Malaysian Group, securing major gas field development opportunities in the Middle East, coupled with LNG business, as well as refinery/petrochemical investments in Malaysia, Indonesia and the Middle East with the value of the opportunities in excess of USD10 billion. He dealt with top level governmental and oil industry personnel in these countries in leading these efforts. Ir. Shahul worked closely with various international consultants on Feasibility Studies, Commercial/Economic Evaluations, Funding, Risk Management, FEED/BED and Detail Design.

Ir. Shahul was a Board Member/Technical Advisor to Ramunia Holdings Berhad from 2005 to 2006. From August 2001 to October 2004, Ir. Shahul was the Managing Director of Shell Refining Company (FOM) Berhad (now known as Hengyuan Refining Company Berhad) which is a public-listed company in the Main Market of Bursa Malaysia Securities Berhad. He was the first Malaysian to be appointed to this position. Prior to this appointment, he worked in General Manager, Technical Manager, Engineering Manager, Operations Manager and Project Manager roles in Shell and Exxon with core activities cutting across the entire hydrocarbon life cycle covering exploration, appraisal, development, production and decommissioning in very challenging business environments. He also sat on the Boards of Sarawak Shell Berhad and Sabah Shell Petroleum Co. Ltd.

Ir. Shahul was a Colombo Plan scholar and holds Bachelor (Honours) and Master's degrees in Mechanical Engineering from the University of Adelaide in Australia. He has produced many technical reports, papers and reviews. These have been presented in various conferences, workshops, journals and meetings. Ir. Shahul was a member of the Engineering Board of Studies and Industry Advisory Panel at the International Islamic University, Kuala Lumpur and is a Registered Professional Engineer in Malaysia and Australia. He is also a Member of the Institution of Engineers, Malaysia and the Institution of Engineers, Australia.

Ir. Shahul is concurrently the General Director of Emir-Oil LLP in Kazakhstan, of which Reach Energy holds an indirect 60% interest.

OTHER INFORMATION:

Ir. Shahul has no conflict of interest with the Company and does not have any family relationships with any Director and/or major shareholder. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any. Ir. Shahul has attended all seven (7) Board meetings held during the financial year ended 31 December 2017.

DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

Nil

PROFILES OF BOARD OF DIRECTORS
(cont'd)

Izlan Bin Izhab
Senior Independent Non-Executive Director
72, Male, Malaysian

Date of Appointment
1 July 2013

Tenure of Directorship
Four (4) years and ten (10) months

MEMBERSHIP OF BOARD COMMITTEE:

- Nomination Committee (Chairman)
- Remuneration Committee (Chairman)
- Audit Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Bachelor of Laws, University of London, UK
- Advanced Management Program, University of Hawaii, USA

WORKING EXPERIENCE:

Encik Izlan Bin Izhab ("Encik Izlan") started his career in 1973 as Assistant Legal Officer with Majlis Amanah Rakyat (MARA). From 1975 to 1978, he was Company Secretary with Komplek Kewangan Malaysia Berhad. From 1978 to 1984, he was the Company Secretary of Permodalan Nasional Berhad. He spent the next 15 years from 1985 to 2000 with the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia Securities Berhad) as the Executive Vice President, Corporate and Legal Affairs until his retirement. He was responsible for company secretarial functions, legal advisory on capital market laws and regulations and conducted lectures on capital market laws and regulations. From 2004 until May 2013, he was a member of Bursa Malaysia Berhad Appeals Committee. He was an independent director of Ramunia Holdings Berhad (now known as TH Heavy Engineering Berhad) from 2004 to 2008. During that period, he was the Chairman of the Remuneration Committee and Nomination Committee of the said company. On 7 February 2017 he was appointed as the Chairman/Independent Non-Executive Director of Kenanga Investment Bank Berhad which is listed on Bursa Malaysia Securities Berhad. He is also a Non-Executive Director on Non-Listed Public Companies, Sun Life Malaysia Takaful Berhad and Federation of Public Listed Companies Berhad.

OTHER INFORMATION:

Encik Izlan has no conflict of interest with the Company and does not have any family relationships with any Director and/or major shareholder. He has not been convicted of any offence within the past five (5) years other than traffic offences, if any. Encik Izlan has attended all seven (7) Board meetings held during the financial year ended 31 December 2017.

DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- Kenanga Investment Bank Berhad and Group
- Sun Life Malaysia Takaful Berhad
- Federation of Public Listed Companies Berhad

PROFILES OF BOARD OF DIRECTORS (cont'd)

NIK DIN BIN NIK SULAIMAN

Independent Non-Executive Director
70, Male, Malaysian

Date of Appointment
1 July 2013

Tenure of Directorship
Four (4) years and ten (10) months

MEMBERSHIP OF BOARD COMMITTEE:

- Audit Committee (Chairman)
- Risk Management Committee
- Remuneration Committee
- Nomination Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- A member of the Malaysian Institute of Accountants (MIA)
- Fellow member of the Association of Chartered Certified Accountants (FCCA), United Kingdom

WORKING EXPERIENCE:

Encik Nik Din bin Nik Sulaiman ("Encik Nik Din") has more than 36 years' experience in the fields of accounting, auditing and finance. He started his career as an Accountant with Beecham Products (F.E.) Sdn. Bhd. in 1974 before leaving to join Pfizer Pte. Ltd. as Finance Manager. He was subsequently appointed as Group Financial Controller in Kumpulan Perangsang Selangor Berhad, an investment arm of Selangor State Government from 1978 to 1981. He also worked for Promet Berhad from 1982 to 1992 initially as its Financial Controller and later as Finance Director. He served in Sime Darby Group from 1992 to 2004 initially as Finance Director in the Malaysia Region, followed by Finance Director of Tractors Malaysia Holdings Berhad, a subsidiary of Sime Darby Berhad. He was also a director of Sime Bank Berhad. Subsequently, he was the Group Chief Internal Audit Manager and his last position was as Finance Director in Sime Engineering Berhad. He currently holds directorships in MTD ACPI Engineering Berhad, which is listed on Bursa Malaysia Securities Berhad, and MTD Capital Berhad.

OTHER INFORMATION:

Encik Nik Din has no conflict of interest with the Company and does not have any family relationships with any Director and/or major shareholder. He has not been convicted of any offence within the past five (5) years. Encik Nik Din has attended all seven (7) Board meetings held during the financial year ended 31 December 2017.

DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

- MTD ACPI Engineering Berhad
- MTD Capital Berhad

PROFILES OF BOARD OF DIRECTORS
(cont'd)

Y.M. TUNKU DATUK NOORUDDIN BIN TUNKU DATO' SRI SHAHABUDDIN

Independent Non-Executive Director
53, Male, Malaysian

Date of Appointment
11 August 2017

Tenure of Directorship
Eight (8) months

MEMBERSHIP OF BOARD COMMITTEE:

- Risk Management Committee (Chairman)
- Audit Committee
- Nomination Committee
- Remuneration Committee

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Cheltenham College, Gloucestershire, England (1979). O & A LEVEL (Oxbridge)
- B. Sc (Business Administration) United States International University (USIU, now renamed as Alliant University) San Diego, USA. London Campus. (1986)

WORKING EXPERIENCE:

Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin ("Y.M. Tunku Datuk Nooruddin") was educated in the United Kingdom. He held positions in and represented companies involved in the Oil & Gas industries including Esso Malaysia Berhad - Downstream (Exxon Mobil) where he was responsible for Refinery products distribution and Government National Accounts, Executive Director of Baker Hughes INTEQ (BHI) plus other Baker Hughes Group of Companies in Malaysia in Upstream O&G Exploration and Development Activities. His primary responsibilities were to secure supply of goods and services to O&G Operators locally and international participants in Malaysia. As a PSC licensed service provider to Petronas, its international activities would include BHI Malaysia's participation.

As a director of Alfa Meli Sdn Bhd, which is a supplier of O&G equipment, he was involved in the marketing and promotion of its products and services.

He has acquired extensive experience from more than decade-long career plus in advisory capacity in international trade representing companies such as Avaria International FZE (UAE), Jotun Paints (Malaysia), Al Madina LLC (Oman), SCS Computer Systems Sdn Bhd, Electrolux (Malaysia), Tideway-Dredging International (Malaysia), Yoshida BM Japan, Paylink Global Sdn Bhd (e-payment platforms), Japan Halal Promotion Association, Malene Insurance Brokers, ERM Property Management, R Zain Associates (Consultant Civil & Structural Engineers), Singapore Precious Metals Exchange (SGPMX Malaysia), and others in South East Asia, UAE, Oman and Kazakhstan.

Y.M. Tunku Datuk Nooruddin was appointed as Honorary Consul for the Republic Of Kazakhstan (East Coast Region) from June 2014.

OTHER INFORMATION:

Y.M. Tunku Datuk Nooruddin has no conflict of interest with the Company and does not have any family relationships with any Director and/or major shareholder. He has not been convicted of any offence within the past five (5) years. Y.M. Tunku Datuk Nooruddin has attended one (1) out of two (2) Board meetings held during the financial year ended 31 December 2017.

DIRECTORSHIP IN OTHER PUBLIC COMPANIES AND LISTED ISSUERS:

Nil

PROFILE OF KEY SENIOR MANAGEMENT

Ir. SHAHUL HAMID BIN MOHD ISMAIL (“Ir. SHAHUL”)

Chief Executive Officer, Reach Energy Berhad

68, Male, Malaysian

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Bachelor of Engineering (Honours) in Mechanical Engineering, University of Adelaide, Australia
- Master of Engineering Science in Mechanical Engineering, University of Adelaide, Australia
- MIE Aust., CP Eng., Reg.P.Eng.(Aust), MIE M’sia, P.Eng.(M’sia)

WORKING EXPERIENCE:

- Ir. Shahul has been in the Petroleum Industry for the past 38 years, mainly with Exxon and Shell, and has held a rotation of assignments in Malaysia and overseas covering a wide variety of managerial, technical and commercial aspects of the business.
- He established the Oil & Gas ventures for a Malaysian Group, securing major gas field development opportunities in the Middle East, coupled with LNG business, as well as refinery/petrochemical investments in Malaysia, Indonesia and the Middle East with the value of the opportunities in excess of USD10 billion.
- He was a Board Member/Technical Advisor to Ramunia Holdings Berhad from 2005 to 2006.
- From August 2001 to October 2004, Ir. Shahul was the Managing Director of Shell Refining Company (FOM) Berhad (now known as Hengyuan Refining Company Berhad) which was a public-listed company in the Main Market of Bursa Malaysia Securities Berhad. He was the first Malaysian to be appointed to this position.
- At present, Ir. Shahul is concurrently the General Director of Emir-Oil LLP in Kazakhstan, of which Reach Energy holds indirect 60% interest.

PRESENT DIRECTORSHIP(S): -

LISTED ENTITY: Nil

OTHER PUBLIC COMPANIES: Nil

DECLARATION:

Ir. Shahul does not hold any directorship in public listed companies and listed issuers, has no family relationship with any directors and/or major shareholders of the Company, has no conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

TAN SIEW CHAING (“MS. TAN”)

Director of Finance, Investment and Planning, Reach Energy Berhad

50, Female, Malaysian

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- A member of the Malaysian Institute of Accountants (MIA)
- A member of the Chartered Institute of Management Accountants (CIMA), United Kingdom

WORKING EXPERIENCE:

- Ms. Tan has more than 25 years of experience in financial and treasury management, corporate finance, risk management, investment evaluation and business strategies, tax planning and procurement. Her experience covers various industries in management of large group of companies with diverse businesses in countries such as the Philippines, Sri Lanka, Singapore, United Kingdom, United State of America and Australia. She has vast experience in concession business, real estate, construction, manufacturing and oil and gas services.
- She formerly worked with large groups such as Syarikat Bekalan Air Selangor Sdn Bhd and AlloyMtd Group.
- She started as a Financial Controller of AlloyMtd in year 2007 before moving up the ranks as a Senior Vice President and later was promoted to be Executive Vice President, Head of Finance and Treasury of AlloyMtd Group. She was a member of the Management Committee of AlloyMTD Group.

PRESENT DIRECTORSHIP(S): -

LISTED ENTITY: Nil

OTHER PUBLIC COMPANIES: Nil

DECLARATION:

Ms. Tan does not hold any directorship in public listed companies and listed issuers, has no family relationship with any directors and/or major shareholders of the Company, has no conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

BAYAN NISHAN ("MS. BAYAN")

Director of Business Development (Kazakhstan), Reach Energy Berhad

47, Female, Kazakh

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Bachelor of Science (Honours) in Marketing, Kazakhstan (1989-1993)
- Bachelor of Science in International Relations, Diplomatic Academy of Ministry of Foreign Affairs of Kazakhstan (1997-1999)
- Master of Business Administration, Staffordshire University, United Kingdom (2009-2010)

WORKING EXPERIENCE:

- Ms. Bayan has 15 years of Kazakhstan government experience in the different ministries and government agencies, Parliament, National Bank and Kazakhstan Embassies in International Trade & Relationship, Foreign Currency regulations, Export & Import licenses and other Commercial & Industrial aspects.
- Ms. Bayan was a Business Consultant in the Kazakhstan-Malaysia Chamber of Commerce in Kuala Lumpur from 2012 until 2015. She was also one of the organisers of the business forum and exhibition that was held during the official state visit of the Kazakhstan President to Malaysia in 2012. The visit, which resulted in the deepening of bilateral relationship between Malaysia and Kazakhstan, culminated in the implementation of several Malaysian projects in the agriculture and metallurgy sectors in Kazakhstan.
- Ms. Bayan had a tenure as the Economics Affairs Consultant in the Parliament of Kazakhstan and was responsible for the economic legislation section. As a result of her involvement, more than 300 legislation drafts were implemented from 2001 to 2003. Aside from these, she had also represented Kazakhstan on the European Parliament session in 2002.
- She headed the Commercial Markets Affairs Department in the Ministry of Energy, Industry & Trade of the Republic of Kazakhstan from 1999 to 2001 and represented Kazakhstan in Japan on Trade Conferences. She was also a member of the Kazakhstan negotiation team for accession into the World Trade Organisation (WTO).

PRESENT DIRECTORSHIP(S): -

LISTED ENTITY: Nil

OTHER PUBLIC COMPANIES: Nil

DECLARATION:

Ms. Bayan does not hold any directorship in public listed companies and listed issuers, has no family relationship with any directors and/or major shareholders of the Company, has no conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

PROFILE OF KEY SENIOR MANAGEMENT
(cont'd)

KOH KEE CHEONG ("MR. KOH")

Finance Manager, Reach Energy Berhad

34, Male, Malaysian

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Bachelor of Business in Accounting & Finance, University of Technology Sydney, Australia (2004)
- Certified Practicing Accountant, CPA Australia (2010)
- Chartered Accountant, Malaysian Institute of Accountants (MIA) (2010)

WORKING EXPERIENCE:

- Mr. Koh has 13 years of experience in financial and management accounting, including several years in the Big 4 audit firms.
- His responsibilities include maintaining full charge of all accounting functions including cost accounting, financial and management reporting, financial analysis, cost analysis, budgeting, planning and forecasting, and continuous process improvement on the business processes.

PRESENT DIRECTORSHIP(S):-

LISTED ENTITY: Nil

OTHER PUBLIC COMPANIES: Nil

DECLARATION:

Mr. Koh does not hold any directorship in public listed companies and listed issuers, has no family relationship with any directors and/or major shareholders of the Company, has no conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

DAVID OOI ("MR. OOI")

Investment & Corporate Strategy Manager, Reach Energy Berhad

30, Male, Malaysian

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Bachelor of Science in Economics, London School of Economics, United Kingdom (2010)

WORKING EXPERIENCE:

- Mr. Ooi has over 6 years of experience in the oil and gas industry working in a boutique consultancy, a private equity-backed E&P acquisition vehicle and as an independent consultant.
- During this time, he served in various capacities on a diverse range of commercial and strategy-oriented consulting projects involving asset evaluation, asset acquisition due diligence, opportunity screening, analysing company financial and operational performance and benchmarking against peer groups.

PRESENT DIRECTORSHIP(S):-

LISTED ENTITY: Nil

OTHER PUBLIC COMPANIES: Nil

DECLARATION:

Mr. Ooi does not hold any directorship in public listed companies and listed issuers, has no family relationship with any directors and/or major shareholders of the Company, has no conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

IBNI HAJAR BT OMAR ("PUAN IBNI")

Human Resources & Administration Manager, Reach Energy Berhad

48, Female, Malaysian

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Master of Business Administration (MBA), Universiti Utara Malaysia, Sintok (2010)

WORKING EXPERIENCE:

- Puan Ibni has 22 years of experience in human resources and administration including 5 years in the oil and gas industry.
- She has been responsible for all human resources and administration matters, including recruitment and selection, payroll administration, performance management,compensation and benefits, training and development, employee relations, succession planning and staff induction.
- She also has accumulated experience in supporting Finance and IT Departments on annual budgeting auditing.

PRESENT DIRECTORSHIP(S): -

LISTED ENTITY: Nil

OTHER PUBLIC COMPANIES: Nil

DECLARATION:

Puan Ibni does not hold any directorship in public listed companies and listed issuers, has no family relationship with any directors and/or major shareholders of the Company, has no conflict of interest with the Company and has no conviction for any offences within the past 5 years other than traffic offences, if any.

CHAIRMAN'S STATEMENT

REACH ENERGY

Dear Valued Shareholders,

On behalf of the Board of Directors of Reach Energy Berhad ("Reach Energy"), I am pleased to present the Annual Report and Audited Financial Statements for the financial year ended 31 December 2017.

CHAIRMAN'S STATEMENT (cont'd)

OUR 2017 JOURNEY

The early months of 2017 was a transitional period for Reach Energy, as we gradually took over operations of Emir-Oil since our successful qualifying acquisition in late 2016. Under our operatorship starting from May 2017, we have seen many positive changes within Emir-Oil. We are gradually embedding our technical know-how and best practice standards and policies that would go a long way in making our vision a reality, which is to become a leading independent Malaysia-based oil and gas Exploration and Production ("E&P") company.

We are a young company in a mature industry. I am hopeful that Emir-Oil will deliver its value to our shareholders, as it is a balanced asset in all aspects. It is an asset with healthy near-term cash flow generation capability, coupled with significant upside potential in terms of available exploration resources and margin for further process and cost optimisation. In addition, we are on the verge of realising our ambitious plans to transform this young, burgeoning asset to its first phase peak production cycle that will undoubtedly improve our future earnings.

OUR FINANCIAL PERFORMANCE

For the Financial Year Ended 31 December 2017 (FYE 2017), Reach Energy Berhad recorded a revenue of RM157 million (FYE 2016: RM15 million) from our Oil & Gas activities, an increase of RM142 million from FYE 2016. The Earnings before interest, tax, depreciation and amortization (EBITDA) for the Group was RM14 million (FYE 2016: RM108 million) in FYE 2017. Meanwhile, we recorded a Net Asset Per Share of RM0.76 (FYE 2016: RM0.80).

Looking ahead, we are expecting an eventful 2018 with significant development activities and milestones planned for the Company. We will maintain the positive momentum so far in 2017, driven by our success in revitalising our current production wells with modern technologies and approaches while optimising our cost structure in parallel. In addition, our master development plan to be implemented will undoubtedly unveil more opportunities to be exploited within this wide 850 km^2 exploration and production acreage.

OUR PEOPLE

A company is only as good as its people. We are proud of our commitment to recruit competent, experienced, and well-motivated talents as part of our goal to have a lasting positive impact to the surrounding community. We have focused on nurturing an environment to spur growth amongst our people, as we now have a greater focus on training and development. I am confident that by investing in our people, we will continuously supplement and build an effective talent pool that embodies our Company motto - "One Team, One Goal" that would propel the company forward.

CHAIRMAN'S STATEMENT (cont'd)

INDUSTRY OUTLOOK

It has been a challenging three years for the Oil and Gas ("O&G") industry, plagued by lower oil prices and lack of investor confidence. However in 2017, the industry saw the return of market management after Organisation of Petroleum Exporting Countries ("OPEC") and eleven non-OPEC producers agreed on a comprehensive output reduction. This move had a positive impact on the market, as oil prices exhibited an upward trend for the first six months of 2017. However, the market continued to experience price fluctuations due to a combination of factors such as increased US shale oil production, weak fuel demands and robust OPEC exports.

We are optimistic that 2018 will be a better year for the oil and gas industry, as it continues to gradually recover following OPEC and non-OPEC members' decision to extend output cuts in late 2017 for another 9 months. This move resulted in the rise of oil price in the beginning of 2018. In addition, there is positive outlook for oil demand in the medium term (up to year 2022), as an increase of 6.9 million barrels per day is estimated throughout this period. This demand increase is driven by a host of factors including higher population growth rates and stronger economic growth.

I believe that Reach Energy has entered the market at an ideal time, where the industry was on the verge of recovering from a 3-year long market depression. The observed recovery of the oil and gas industry has placed us in a great position to capitalise on the improving oil and gas market and build a sustainable and profitable business by continuously seeking further growth and optimisation opportunities to progress and grow the Company.

ACKNOWLEDGEMENT

On behalf of the Board and the Management Team, I would like to express my utmost gratitude to all our stakeholders for their continuous support. We will continue to advocate and embody our Core Values of being "Reliable, Responsible and Results-Oriented" to achieve our ambitious and exciting goals as a new Malaysia-based pure-play E&P company with an international footprint as a hands-on operator.

I am also ever grateful to my fellow Members of the Board, the Management Team and staff of both Reach Energy and Emir-Oil for their tireless efforts and commitment to contribute to our Company. I look forward to 2018 with great hope and excitement. I hope you will continue to retain your ownership of our Company as we strive to provide more value to you.

Thank you.

Tan Sri Dr. Azmil Khalili bin Dato' Khalid
Chairman

CEO REPORT
ON BUSINESS ACTIVITIES

The last few years have been challenging years for the Oil and Gas ("O&G") industry with the rapid collapse in commodity prices in 2014 triggering a near immediate response from industry participants, which continued to reverberate through 2015 to 2017. In 2017, the oil market continued to be challenged by sluggish prices, with the later half of the year showing signs of recovery. 2018 is expected to be a good year for Reach Energy, as the oil price appears to have stabilised in the USD60-USD70 per barrel range as of April 2018. Reach Energy continues to strive to implement affirmative measures to consolidate, integrate, innovate and improve to deliver better value to our stakeholders in our ventures.

OUR BUSINESS ACTIVITIES

Our sole venture at this stage, Emir-Oil LLP ("Emir-Oil"), has undergone significant improvements since the start of Reach Energy's operatorship in late May 2017. Production has steadily grown throughout 2H of 2017 as a result of our intensive workover program to re-open idle wells and improve existing well productivity. 5,000 barrels of oil per day ("BOPD") is our target for 2018. We are bringing production levels up as fast as possible in a managed manner in all fields by doing daily performance monitoring of the wells, paraffin and solids management, scale control, back pressure tracking, etc. The average daily oil production for the month of December 2017 was around 3,000 BOPD.

We appointed a new Reserves Assessor, Gaffney, Cline and Associates ("GCA"), to conduct the Annual Reserves Audit for 2017. The 2017 Reserves Report has shown 2P Oil and Gas Reserves to be comparable with our previous year assessment during acquisition. The results re-affirm Reach Energy's belief that the asset was acquired at a competitive value. In addition, the enhanced 3P Reserves allocated underline the good potential of Emir-Oil Concession Block. Reach Energy will strive to upgrade these into higher grade reserves in the near future. A significant outcome of the 2017 Reserves Audit is the allocation of Oil and Gas Contingent Resources (not considered in previous reserves audit) which include a portion of high confidence near-field resources that can be converted into Reserves with near-term development.

Furthermore, the Kariman and North Kariman fields are now regarded as one single reservoir unit, following the re-interpretation of available geological data. The updated view of the two fields as one hydrocarbon bearing structure has increased the reserves. As at 1 January 2018, the gross reserves (100% basis) of Emir-Oil Concession Block are summarized in Management Discussion and Analysis section.

CEO REPORT ON BUSINESS ACTIVITIES (cont'd)

As part of our master development plan ("MDP"), we are targeting our two development fields, North Kariman and Yessen to be converted into Commercial Production licenses in the near term. Drilling of the North Kariman-3 ("NK-3") exploration well has commenced and could potentially double the in-place volume of the North Kariman field if successful, adding up to 30 million stock tank barrels of oil ("MMstb"). Apart from NK-3, there are two more exploration wells that need to be drilled in 2018 as part of our Exploration Contract commitments.

We expect further contribution of oil production from the more prolific North Kariman wells, NK-1 and NK-2 by 3rd quarter of 2018, where the application for extension of trial production has been submitted to the Ministry of Energy of Kazakhstan.

We are committed to leverage on the vast experience of our team at Reach Energy and embed best practice systems and corporate governance practices. A thorough internal business review conducted by Deloitte in April 2017, just before Reach Energy took over the operatorship, established a clear baseline in Emir-Oil for further improvement efforts. This exercise has allowed us to identify key areas of focus to implement needed changes in the near-term. I am pleased to report that we have successfully introduced key systems, policies and practices such as the Health, Safety, Security and Environment ("HSSE") Management System; Oil & Gas Sales Guidelines; Risk Management System; Human Resource Management System, to name a few. I believe Emir-Oil still has significant margins for improvement and I am confident that we are progressing well in the right direction.

The recently initiated Emir-Oil MDP has identified many capital expenditure ("CAPEX") and operational expenditure ("OPEX") reduction opportunities, and these cost optimisation initiatives have been set into motion, especially:

i. Re-defining our strategy to evacuate produced hydrocarbons
ii. Choosing the optimum development scenario that is driven by project-level economics
iii. Implementation of value-adding gas utilisation plans

These initiatives have allowed us to defer and possibly reduce near term CAPEX requirement of up to USD36 million. In addition, we are close to implementing a significant change in our operations that is forecasted to improve oil sales netback by up to USD2 per barrel. These are significant milestones that were achieved in a relatively short space of time since we took operatorship of Emir-Oil in May 2017. I have no doubt that there will be more to come for Emir-Oil, as our Company is focused on establishing an effective cost structure that is robust against potential future oil price fluctuations via operational efficiency and process optimisation drives.

CEO REPORT
ON BUSINESS ACTIVITIES
(cont'd)

The oil and gas market has exhibited gradual recovery, as the average realised oil price for Emir-Oil in 2017 was USD42 per barrel (2016: USD35 per barrel), with export sales comprising 75% of total oil sales volume. The average realized sales gas price remained low at USD0.63 per thousand standard cubic feet of gas ("Mscf"), and this has driven us to optimise gas utilisation with innovative solutions such as gas re-injection and power generation for own use to add more value to Emir-Oil. In addition, we will soon have the added capability to extract liquefied petroleum gas ("LPG") from our produced associated gas that would diversify our revenue stream. This is due to the upcoming commissioning of the new Central Processing Facility ("CPF"), targeted by Q1 2019. The CPF will be commissioned in phases according to our planned oil production rates, as we aim to ramp up our oil production rate upwards to 10,000 BOPD in Phase 1 and 20,000 BOPD in Phase 2. The CPF is key to our ambitious plans to realise Emir-Oil's significant potential and uphold our commitment to deliver value to our stakeholders.

We have continued to establish our footprint in Kazakhstan by strengthening our relationship with relevant local and central government entities. We have recently inked a Memorandum of Understanding ("MOU") with the Mangystau Akimat at the Malaysia-Kazakhstan Business Forum in Astana, whereby Reach Energy will assist on goodwill basis to attract Malaysian companies to invest in priority industries in the region, such as oil and gas, infrastructure, construction, electricity, tourism and water supply projects.

We are on track to fulfill our targets and significantly grow our business stability and profitability to capitalise on the recovering oil and gas market. We are building a solid foundation in Emir-Oil as an international O&G company based in Malaysia by complementing the implementation of industry best practices with recruitment of experienced, technically competent and motivated individuals to make Reach Energy an attractive company to work for and be part of. The Oil & Gas Operatorship experience here in the Exploration & Production Sector is invaluable to Reach Energy.

CEO REPORT ON BUSINESS ACTIVITIES
(cont'd)

Finally, I would like to express my heartfelt gratitude to our shareholders, board of directors, regulators, our partners, and customers for all their continued support and trust. I would also like to thank our workforce both in Malaysia and Kazakhstan for their commitment, energy and irrepressible drive to continuously grow our Company to greater heights and deliver utmost value to our shareholders. Without you, our success today and tomorrow would not be possible.

Thank you.

Ir. Shahul Hamid bin Mohd Ismail
CEO

EMIR-OIL LLP
MANAGEMENT TEAM PROFILE

Ir. SHAHUL HAMID BIN MOHD ISMAIL

General Director, Emir-Oil LLP

68, Male, Malaysian

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Bachelor of Engineering in (Honours) Mechanical Engineering, University of Adelaide, Australia (1975)
- Master of Engineering Science in Mechanical Engineering, University of Adelaide, Australia (1982)
- MIE Aust., CP Eng., Reg.P.Eng.(Aust), MIE M'sia, P.Eng.(M'sia)

WORKING EXPERIENCE:

- Ir. Shahul has been in the Petroleum Industry for the past 38 years, mainly with Exxon and Shell, and has held a rotation of assignments in Malaysia and overseas covering a wide variety of managerial, technical and commercial aspects of the business.
- He established the Oil & Gas ventures for a Malaysian Group, securing major gas field development opportunities in the Middle East, coupled with LNG business, as well as refinery/petrochemical investments in Malaysia, Indonesia and the Middle East with the value of the opportunities in excess of USD10 billion.
- He was a Board Member/Technical Advisor to Ramunia Holdings Berhad from 2005 to 2006.
- From August 2001 to October 2004, Ir. Shahul was the Managing Director of Shell Refining Company (FOM) Berhad which was a public-listed company in the Main Market of Bursa Malaysia Securities Berhad. He was the first Malaysian to be appointed to this position.
- At present, Ir. Shahul is concurrently the Chief Executive Officer (CEO) of Reach Energy Berhad which holds an indirect 60% interest in Emir-Oil LLP.

AONGHUS O'CARROLL

Technical Director, Emir-Oil LLP

56, Male, Irish

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Bachelor of Science (Honours) in Geology, Trinity College, Dublin (1979 - 1983)
- Master of Science in Petroleum Geology, Imperial College of Science and Technology, London (1983 – 1984)

WORKING EXPERIENCE:

- Aonghus has 34 years of international geoscience experience with oil companies and major service companies in Europe, Middle East and Asia Pacific. He has extensive experience in integrated service delivery across the exploration and production spectrum. He was the Global Account Manager with Roxar Ltd. for BP, Shell and Total S.A. accounts focusing on cycle time reduction and technology delivery in modern software infrastructures.
- He was the Project Director of Lloyd's Register/Senergy from 2013 to early 2017 with a remit to manage and grow the E&P consulting activity. As a Project Director, he was responsible for an extended group of Project Managers covering FDPs to Reserve Audits and directly managed multiple projects covering exploration risk assessment to large scale heavy oil exploitation schemes. His project areas covered Africa, Middle East and Asia.
- He was the Managing Director of Knowledge Reservoir (UK) Ltd. ("Knowledge Reservoir"), from June 2006 to July 2013, an upstream exploration and production consulting firm which provides support in reservoir management and surface systems for oil and gas industry globally. He was responsible for Knowledge Reservoir Group's activities in Europe, Africa, Middle East and Asia Pacific. He has been involved in evaluating E&P assets, reserves assessment/auditing, flow assurance reviews, and reservoir management studies for E&P clients.

EMIR-OIL LLP MANAGEMENT TEAM PROFILE (cont'd)

GAUKHAR KANASHEVA

Chief Financial Officer, Emir-Oil LLP

42, Female, Kazakh

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Bachelor of Foreign Language Interpretation (Honours), Kazakh State University of World Languages, Kazakhstan (1996)
- Bachelor of Accounting and Audit (Honours), Academy of Statistics and Economics, Kazakhstan (2006)
- Certified Accountant Practitioner, CAP Kazakhstan (2006)
- Diploma in International Financial Reporting (DipIFR), Kazakhstan (2009)
- Professional Accountant certificate of the Ministry of Finance of the Republic of Kazakhstan (2011)
- Certified International Financial Reporting Standards Specialist, International Academy of Financial Management (IAFM) (2011)

WORKING EXPERIENCE:

- Gaukhar has 20 years of experience in Finance, Tax and Accounting including 11 years in the oil and gas industry. She was part of the pioneering team of Kazakhstan's first oil project with "LG Corporation" investment.
- She has also obtained valuable experience from her time in the law firm, Macleod Dixon LLP, and heavy equipment enterprise, Komatsu in Kazakshtan.
- Currently, she is a member of the well-known information system named Paragraph (formerly known as Lawyer) which provides consultations on different accounting and tax inquiries.
- Gaukhar has also obtained experience in Work Program design and defense at the Ministry of Energy and understanding of overall subsoil activity reporting circle including accounting, tax, HR and technical.

DUMAN TULEBAYEV

Director of Exploration and Development, Emir-Oil LLP

32, Male, Kazakh

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Bachelor of Petroleum Geology, Aktau State University (2007)

WORKING EXPERIENCE:

- Duman is an experienced geologist with 10 years of experience as a wellsite geologist, operations geologist, explorationist and petrophysicist.
- He has significant experience in the Western Kazakhstan region (South Mangyshlak O&G Basin, Lower Cretaceous Albian, Aptian and Valanginian aged reservoirs, and Mid Triassic Carbonate reservoir), including fully integrated geological & petrophysical support for drilling of 5 deep exploration wells on North Akkar (Eastern Block), East Akkar and West Zhetybai oilfields and 75 development wells on Dunga oilfield.
- Duman was the Operations Geologist of Maersk Oil Kazakhstan. During his tenure, he was responsible for operations geology, well planning, hazards and risks evaluation, well tops & TD identification, preliminary & final well log interpretation, perforation interval identification as well as near-field potential investigation.

EMIR-OIL LLP MANAGEMENT TEAM PROFILE (cont'd)

BAUYRZHAN RYSBAYEV

Director of Production, Emir-Oil LLP

45, Male, Kazakh

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Bachelor of Mechanical Engineering, Aktau State University (1994)
- Bachelor of O&G Business, Aktau State University (2012)

WORKING EXPERIENCE:

- Bauyrzhan has 23 years of experience in the oil and gas industry with oil companies and major service companies in Kazakhstan especially in the drilling of HTHP wells.
- During his tenure with these companies, he held various positions such as Drilling Fluids Engineer, Mud Plant Manager, Drilling Fluids Manager, Operations Leader, Stock Point Manager and Logistics and Infrastructure Manager.

SERGEY DAVLETBAYEV

Director of Legal Affairs, Emir-Oil LLP

40, Male, Kazakh

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Aktau Lawyer College with a specialisation in “Jurisprudence”, qualification “lawyer” (1996)
- Bachelor’s degree with a specialisation in “Jurisprudence” from Aktau State University named after Sh. Esenov, Republic of Kazakhstan (2002)

WORKING EXPERIENCE:

- Sergey has 20 years of experience as a legal counsel in the Republic of Kazakhstan, particularly in the Mangystau region, and 11 years of experience in the Oil & Gas industry.
- Throughout the years, Sergey gained extensive experience in the legal sector, including court proceedings, through his tenure in various law firms.
- He has excellent knowledge of the subsurface legislation, as well as the civil, civil procedural, administrative and other legislations.

LI CHANG

Commercial Director, Emir-Oil LLP

39, Male, Chinese

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Kazakh Economics University named after T. Ryskulov, Alma-Ata, Kazakhstan (2004)
- Specialisation: Economics

WORKING EXPERIENCE:

- Li Chang has 18 years of experience in Oil & Gas industry particularly in finance, economics and commercial management.

FARKHAT TAIMOV

Director of Procurement, Emir-Oil LLP

34, Male, Kazakh

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Caspian State University of Technologies and Engineering, Aktau, Kazakhstan with a specialisation in Oil and Gas Business (Master’s degree) (2013)
- Kazakhstan Institute of Management and Strategic Research, Almaty, Kazakhstan with a specialisation in Accounting (Bachelor’s degree) (2004)

WORKING EXPERIENCE:

- Farkhat has 13 years of experience in the Oil & Gas industry in the Republic of Kazakhstan, particularly in the Mangystau region.

EMIR-OIL LLP
MANAGEMENT TEAM PROFILE
(cont'd)

MARZHAN KALDYBAEVA

Director of Human Resource & Admin, Emir-Oil LLP

37, Female, Kazakh

ACADEMIC/PROFESSIONAL QUALIFICATION(S):

- Bachelor of Kazakh Humanitarian, University of Law, Almaty, Republic of Kazakhstan (2002)

WORKING EXPERIENCE:

- Marzhan has 13 years of experience in the Oil & Gas industry particularly in Human Resource and Legal areas.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

Reach Energy Berhad ("REB") or the Company listed its shares and warrants as Special Purpose Acquisition Company ("SPAC") in the Main Market of Bursa Malaysia Securities Berhad on 15 August 2014. It intended to acquire qualifying assets related to the exploration and production of oil and gas and development and production activities in the petroleum industry ("Qualifying Acquisition").

On 25 November 2016, REB through its wholly-owned subsidiary Reach Energy Ventures Sdn. Bhd. ("REV"), completed the acquisition of 60% equity interest in Palaeontol BV ("PBV") from MIE Holdings ("MIEH") at an adjusted purchase consideration of USD175.9 million. With the completion of the Qualifying Acquisition, the Company graduated into a full-fledged oil and gas exploration and production ("E&P") entity. On 16 December 2016, the Company was reclassified from a SPAC to the Industrial Products sector in the Main Market of Bursa Malaysia Securities Berhad.

PBV is an investment holding company and is the sole interest holder of Emir-Oil LLP ("Emir-Oil"). Emir-Oil holds the entire subsoil use rights (100% working interest) in an 850.3 square kilometres onshore hydrocarbon exploration and exploitation contracted area located in the Mangystau Oblast in the southwestern region of the Republic of Kazakhstan ("Emir-Oil Concession Block"). Emir-Oil is principally engaged in the exploration, development, production and sale of crude oil and other petroleum products in Kazakhstan. Emir-Oil is currently the licence owner of the Emir-Oil Concession Block which consists of four (4) Production Contracts, namely Aksaz, Dolinnoe, Emir and Kariman producing fields and one (1) Exploration Contract for the rest of the Emir-Oil Concession Block that includes two fields, namely, North Kariman and Yessen which are in the process of being converted into production contracts.

PROSPECT

Since taking over the operatorship of Emir-Oil in May 2017, Reach Energy Berhad has undertaken production improvement initiatives focusing on the existing Kariman wells to enhance near-term cash flow generation. REB is proud to report that these efforts have been successful, Kariman field's average daily production rate has increased by 304% from 644 barrels of oil per day ("BOPD") to 2,606 BOPD by the end of 2017. This is a result of both the reactivation of wells and improved well productivity which stand as a testament to REB's approach of applying strategic and modern oilfield practices. REB expects to successfully apply this approach with similar results on the remaining producing fields in the near future.

The conversion of the North Kariman and Yessen fields into Production Contract is nearing completion, with contract signing expected in Q3 2018 and early 2019, respectively. Upon completion, these fields would jointly contribute upwards of 2,000 BOPD of incremental oil production.

Drilling of the North Kariman-3 ("NK-3") exploration well has commenced and could potentially double the in-place volumes of the North Kariman field if successful, adding up to 30 million stock tank barrels of oil ("MMstb"). The fulfilment of further exploration well commitments in 2018 is expected to confirm the presence of additional oil bearing reservoirs and contribute significantly to REB's hydrocarbon reserves.

In addition, REB has identified and implemented various production cost optimisation initiatives to streamline operations within Emir-Oil. Of note, Emir-Oil will soon change its current contracted oil treatment facility to an alternative facility that would simplify distribution logistics, resulting in cost savings to contribute positively to our earnings before interest, tax, depreciation and amortisation ("EBITDA").

Our optimisation of the oil and gas evacuation strategy in Emir-Oil has resulted in a significantly reduced near-term capital expenditure ("CAPEX") requirement primarily from elimination of additional oil and gas pipeline needs. Furthermore, we have reduced manpower by 11% since taking over and will continue to rationalise and scale the workforce in accordance with organisational needs.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

RESERVES

The Group initiated our Annual Reserves Audit process with a newly-appointed Reserves Assessor, Gaffney Cline and Associates ("GCA"). The 2017 Reserves Report has shown 2P Oil and Gas Reserves to be comparable with previous year's Reserves Audit results. This year's evaluation results re-affirm REB's belief that the asset was acquired at a competitive value. In addition, the enhanced 3P Reserves allocated underlines the potential of Emir-Oil Concession Block. REB strives to upgrade these into higher grade reserves in the near future.

A significant outcome of the 2017 Reserves audit is the allocation of Oil and Gas Contingent Resources (not previously considered in the previous year's reserves audit) which include a portion of high confidence near-field resources that can be converted into Reserves with near-term development.

Furthermore, the Kariman field and North Kariman field are now regarded as one single reservoir unit, following the re-interpretation of available geological data. The updated view of the two fields as one hydrocarbon bearing structure has increased Emir-Oil reserves.

As at 1 January 2018, the gross reserves (100% basis) of Emir-Oil Concession Block are summarised in the table below:

(I) OIL AND LIQUEFIED PETROLEUM GAS (LPG)

FIELD	OIL RESERVES (MMSTB)		
	1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
KARIMAN	12.620	47.380	89.230
NORTH KARIMAN	0.500	1.150	2.670
DOLINNOE	5.130	12.470	20.740
AKSAZ	0.260	1.440	3.030
YESSEN	1.270	3.650	6.260
EMIR	1.200	2.830	5.350
TOTAL	**20.980**	**68.920**	**127.280**

(II) GAS

FIELD	GAS RESERVES (BSCF)		
	1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
KARIMAN	4.690	18.130	34.820
NORTH KARIMAN	0.190	0.440	1.030
DOLINNOE	13.320	32.490	54.440
AKSAZ	2.530	18.090	40.550
YESSEN	0.770	2.310	4.050
EMIR	0.270	0.740	1.490
TOTAL	**21.770**	**72.200**	**136.380**

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

RESERVES (CONT'D)

(III) OIL, LPG AND GAS

FIELD	TOTAL RESERVES (MMBOE)		
	1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
KARIMAN	13.400	50.402	95.033
NORTH KARIMAN	0.532	1.223	2.842
DOLINNOE	7.350	17.885	29.813
AKSAZ	0.682	4.455	9.788
YESSEN	1.398	4.035	6.935
EMIR	1.245	2.953	5.598
TOTAL	**24.607**	**80.953**	**150.009**

FINANCIAL PERFORMANCE REVIEW

Summary Statement of Comprehensive Income

	REB Group 1.1.2017-31.12.2017 RM'000	REB Group 1.1.2016-31.12.2016 RM'000 (Restated)
Revenue	157,115	14,994
Negative Goodwill	-	144,441
Operating Expenses	(207,325)	(55,058)
Finance Income	6,474	33,384
Finance Cost	(77,969)	(23,924)
Finance Net	(71,495)	9,460
(Loss)/Profit before income tax	**(121,705)**	**113,837**
Income tax expense	(25,481)	(6,025)
(Loss)/Profit during the financial year	**(147,186)**	**107,812**
(Loss)/Profit attributable to:		
Owners of the Company	(87,836)	113,094
Non-Controlling Interest	(59,350)	(5,282)

In the prior financial year, Reach Energy Berhad acquired 60% indirect equity interest in Emir-Oil LLP wherein the Group consolidated one month of financial result.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

FINANCIAL PERFORMANCE REVIEW (CONT'D)

The Group recorded a loss after taxation of RM147.2 million in the financial year ended ("FYE") 31 December 2017 as compared to a profit after taxation of RM107.8 million in FYE 31 December 2016. The Group losses in FYE 2017 was primarily caused by the recognition of full year depreciation, depletion & amortisation and high finance cost. The high finance cost mainly comprise of interest arising from amounts due to corporate shareholder in a subsidiary and unrealised forex loss from translation of monetary assets and liabilities. The Group profit of FYE2016 was mainly contributed by negative goodwill of RM144.4 million arising from the acquisition of Emir-Oil LLP.

No dividends were declared, paid or proposed in FYE 2017 given that the Group is still aggressively pursuing growth opportunities.

i) EBITDA

EBITDA refers to earnings before finance income, finance cost, income tax and depreciation, depletion and amortisation.

We have included EBITDA as we believe EBITDA is a commonly used measure in the oil and gas industry. EBITDA is used as a supplemental financial measure by our management as well as by investors, research analysts, bankers and other external parties, to assess our operating performance, cash flow and return on capital as compared to those of other companies in the oil and gas industry. EBITDA should not be considered in isolation or seen as an alternative to profit from operations or any other measure of performance or as an indicator of our operating performance or profitability. EBITDA does not also consider any functional or legal requirements of the business that may require us to conserve and allocate funds for any purposes.

The following table presents a reconciliation of EBITDA from continuing operations for FYE 31 December 2017 and for FYE 31 December 2016:

	REB Group 1.1.2017-31.12.2017 RM'000	REB Group 1.1.2016-31.12.2016 RM'000 (Restated)
(Loss)/Profit before income tax	(121,705)	113,837
Finance Income	(6,474)	(33,384)
Finance Cost	77,969	23,924
Depreciation, Depletion, Amortisation	64,314	3,361
EBITDA from continuing operations	**14,104**	**107,738**

The Group's EBITDA was RM14.1 million for FYE 2017 and RM107.7 million for FYE 2016. The higher EBITDA in FYE 2016 was primarily due to negative goodwill arising from the qualifying acquisition of Emir-Oil during FYE 2016.

ii) REVENUE ANALYSIS

The revenue of the Group is derived 100% from the sales of crude oil and gas produced by Emir-Oil under the Production Contracts and Exploration Contract. Revenue is recognised on the transfer of risk and rewards of ownership or in the case of gas, it is recognised when the gas arrives at the gas pipeline. The revenue of PBV Group is denominated in US Dollar ("USD") for export sales and Kazakhstani Tenge ("KZT") for domestic sales.

No revenue is recorded for REB, REV and PBV.

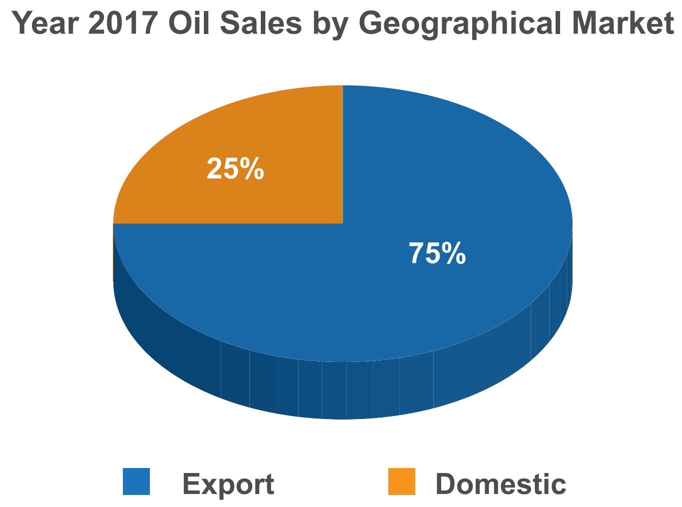
For the FYE 31 December 2017, the Group recorded a revenue of RM157.1 million (USD36.7 million) as compared to RM15.0 million (USD3.4 million) in FYE 31 December 2016.

The breakdown of the revenue by product and geographical market for FYE 31 December 2017 is set out as below:

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

FINANCIAL PERFORMANCE REVIEW (CONT'D)

ii) REVENUE ANALYSIS (CONT'D)



Oil Sales

For FYE 2017, the Group recorded RM152.9 million (USD35.7 million) of revenue from crude oil sales. The revenue from the crude oil depends primarily on the global oil price at the point of sales and the production by Emir-Oil.

The weighted average realised oil price per barrel for both export and domestic sales is RM178.9 (USD42.0) per barrel for FYE 2017. The average oil price from export sales was RM221.8 (USD51.8) per barrel and RM51.8 (USD12.1) per barrel for domestic sales. Overall lower average oil price was due to the negative offset from the low oil price from domestic sales. In order to improve the oil price for domestic sales, Emir-Oil has decided to implement a competitive bidding process for its domestic crude sales whereby the highest bidder is selected taking into account transportation costs, payment terms, purchaser's creditworthiness, and other relevant factors.

The Group's oil sales volume for FYE 2017 was 850,967 barrels which consists of export sales volume of 639,824 barrels and domestic sales volume of 211,142 barrels. The average daily oil production for FYE 2017 was 2,400 BOPD.

Revenue from export sales contributed to 93% of the Group's total oil revenue for FYE 2017.

Gas Sales

The revenue from gas sales for FYE 2017 is RM4.2 million (USD0.9 million).The revenue from gas sales is in line with the average gas price of RM2.7/Mscf (USD0.63/Mscf) for FYE 2017 as well as the gas sales volume which totalled 1,560,799 Mscf for the whole year of 2017. The average daily production for FYE 2017 is 4,922 Mscf/d.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

FINANCIAL PERFORMANCE REVIEW (CONT'D)

iii) OPERATING EXPENSES

The Group recorded total operating expenses of RM207.3 million for FYE 31 December 2017.

Staff Cost

The Group incurred employee compensation costs amounting to RM16.9 million in which PBV Group recorded a total of RM11 million (USD2.6 Million) while REV and REB recorded a total of RM5.9 million (USD1.4 million). The employee compensation costs comprises of wages, salaries, allowances, welfare and other expenses.

Purchases, services and other direct costs

The purchases, services and other direct costs comprise direct operating and maintenance costs of wells and related facilities, including direct material costs, fuel costs and electricity costs, safety fees, third party costs such as oil displacement injection costs, downhole operating costs and O&G transportation costs within fields, and other direct expenses and management fees. The Group incurred a cost totalling RM26.4 million (USD6.2 million) during the year and it is solely from Emir-Oil.

Depreciation, Depletion and Amortisation

During the year, the Group recorded a total of RM64.3 million (USD15.0 million) for Depreciation, Depletion and Amortisation. The cost of O&G properties is amortised at the field level based on the unit of production method. Depreciation on other assets are calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives.

Distribution expense

The Group's distribution expense amounted to a total of RM30.0 million (USD7.0 million) in line with the increase in revenue. The distribution expenses comprise pipeline, transport and the engagement of a third-party intermediary (i.e. shipping company) to transport the commodity to the purchaser (i.e. customer).

Taxes other than income taxes

The Group also incurred taxes other than income tax expenses totalling RM47.0 million (USD11.0 million) which were solely from Emir-Oil. The taxes consist of Mineral Extraction Tax (MET), Export Duty, Export Rent Tax and Property Tax which are directly related to our oil and gas activities.

Export Rent Tax

Export Rent Tax is payable on export oil and is calculated based on the realised prices for crude oil. Export Rent Tax rate ranges from 0% (if export price is less than USD40.0 per barrel) to 32% (if export price is higher than USD190.0 per barrel).

Mineral Extraction Tax ("MET")

For production of less than 250,000 tons per annum, MET is payable at a rate of 5% for export oil and 2.5% on domestic oil. MET for export oil is based on barrels of oil produced less barrels of domestic oil and barrels of internally consumed oil, multiplied by world price per barrel. World price shall be taken as Brent Dated. MET for domestic oil is calculated based on barrels of domestic oil multiplied by production cost per barrel multiplied by 120%.

Rent Export Duty Expenditure

Rent export duty expenditure is payable on barrels of oil exported. Effective 1 March 2016, the rent export duty expenditure is progressive and ranges from USD0 per mt when average market price of crude oil is less than USD25.0 per barrel up to USD236.0 per mt if average market price of crude oil is above USD185.0 per barrel.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd)

FINANCIAL PERFORMANCE REVIEW (CONT'D)

iii) OPERATING EXPENSES (CONT'D)

Property Tax

Property tax is payable on oil and gas assets, which have been granted a production license at the rate of 1.5% based on the average balance of oil and gas properties.

Withholding Tax

Represents the withholding tax on interests charged on intercompany loans and transportation cost from Euro-Asian Oil SA.

Notes:

The average of the middle rates for RM/USD on the daily basis of the month of December in Malaysia as published by BNM for the FYE 31 December 2017 is as follows:

FYE 31 December 2017 **Average exchange rate (RM/USD): 4.2813**

RISK FACTORS

The Group is exposed to both operational and business risks. The Risk Management Committee ("RMC") is responsible to monitor the risks that may impact the Group and proposes measures to mitigate these risks where possible. The table below is a summary of five key risk factors, and the mitigating measures that are being implemented by the Group.

RISK FACTOR	DESCRIPTION	MITIGATION MEASURES
Production Performance	Production performance may drop due to well behaviour.	Optimising production through maximising uptime is administered through a systematic daily well surveillance and regular production analysis. An intensive workover program has been implemented to re-open idle wells and improve existing well productivity.
Oil Price Fluctuations	Any adverse movement in oil prices will reduce our profitability and any volatility in the outlook in these commodities will also affect our planning decisions for future investments and production budget.	The Group will continue to study and implement cost reduction measures to lower its production cost base, ensuring financial sustainability in the face of oil price fluctuations and to improve netback per barrel.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

RISK FACTORS (CONT'D)

RISK FACTOR	DESCRIPTION	MITIGATION MEASURES
Foreign Exchange Rates	Most of the revenue of the PBV Group is denominated in USD, while the production, purchases and other expenses are transacted in KZT. The reporting currency of our Company is in Ringgit Malaysia (RM). In view of that, the fluctuation in foreign exchange rates could have a significant adverse effect on the financial results of our enlarged Group with the consolidation of the financial results of the PBV Group. However, this is common in the global oil & gas sector as most of the transactions are conducted in USD.	The Group is constantly alert to its exposure to foreign exchange risks and will consider appropriate financial instruments to hedge against such risk should they exceed the Group's internal risk tolerance.
Assets Integrity	Asset Integrity can be defined as the ability for an asset to perform its required function effectively and efficiently whilst protecting health, safety, and the environment.	The plant-wide preventive and planned maintenance program will be enhanced and executed soon. This enhanced program aims to ensure the technical integrity of our facilities, including processing systems, pipelines and structures.
Health, Safety, Security & Environmental (HSSE) Performance	We are potentially exposed to a wide range of HSSE risks given the operating environment, the geographical range and the technical complexity of our operations. Our capability to manage our assets safely, securely and with consideration towards the health of our employees, stakeholders and care for the environment is a primary consideration of a host government when allowing us to operate in a jurisdiction.	Enhance HSSE visibility and awareness and provide appropriate training to staff to ensure HSSE competence is maintained and, where appropriate, further developed.

FINANCIAL STATEMENTS

DIRECTORS' REPORT
For The Financial Year Ended 31 December 2017

The Directors hereby submit their report and the audited financial statements of the Group and Company for the financial year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The Group is principally engaged in the exploration, development and sale of crude oil and other petroleum products.

The principal activities of the subsidiaries are set out in Note 16. There have been no significant change in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Loss for the financial year attributable to:		
- Owners of the Company	(87,836)	(6,802)
- Non-controlling interest	(59,350)	–
Loss for the financial year	(147,186)	(6,802)

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	
Shahul Hamid Bin Mohd Ismail	
Tan Siew Chaing	(resigned on 13 March 2018)
Izlan Bin Izhab	
Nik Din Bin Nik Sulaiman	
Aonghus Joseph O'Carroll	(resigned on 11 August 2017)
Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin	(appointed on 11 August 2017)

In accordance with Article 70 of the Constitution of the Company, Nik Din Bin Nik Sulaiman retires at the forthcoming Fifth Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 75 of the Constitution of the Company, Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin retire at the forthcoming Fifth Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' REPORT
For The Financial Year Ended 31 December 2017 (cont'd)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or by a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its subsidiaries a party to any arrangements whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company, its subsidiaries or any related corporations during the financial year except as follows:

	Number of ordinary shares/warrants			
	At 1.1.2017	Bought	Sold	At 31.12.2017
Interest in the Company				
Shahul Hamid Bin Mohd Ismail				
- ordinary shares	766,000	–	–	766,000
- warrants	1,000,000	–	–	1,000,000
Nik Din Bin Nik Sulaiman	400,000	–	–	400,000
Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	–	43,631,400	–	43,631,400
Deemed interest/ Indirect interest in the Company				
Shahul Hamid Bin Mohd Ismail				
- ordinary shares	255,600,200*	73,403,100**	(66,000,000)	263,003,300
- warrants	255,600,000*	–	–	255,600,000
Nik Din Bin Nik Sulaiman				
- ordinary shares	350,000***	–	–	350,000
Y. M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin				
- warrants	2,000,000****	–	–	2,000,000

* Deemed interest by virtue of his interests in Reach Energy Holdings Sdn. Bhd. pursuant to Section 8(4)(a) of the Companies Act 2016.

** Deemed interest by virtue of the interest in Reach Energy Holdings Sdn. Bhd., via nominee shareholders pursuant to Section 8(4)(a) of the Companies Act 2016.

*** Indirect interest by virtue of the interest of his spouse, Nik Aminah Binti Nik Abdullah pursuant to Section 8(4)(a) of the Companies Act 2016.

**** Deemed interest by virtue or his directorship in Malene Insurance Brokers Sdn. Bhd. pursuant to Section 8(4)(a) of the Companies Act 2016.

DIRECTORS' REPORT
For The Financial Year Ended 31 December 2017 (cont'd)

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

Other than as disclosed above, according to the Register of Directors' Shareholdings, the Directors in office at the end of the financial year did not hold any interest in the shares and/or options over shares in the Company or in its related corporations during the financial year.

DIVIDENDS

No dividend has been paid, declared or proposed since the end of the previous financial period. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2017.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 12 to the financial statements. During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and the officers of the Group and of the Company was RM16,716.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

  (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

  (ii) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

  (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or

  (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or

  (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report:

  (i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities of any other person; and

  (ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.

(d) No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and its subsidiaries to meet their obligations when they fall due.

DIRECTORS' REPORT
For The Financial Year Ended 31 December 2017 (cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

(e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.

(f) In the opinion of the Directors:

(i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SUBSIDIARIES

Details of subsidiaries are set out in Note 16 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 11 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 26 March 2018.

Signed on behalf of the Board of Directors:

SHAHUL HAMID BIN MOHD ISMAIL
DIRECTOR

IZLAN BIN IZHAB
DIRECTOR

Kuala Lumpur

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Financial Year Ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000 (Restated)	Company 2017 RM'000	Company 2016 RM'000
Revenue	6	157,115	14,994	–	–
Negative goodwill	15	–	144,441	–	–
Operating expenses					
Taxes other than income taxes	7	(47,049)	(4,743)	–	–
Purchases, services and other direct costs		(26,370)	(3,555)	–	–
Geological and geophysical expense		(2,566)	–	–	–
Depreciation, depletion and amortisation	17	(64,314)	(3,361)	(83)	(227)
Distribution expense		(29,926)	(3,006)	–	–
Employee compensation costs	8	(16,971)	(6,895)	(5,936)	(5,873)
General and administrative expenses		(11,511)	(5,287)	(1,915)	(2,417)
Other operating expenses - net	9	(8,618)	(28,211)	(3)	(48)
Total operating expenses		(207,325)	(55,058)	(7,937)	(8,565)
(Loss)/Profit from operations		(50,210)	104,377	(7,937)	(8,565)
Finance income	10	6,474	33,384	1,106	28,216
Finance cost	10	(77,969)	(23,924)	–	(21,040)
Finance (cost)/income - net	10	(71,495)	9,460	1,106	7,176
(Loss)/Profit before income tax	11	(121,705)	113,837	(6,831)	(1,389)
Income tax (expense)/ benefit	13	(25,481)	(6,025)	29	(2,836)
(Loss)/Profit for the financial year		(147,186)	107,812	(6,802)	(4,225)
(Loss)/ Profit attributable to:					
Owners of the Company		(87,836)	113,094	(6,802)	(4,225)
Non-controlling interests		(59,350)	(5,282)	–	–
(Loss)/ Profit for the financial year		(147,186)	107,812	(6,802)	(4,225)
Basic (loss)/ earnings per ordinary share (RM)	14	(0.08)	0.09		
Diluted (loss)/ earnings per ordinary share (RM)	14	(0.08)	0.09		

The notes set out on pages 48 to 102 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Financial Year Ended 31 December 2017 (cont'd)

	Note	Group 2017 RM'000	Group 2016 RM'000 (Restated)	Company 2017 RM'000	Company 2016 RM'000
(Loss)/Profit for the financial year		(147,186)	107,812	(6,802)	(4,225)
Other comprehensive income, net of tax					
Items that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences		(43,595)	213	–	–
Total comprehensive (expense)/ income for the financial year		(190,781)	108,025	(6,802)	(4,225)
Total comprehensive (expense)/ income attributable to:					
Owners of the Company		(114,360)	113,222	(6,802)	(4,225)
Non-controlling interests		(76,421)	(5,197)	–	–
Total comprehensive (expense)/ income for the financial year		(190,781)	108,025	(6,802)	(4,225)

The notes set out on pages 48 to 102 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000 (Restated)	Company 2017 RM'000	Company 2016 RM'000
ASSETS					
NON-CURRENT ASSETS					
Investment in subsidiary	16	–	–	610,037	610,007
Property, plant and equipment	17	1,569,791	1,780,604	35	94
Intangible assets		579	713	–	–
Prepayments and other receivables	18	3,254	4,864	–	–
Restricted cash	20	7,357	6,915	–	–
		1,580,981	1,793,096	610,072	610,101
CURRENT ASSETS					
Inventories		7,382	7,398	–	–
Trade receivables	19	14,381	9,076	–	–
Prepayments and other receivables	18	15,829	30,539	200	282
Amount due from subsidiary		–	–	2,161	4
Amount due from corporate shareholder in a subsidiary	21	671	–	671	–
Amount due from corporate shareholder	21	173	43	173	43
Deposits, cash and bank balances	20	27,519	105,725	25,987	42,572
Tax recoverable		153	–	153	–
		66,108	152,781	29,345	42,901
CURRENT LIABILITIES					
Trade payables	26	53,388	46,698	–	–
Accruals and other payables	28	22,239	98,143	968	5,243
Amounts due to corporate shareholder in a subsidiary	21	72,796	273,312	–	–
Tax payable		1,080	4,573	–	2,508
		149,503	422,726	968	7,751
NET CURRENT (LIABILITIES)/ ASSETS		(83,395)	(269,945)	28,377	35,150
TOTAL ASSETS LESS CURRENT LIABILITIES		1,497,586	1,523,151	638,449	645,251

The notes set out on pages 48 to 102 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As At 31 December 2017 (cont'd)

	Note	Group 2017 RM'000	Group 2016 RM'000 (Restated)	Company 2017 RM'000	Company 2016 RM'000
NON CURRENT LIABILITIES					
Deferred tax liabilities	25	106,349	90,978	–	–
Amounts due to corporate shareholder in a subsidiary	21	532,019	361,856	–	–
Accruals and other payables	28	11,983	41,103	–	–
Provisions	27	9,348	14,949	–	–
		659,699	508,886	–	–
NET ASSETS		837,887	1,014,265	638,449	645,251
EQUITY					
Capital	23	488,975	488,651	488,975	488,651
Other reserves	24	187,742	200,187	199,735	200,059
(Accumulated losses)/ Retained earnings		(13,976)	73,860	(50,261)	(43,459)
Equity attributable to owners of the company		662,741	762,698	638,449	645,251
Non-controlling interests		175,146	251,567	–	–
TOTAL EQUITY		837,887	1,014,265	638,449	645,251

The notes set out on pages 48 to 102 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2017

		Attributable to owners of the Company									
		Non-distributable									
	Note	Capital RM'000	Capital redemption reserves RM'000	Warrant reserve RM'000	Share based payment reserves RM'000	Foreign exchange reserve RM'000	Capital contribution RM'000	Accumulated losses RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Group											
As at 1 January 2017		488,651	324	198,914	821	128	-	86,292	775,130	259,855	1,034,985
Prior year adjustments	31	–	–	–	–	–	–	(12,432)	(12,432)	(8,288)	(20,720)
As restated		488,651	324	198,914	821	128	–	73,860	762,698	251,567	1,014,265
Transition to no-par value regime on 31 January 2017	23	324	(324)	–	–	–	–	–	–	–	–
Loss for the financial year		–	–	–	–	–	–	(87,836)	(87,836)	(59,350)	(147,186)
Other comprehensive income-net of tax											
- Foreign currency translation		–	–	–	–	(26,524)	–	–	(26,524)	(17,071)	(43,595)
Total comprehensive expense for the financial year		–	–	–	–	(26,524)	–	(87,836)	(114,360)	(76,421)	(190,781)
Capital contribution due to restructuring of loans	24	–	–	–	–	–	14,403	–	14,403	–	14,403
As at 31 December 2017		488,975	–	198,914	821	(26,396)	14,403	(13,976)	662,741	175,146	837,887

The notes set out on pages 48 to 102 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For The Financial Year Ended 31 December 2017 (cont'd)

		Attributable to owners of the Company								
		Non-distributable								
	Note	Capital RM'000	Capital redemption reserves RM'000	Warrant reserve RM'000	Share based payment reserves RM'000	Foreign exchange reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
Group										
As at 1 January 2016		22,035	–	45,278	459	–	(39,234)	28,538	–	28,538
Reclassification of financial liability component of the Public Issue Shares		466,940	–	153,636	–	–	–	620,576	–	620,576
Cancellation of shares on 18.14% dissenting shareholders		(324)	324	–	–	–	–	–	–	–
Share-based payment transactions	24	–	–	–	362	–	–	362	–	362
Non-controlling interests on acquisition of subsidiary		–	–	–	–	–	–	–	265,052	265,052
Profit for the financial year		–	–	–	–	–	125,526	125,526	(5,282)	120,244
Other comprehensive income-net of tax										
- Foreign currency translation		–	–	–	–	128	–	128	85	213
Total comprehensive income for the financial year		–	–	–	–	128	125,526	125,654	(5,197)	120,457
As at 31 December 2016		488,651	324	198,914	821	128	86,292	775,130	259,855	1,034,985

The notes set out on pages 48 to 102 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 December 2017 (cont'd)

		Non-distributable						
Company	**Note**	**Capital RM'000**	**Capital redemption reserves RM'000**	**Warrant reserve RM'000**	**Share based payment reserves RM'000**	**Foreign exchange reserve RM'000**	**Accumulated losses RM'000**	**Total RM'000**
As at 1 January 2017		488,651	324	198,914	821	–	(43,459)	645,251
Total comprehensive expense/ loss for the financial year		–	–	–	–	–	(6,802)	(6,802)
Transition to no-par value regime on 31 January 2017 under Companies Act 2016		324	(324)	–	–	–	–	–
As at 31 December 2017		488,975	–	198,914	821	–	(50,261)	638,449
As at 1 January 2016		22,035	–	45,278	459	–	(39,234)	28,538
Reclassification of financial liability component of the Public Issue Shares		466,940	–	153,636	–	–	–	620,576
Cancellation of shares on of dissenting shareholders		(324)	324	–	–	–	–	–
Share-based payment transactions	24	–	–	–	362	–	–	362
Total comprehensive expense/ loss for the financial year		–	–	–	–	–	(4,225)	(4,225)
As at 31 December 2016		488,651	324	198,914	821	–	(43,459)	645,251

The notes set out on pages 48 to 102 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For The Financial Year Ended 31 December 2017

	Note	Group 2017 RM'000	Group 2016 RM'000 (Restated)	Company 2017 RM'000	Company 2016 RM'000
(Loss)/Profit before income tax		(121,705)	113,837	(6,831)	(1,389)
Adjustments for:					
Depreciation, depletion and amortisation		64,314	3,361	83	227
Unrealised foreign exchange loss/(gain)		33,712	(4,205)	(3)	(119)
Finance cost		44,257	23,924	–	21,040
Finance income		(6,474)	(28,847)	(1,103)	(28,050)
Loss in disposal of assets		75	–	–	–
Net provision for impairment of trade receivables		(159)	–	–	–
Net provision for inventory obsolescence		2,384	–	–	–
Share based payment transactions	24	–	362	–	362
Negative goodwill	15	–	(144,441)	–	–
		16,404	(36,009)	(7,854)	(7,929)
Changes in working capital:					
Inventories		(3,139)	1,958	–	–
Trade receivables		(6,336)	(2,044)	–	–
Prepayment and other receivables		12,014	(1,906)	13	66
Trade payables		9,455	4,375	–	–
Other payables and accruals		(95,180)	62,041	(4,275)	3,200
Amount due to corporate shareholder in a subsidiary		(1,312)	–	(671)	–
Cash flows (used in)/generated from operating activities		(68,094)	28,415	(12,787)	(4,663)
Income tax paid		(2,632)	(10,595)	(2,632)	(10,595)
Net cash (used in)/generated from operating activities		(70,726)	17,820	(15,419)	(15,258)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment		(11,173)	(16)	(24)	(16)
Finance income received		2,016	43,469	1,174	42,672
Acquisition of a subsidiary	15	–	(573,351)	–	–
Contribution to a subsidiary		–	–	(30)	(25,616)
Advances to a subsidiary		–	–	(2,156)	(584,395)
Advances to corporate shareholder		(130)	(43)	(130)	(43)
Movement in restricted cash		(1,156)	728,426	–	735,309
Net cash (used in)/generated from investing activities		(10,443)	198,485	(1,166)	167,911

The notes set out on pages 48 to 102 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For The Financial Year Ended 31 December 2017 (cont'd)

	Note	Group 2017 RM'000	Group 2016 RM'000 (Restated)	Company 2017 RM'000	Company 2016 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Finance cost		–	(2,910)	–	–
Advance from corporate shareholder in a subsidiary		–	262	–	–
Loan received from corporate shareholder in a subsidiary		–	2,494	–	–
Payment to dissenting shareholders		–	(138,508)	–	(138,508)
Net cash used in financing activities		–	(138,662)	–	(138,508)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(81,169)	77,643	(16,585)	14,145
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		105,725	28,427	42,572	28,427
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		2,963	(345)	–	–
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	20	27,519	105,725	25,987	42,572

Reconciliation of liabilities arising from financing activities:

	At 1.1.2017 RM'000	Cash flows RM'000	Non-cash changes: Interest expense RM'000	Non-cash changes: Capital contribution RM'000	Non-cash changes: Foreign exchange movement RM'000	At 31.12.2017 RM'000
Amount due to corporate shareholder in a subsidiary	635,168	–	40,205	(14,403)	(56,155)	604,815
Total liability arising from financing activities	635,168	–	40,205	(14,403)	(56,155)	604,815

The notes set out on pages 48 to 102 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017

1 GENERAL INFORMATION

The Company is incorporated and domiciled in Malaysia. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

D3-5-8, Block D3
Solaris Dutamas
No.1, Jalan Dutamas 1
50480 Kuala Lumpur

Registered office

Level 8, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
Petaling Jaya
Selangor

The Company listed its shares and warrants as a Special Purpose Acquisition Company ("SPAC") on the Main Market of Bursa Malaysia Securities Berhad on 15 August 2014. It intends to acquire qualifying assets related to the exploration and production of oil and gas and development and production activities in the petroleum industry ("Qualifying Acquisition").

On 16 December 2017, the Company was reclassified from a SPAC to Industrial Products sector.

The principal activity of Company is that of investment holding. The Group is principally engaged in the exploration, development, production and sale of crude oil and other petroleum products.

The principal activities of the subsidiaries are set out in Note 16. There have been no significant change in the nature of these activities during the financial year.

2 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 26 March 2018.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been used consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of preparation

The consolidated financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in this significant accounting policies.

The preparation of consolidated financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

3.1.1 Amendments to published standards that are effective and applicable for the Group and Company's financial year beginning on 1 January 2017

No	Malaysian Financial Reporting Standards
1	Amendments to MFRS 107 'Statement of Cash Flows - Disclosure Initiative'
2	Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses'
3	Annual Improvements to MFRS 2012 – 2014 Cycle: MFRS 12 'Disclosures of Interest in Other Entities'

The adoption of the Amendments to MFRS 107 has required additional disclosure of changes in liabilities arising from financing activities. Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

3.1.2 New standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are applicable to the Group and Company but not yet effective

The Group and the Company will apply the new standards and amendments in the following financial year:

(i) Financial year beginning on or after 1 January 2018:

- Amendment to MFRS 2 'Share-based Payment' ('MFRS 2') (effective from 1 January 2018) on Classification and Measurement of Share-based Payment Transactions clarify the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in MFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of preparation (Cont'd)

3.1.2 New standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are applicable to the Group and Company but not yet effective (Cont'd)

(i) Financial year beginning on or after 1 January 2018: (Cont'd)

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

  MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

  Based on the assessment undertaken to date, the Group and the Company do not expect any significant impact on the classification and measurement of its financial instruments under MFRS 9. On ECL, the Group and the Company do not expect its customers to default on any of their payments given their financial health and past trend of no default.

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:

  (a) Identify contracts with customers;
  (b) Identify the separate performance obligations;
  (c) Determine the transaction price of the contract;
  (d) Allocate the transaction price to each of the separate performance obligations; and
  (e) Recognise the revenue as each performance obligation is satisfied.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of preparation (Cont'd)

3.1.2 New standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are applicable to the Group and Company but not yet effective (Cont'd)

(i) Financial year beginning on or after 1 January 2018: (Cont'd)

Key provisions of the new standard are as follows:

(a) Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
(b) If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
(c) The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
(d) There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
(e) As with any new standard, there are also increased disclosures.

The adoption of MFRS 15 is not expected to have any impact on the accounting treatment for the sale of crude oil and gas. The sale of crude oil and gas has been assessed by the Group to be standalone performance obligations, which are recognised at a point in time at the value of goods delivered. The Group and the Company intends to adopt using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

  IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made.

  The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk.

  If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt.

  An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of preparation (Cont'd)

3.1.2 New standards, Interpretation Committee (IC) Interpretation and amendments to published standards that are applicable to the Group and Company but not yet effective (Cont'd)

(ii) Financial year beginning on or after 1 January 2019:

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in profit or loss.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

  The Group and the Company are still assessing the effects of applying MFRS 16. The initial application is not expected to have a material impact to the Group's and the Company's financial statements.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

  If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

  IC Interpretation 23 will be applied retrospectively.

There are no other standards, amendments to published standards and interpretations to existing standards that are not effective that would be expected to have a material impact on the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of preparation (Cont'd)

3.1.3 New standards and amendments to published standards that are not relevant and not yet effective for the Group's and Company's operations

No	Malaysian Financial Reporting Standards	Effective dates for financial year beginning
1	Annual Improvements to MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards'	1 January 2018
2	Amendments to MFRS 4 'Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts'	1 January 2018
3	Annual improvements to MFRS Standards 2014- 2016 cycle	1 January 2018
4	Amendments to MFRS 140 'Clarification on 'Change in Use' - Assets transferred to, or from, Investment Properties	1 January 2018
5	Annual improvements MFRS Standards 2015-2017 cycle	1 January 2019
6	Amendments to MFRS 9 'Prepayment features with negative compensation'	1 January 2019
7	Amendments to MFRS 128 'Loan-term Interests in Associates and Joint Venture'	1 January 2019
8	MFRS 17 'Insurance Contracts'	1 January 2021
9	Amendments to MFRS 10 and 128 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	To be announced by MASB

3.2 Consolidation and subsidiaries

(a) Consolidation

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(b) Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Consolidation and subsidiaries (Cont'd)

(b) Business combination (Cont'd)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 "Financial Instruments" either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, changes in equity and financial position respectively.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(d) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors and certain senior management (including chief accountant), (collectively referred to as the "Executive Management") that makes strategic decisions.

3.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income. Foreign exchange gains and losses that related to borrowings and cash and cash equivalents are presented in the consolidated statement of comprehensive income within 'finance income or costs'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Property, plant and equipment

Property, plant and equipment, including oil and gas properties, is stated at historical cost less accumulated depreciation, depletion and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and Company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

The cost of oil and gas properties is amortised at the field level based on the unit of production method. Unit of production rates are based on oil and gas proved and probable developed (producing and non-producing) reserves estimated to be recoverable from existing facilities based on the current terms of the respective production agreements. The Group's reserves estimates represent crude oil and gas which management believes can be reasonably produced within the current terms of their production agreements.

Depreciation on other assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated useful lives, as follows:

Office furniture and equipment	3 to 15 years
Leasehold improvement	2 years
IT Network equipment	2 years
Motor vehicles	5 to 7 years
Production equipment	up to 10 years
Buildings	up to 12 years

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating expenses - net' in profit or loss.

3.6 Exploration and evaluation expenditure

The successful efforts method of accounting is used for oil and gas exploration and production activities. Under this method, geological and geophysical costs are expensed when incurred. Costs of exploratory wells (including certain geophysical costs which are directly attributable to the drilling of these wells) are capitalised as exploration and evaluation assets pending determination of whether the wells find proved oil and gas reserves. Should the efforts be determined to be successful, all costs for development wells, supporting equipment and facilities, and proved mineral interests in oil and gas properties are capitalised. Proved oil and gas reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

Exploratory wells in areas not requiring major capital expenditures are evaluated for economic viability within one year of completion of drilling. The related well costs are expensed as dry holes if it is determined that such economic viability is not attained. Otherwise, the related well costs are reclassified to oil and gas properties and subject to impairment review. For exploratory wells that are found to have economically viable reserves in areas where major capital expenditure will be required before production can commence, the related well costs remain capitalised in exploration and evaluation assets only if additional drilling is under way or firmly planned. Otherwise the related well costs are expensed as dry holes. The Group does not have any costs of unproved properties capitalised in oil and gas properties.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Exploration and evaluation expenditure (Cont'd)

Identifiable exploration assets acquired are recognised as assets at their fair value, as determined by the requirements of business combinations. Exploration and evaluation expenditure incurred subsequent to the acquisition of an exploration asset in a business combination is accounted for in accordance with the policy outlined above.

3.7 Intangible assets

Intangible assets represent computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

3.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus reserve.

3.9 Financial assets

(a) Classification

The Group and Company classify their financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group and Company's loans and receivables comprise 'trade receivables', 'other receivables', 'restricted cash', 'cash and cash equivalents', 'amount due from subsidiary', 'amount due from corporate shareholder' and amount due from corporate shareholder in a subsidiary in the consolidated statement of financial position.

(b) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Group and Company commit to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2017 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Financial assets (Cont'd)

(c) Subsequent measurement - Impairment of financial assets

Assets carried at amortised cost

The Group and Company assess at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group and Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(d) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group and Company have transferred substantially all risks and rewards of ownership.

3.10 Financial liabilities

The Group and Company classify their financial liabilities as other financial liabilities measured at amortised cost using the effective interest method. Management determines the classification of its financial liabilities at initial recognition.

Other financial liabilities are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method. Changes in the carrying value of these liabilities are recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2017 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Financial liabilities (Cont'd)

The Group and Company's other financial liabilities comprise 'trade payables', 'other payables' and 'amounts due to corporate shareholder in a subsidiary' in the consolidated statement of financial position. Financial liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Financial liabilities are derecognised when the liability is either discharged, cancelled, has expired or has been restructured with substantially different terms.

3.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3.12 Inventories

Inventories are crude oil and materials and supplies which are stated at the lower of cost and net realisable value. Materials and supplies costs are determined using the first-in first-out method. Crude oil costs are determined using the weighted average cost method. The cost of crude oil comprises direct labour, depreciation, other direct costs and related production overhead.

3.13 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash in hand, deposits held at call with financial institutions or other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3.14 Share capital

(i) Ordinary shares

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

(ii) Issue expenses

Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(iii) Warrants reserve

The warrants reserve arose from the proceeds from issuance of warrants and is non-distributable by way of dividends. Warrants reserve is transferred to share premium upon exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry date of the warrants period will be transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Share capital (Cont'd)

(iv) Share-based payment reserve

The fair value of the warrants granted to a shareholder is recognised as operating expenses with a corresponding increase in the share-based payment reserve over the vesting period.

The fair value of the warrants is measured using Bloomberg Trinomial Lattice Model. Measurement inputs include subscription price on grant date, exercise price of the warrants, tenure of the warrants, risk-free interest rate, expected dividend yield and the expected volatility based on the historical volatility of a similar listed entity.

3.15 Current and deferred income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the deductible temporary difference can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Provisions

Provisions are recognised when the Group and Company have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group and Company expect a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

<u>Provision for asset retirement obligations</u>

Asset retirement obligations (including future decommissioning and restoration) which meet the criteria of provisions are recognised as provisions and the amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements, while a corresponding addition to the related oil and gas properties of an amount equivalent to the provision is also created. This is subsequently depleted as part of the costs of the oil and gas properties.

Changes in the obligation due to revised estimates of the amount or timing of cash flows required to settle the future liability is recognised by increasing or decreasing the carrying amount of the asset retirement obligation ("ARO") liability and the ARO asset. The adjustments to the asset are restricted, that is to say the asset cannot decrease below zero and cannot increase above its recoverable amount. The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in profit or loss.

Changes due solely to the passage of time (i.e: accretion of the discounted liability) is recognised as an increase in the carrying amount of the liability and is recognised as accretion expense in the profit or loss under finance cost. This accretion expense is recognised based on the effective interest method during the useful life of the related oil and gas properties.

The effects of foreign exchange differences resulted from the re-measurement of ARO in foreign currencies is recognised by increasing or decreasing the carrying amount of the ARO liability and ARO asset.

If the conditions for the recognition of the provisions are not met, the expenditure for the decommissioning, removal and site cleaning will be expensed in profit or loss when incurred.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Employee benefits

(i) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Defined contribution plans

The Company's contributions to defined contribution plans are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Company has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of MFRS 137 'Provisions, contingent liabilities and contingent assets' and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(iv) Share-based payments

The fair value of the warrants granted to shareholder is recognised as operating expenses with a corresponding increase in the share-based payment reserve over the vesting period.

The fair value of the warrants is measured using Trinomial Lattice Model. Measurement inputs include subscription price on grant date, exercise price of the warrants, tenure of the warrants, risk-free interest rate, expected dividend yield and the expected volatility based on the historical volatility of a similar listed entity.

3.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from sales of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, and retains neither continuing managerial involvement nor effective control over the goods sold, and it is probable that the economic benefits associated with the transaction will flow to the Group and related revenue and cost can be measured reliably.

Revenue is recognised upon delivery of crude oil and gas under the relevant contracts and other conditions discussed above are met.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group and Company reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables is recognised using the original effective interest rate.

3.20 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3.21 Operating leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

3.22 Dividend distributions

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group and Company's activities expose it to a variety of financial risks: market risk (including interest risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Group and Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group and Company's financial performance.

The Group and Company have established risk management policies, guidelines and procedures in order to manage its exposure to these financial risks. The following sections provide details regarding the Company's exposure to the above mentioned financial risks and the objectives, policies and processes for the management of these risks.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

4 FINANCIAL RISK MANAGEMENT (CONT'D)

4.1 Financial risk factors (Cont'd)

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's and the Company's financial position or cash flows.

(i) Foreign exchange risk

The Group and the Company are exposed to foreign currency risks on trade and other receivables, trade and other payables, cash and cash equivalents and amount due to corporate shareholder in a subsidiary that are denominated in currency that is different from the functional currency. The currency giving rise to this risk is primarily United States Dollars ("USD") and Kazakhstani Tenge ("KZT").

The Group and Company do not hedge their foreign currency denominated obligations.

The KZT is not a freely convertible currency. Limitation in foreign exchange transactions could cause future exchange rates to vary significantly from current or historical exchange rates. Management is not in a position to anticipate changes in the foreign exchange regulations and as such is unable to reasonably anticipate the impacts on the Group's results of operations or financial position arising from future changes in exchange rates.

The Group's and Company's currency exposure profile is as follows:

	Denominated in KZT Group		Denominated in USD Group	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial assets				
Restricted cash	7,357	6,915	–	–
Other receivables	1,002	2,826	–	–
Trade receivables	1,181	1,480	–	–
Cash and cash equivalents	43	816	18	–
Amount due from corporate shareholder in a subsidiary	–	–	671	–
	9,583	12,037	689	–
Financial liabilities				
Trade payables	41,116	38,735	–	–
Accruals and other payables	1,069	1,661	–	–
Amount due to corporate shareholder in a subsidiary	–	–	184,698	197,588
	42,185	40,396	184,698	197,588

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

4 FINANCIAL RISK MANAGEMENT (CONT'D)

4.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(i) Foreign exchange risk (Cont'd)

The Group's and Company's currency exposure profile is as follows: (Cont'd)

	Denominated in KZT Company		Denominated in USD Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Financial asset				
Cash and cash equivalents	–	–	18	421
Amount due from corporate shareholder in a subsidiary	–	–	671	–
	–	–	689	421

The table below summarises the change in foreign currency rate to the Group and the Company's loss before taxation. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Effect on profit/ (loss) after taxation and equity Company	
	2017 RM'000	2016 RM'000
Increase/Decrease in foreign exchange rate		
USD strengthened/weakened by:		
+ 10%	69	42
- 10%	(69)	(42)

	Effect on profit/ (loss) after taxation and equity Group	
	2017 RM'000	2016 RM'000
Increase/Decrease in foreign exchange rate		
USD strengthened/weakened by:		
+ 10%	(18,401)	(19,759)
- 10%	18,401	19,759

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

4 FINANCIAL RISK MANAGEMENT (CONT'D)

4.1 Financial risk factors (Cont'd)

(a) Market risk (Cont'd)

(i) Foreign exchange risk (Cont'd)

	Effect on profit/ (loss) after taxation and equity Group	
	2017	**2016**
	RM'000	**RM'000**
Increase/Decrease in foreign exchange rate		
KZT strengthened/weakened by:		
+ 10%	(3,260)	(2,836)
- 10%	3,260	2,836

(ii) Interest rate risk

The Group and Company have no significant interest bearing cash assets. The Group and Company's income and operating cash flows are substantially independent of the changes in market rates as all interest rates arising from intra-group loans are fixed. A detailed analysis of the Group's loan, together with their respective effective interest rates and maturity dates, are included in Note 21. The Group and Company's deposits that are placed in financial institution are not exposed to significant interest rate risk.

(iii) Price risk

The Group and Company are not subject to significant price risk.

(b) Credit risk

Financial assets that are primarily exposed to credit risks are trade and other receivables, amount due from subsidiary, amount due from corporate shareholder, amount due from corporate shareholder in a subsidiary and cash and bank balances. Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group and Company. At the reporting date, the Group and Company's maximum exposure to credit risk is represented by carrying amounts of each class of financial assets recognised in the statement of financial position.

(i) Trade and other receivables

The Group has one customer which in aggregate accounts for more than 70% (2016: 80%) of the Group's revenue and as such, has concentration of credit risk for its trade and other receivables. However, the Group regards it as low risk as the customer is Euro-Asian Oil SA ("Euro-Asian Oil"), one of the largest trading companies in Mangystau region of Western Kazakhstan.

The credit quality of trade receivables that are neither past due nor impaired are disclosed in Note 19.

(ii) Amount due from subsidiary, corporate shareholder and corporate shareholder in a subsidiary

The Company enters into non-trade transactions with its subsidiary, corporate shareholder and corporate shareholder in a subsidiary. As at 31 December 2017, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. The Directors believe that there is no credit exposure arising from these intercompany balances.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

4 FINANCIAL RISK MANAGEMENT (CONT'D)

4.1 Financial risk factors (Cont'd)

(b) Credit risk (Cont'd)

(iii) Deposits, cash and bank balances

The Group and Company place its restricted cash and deposits, cash and bank balances with various creditworthy financial institutions. As at the end of the reporting period, the maximum exposure to credit risk arising from restricted cash and cash and cash equivalents are represented by the carrying amounts in the consolidated statement of financial position. The credit quality of the financial institutions in respect of restricted cash and cash and cash equivalents are disclosed in Note 20. In view of the sound credit rating of counterparties, management does not expect any counterparties to fail to meet their obligations.

(c) Liquidity risk

The Group and Company's liquidity risk management involve maintaining sufficient cash and cash equivalents and availability of funding through an adequate amount of committed credit facilities.

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. The Group has taken a number of positive actions to ensure they will continue to have sufficient funds to meet all its operational and financial obligations as and when they fall due in the coming financial year.

This includes the assessment of the timing of the settlement of the purchase consideration deferred as at 31 December 2017.

The table below analyses the Group and Company's financial liabilities into relevant maturity groupings based on the remaining year at the end of the reporting period to their contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows of principal amount and interests.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

4 FINANCIAL RISK MANAGEMENT (CONT'D)

4.1 Financial risk factors (Cont'd)

(c) Liquidity risk (Cont'd)

		Contractual undiscounted cash flows				
	Carrying amount RM'000	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total RM'000
Group						
2017						
Trade payables	53,388	53,388	–	–	–	53,388
Accruals and other payables (excluding statutory liabilities)	26,344	14,361	11,983	4,003	–	30,347
Amount due to corporate shareholders in a subsidiary	604,815	93,075	343,489	199,867	433,669	1,070,100
2016						
Trade payables	46,698	46,698	–	–	–	46,698
Accruals and other payables (excluding statutory liabilities)	6,495	6,495	–	–	–	6,495
Amount due to corporate shareholders in a subsidiary	635,168	273,312	–	372,722	459,052	1,105,086
Company						
2017						
Accruals and other payables (excluding statutory liabilities)	825	825	–	–	–	825
2016						
Accruals and other payables (excluding statutory liabilities)	4,690	4,690	–	–	–	4,690

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

4 FINANCIAL RISK MANAGEMENT (CONT'D)

4.2 Fair value estimation

Except as disclosed below, the carrying amounts of the Group and Company's financial assets and liabilities approximate their fair values due to the relatively short term nature of financial instruments.

	Group	
	Carrying amount RM'000	Fair value RM'000
At 31 December 2017		
Amount due to corporate shareholder in a subsidiary	604,815	641,553
At 31 December 2016		
Amount due to corporate shareholder in a subsidiary	635,168	669,905

Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Group and Company determine the fair value based on discounted estimated future cash flows using the prevailing market rates for similar credit risks and remaining year of maturity. Management judgment is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving a fair value.

The disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Valuation technique

The fair value of the amount due to corporate shareholder in a subsidiary as disclosed is measured based on level 2.

4.3 Capital risk management

The Group and Company's objectives when managing capital are to safeguard the Group and Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group and Company monitor capital on the basis of Debt over Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA"). Debt is calculated as total borrowings including 'current and non-current borrowings'. EBITDA is determined as profit before finance income, finance cost, income tax and depreciation, depletion and amortisation.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

4 FINANCIAL RISK MANAGEMENT (CONT'D)

4.3 Capital risk management (Cont'd)

The Debt over EBITDA ratios of the Group as follows:

	2017 RM'000	2016 RM'000 (Restated)
Total borrowings	604,815	635,168
(Loss)/Profit before income tax	(121,705)	113,837
Finance income	(6,474)	(33,384)
Finance cost	77,969	23,924
Depreciation, depletion and amortisation	64,314	3,361
EBITDA	14,104	107,738
Debt over EBITDA ratio	42.88	5.90

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group and Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimation of proved and probable oil reserves

Proved reserves are those quantities of petroleum that by analysis of geoscience and engineering data can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. Economic conditions include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions. Proved developed reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate. Proved undeveloped reserves are quantities expected to be recovered through future investments: from new wells on undrilled acreage in known accumulations, from extending existing wells to a different (but known) reservoir, or from infill wells that will increase recovery. Probable reserves are additional reserves that are less certain to be recovered than proved reserves but which, together with proved reserves, are likely to be recovered.

The Group's reserve estimates were prepared for each oilfield and include crude oil and liquefied petroleum gas that the Group believes can be reasonably produced within current economic and operating conditions.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(a) Estimation of proved and probable oil reserves (Cont'd)

Proved and probable reserves cannot be measured exactly. Reserve estimates are based on many factors related to reservoir performance that require evaluation by the engineers interpreting the available data, as well as price and other economic factors. The reliability of these estimates at any point in time depends on both the quality and quantity of the technical and economic data, and the production performance of the reservoirs as well as engineering judgement. Consequently, reserve estimates are subject to revision as additional data become available during the producing life of a reservoir. When a commercial reservoir is discovered, proved reserves are initially determined based on limited data from the first well or wells. Subsequent data may better define the extent of the reservoir and additional production performance. Well tests and engineering studies will likely improve the reliability of the reserve estimate. The evolution of technology may also result in the application of improved recovery techniques such as supplemental or enhanced recovery projects, or both, which have the potential to increase reserves beyond those envisioned during the early years of a reservoir's producing life.

In general, changes in the technical maturity of reserves resulting from new information becoming available from development and production activities and change in oil and gas price have tended to be the most significant cause of annual revisions.

Changes to the Group's estimates of proved and probable developed reserves affect prospectively the amounts of depreciation, depletion and amortisation charged and, consequently, the carrying amounts of oil and gas properties. Information about the carrying amounts of these assets and the amounts charged to profit or loss, including depreciation, depletion and amortisation is presented in Note 17.

Changes to the Group's estimates of proved-plus-probable reserves also affect the amount of depreciation, depletion and amortisation recorded in the financial statements for property, plant and equipment. These changes can, for example, be the result of production and revisions. A reduction in proved-plus-probable reserves will increase the rate of depreciation, depletion and amortisation charges (assuming constant production) and reduce income. If the proved-plus-probable reserves estimate increase by 10% the depreciation, depletion and amortisation charges will decrease by RM4,079,459. Decreasing the proved-plus-probable reserve estimate by 10% will increase the depreciation, depletion and amortisation charges by RM4,986,005.

Changes to the Company's estimates of proved-plus-probable reserves could also impact assumptions used in determining deferred tax asset recognition and impairment.

(b) Depletion, depreciation and amortisation of property, plant and equipment

The Group determines the estimated useful lives and related depreciation and amortisation charges for other property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

Management will adjust the estimated useful lives where useful lives vary from previously estimated useful lives.

(c) Impairment of property, plant and equipment

Property, plant and equipment, including oil and gas properties, are reviewed for possible impairments when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Determination as to whether and how much an asset is impaired involve management estimates and judgements such as future prices of crude oil and production profile. However, the impairment reviews and calculations are based on assumptions that are consistent with the Group's business plans. Favourable changes to some assumptions may allow the Group to avoid the need to impair any assets, whereas unfavourable changes may cause the assets to become impaired. Details of the estimates and judgements are set out in Note 17 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(d) Exploration and evaluation expenditure

Exploratory wells in areas not requiring major capital expenditures are evaluated for economic viability within one year of completion of drilling. The related well costs are expensed as dry holes if it is determined that such economic viability is not attained. In making decisions about whether to continue capitalising the exploration costs, it is necessary to make judgments about the economic viability of the exploratory wells. If there is a change in one of these judgements in a subsequent period, then the related capitalised exploration costs would be expensed in that period, resulting in a charge to the profit or loss.

(e) Provision for remediation and restoration

Provision for remediation and restoration relates to asset retirement obligations in relation to the Group's operations. Provision is made when the related environmental disturbance and present obligations occur, based on the net present value of estimated future costs. The ultimate cost of environmental disturbances, asset retirement and similar obligation are uncertain and management uses its judgment and experience to provide for these costs over the life of operations. Cost estimates can vary in response to many factors including changes to the relevant legal requirements, the Group's related policies, the emergence of new restoration techniques and the effects of inflation. Cost estimates are updated throughout the life of the operation. The expected timing of expenditure included in cost estimates can also change, for example in response to changes in reserves, or production volumes or economic conditions. Expenditure may occur before and after closure and can continue for an extended period of time depending on the specific site requirements. Cash flows must be discounted if this has a material effect. The selection of appropriate sources on which to base calculation of the risk free discount rate used for this purpose also requires judgment. As a result of all of the above factors there could be significant adjustments to the provision for close down, restoration and clean-up costs which would affect future financial results.

The Group currently operates mainly in Kazakhstan. Under existing legislation, the Directors of the Group and Company are in their opinion that there are no probable liabilities that are in addition to amounts which have already been reflected in the consolidated financial statements that will have a materially adverse effect on the financial position of the Group.

The Group used the most recent Government bonds (2016: Government bonds) interest rate as the basis to calculate the discount rate to determine the present value of the cash flows. The discount rate of 2017 ranges from 7.1% to 9.2% (2016: 8.6% to 11%). A 2% increase in a discount rate will reduce the provision by RM1,973,102. A 2% decrease in discount rate will increase the provision by RM2,767,323.

(f) Current and deferred income tax

The Group and the Company are subject to income taxes in Malaysia, Netherlands and Kazakhstan jurisdiction. Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is still subject to finalisation. The Group and the Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

6 REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sales of crude oil	152,919	14,408	–	–
Sales of gas	4,196	586	–	–
	157,115	14,994	–	–

7 TAXES OTHER THAN INCOME TAXES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Rent export tax	15,523	1,275	–	–
Rent export duty expenditure	16,577	1,985	–	–
Mineral extraction tax	8,401	990	–	–
Property tax	6,548	493	–	–
	47,049	4,743	–	–

8 EMPLOYEE COMPENSATION COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages, salaries and allowances	12,939	5,370	4,657	4,892
Welfare and other expenses*	4,032	1,525	1,279	981
	16,971	6,895	5,936	5,873

* Includes share based payment disclosed in Note 24 (b).

9 OTHER OPERATING EXPENSES - NET

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Qualifying acquisition related expense	(30)	(25,616)	–	–
Foreign exchange (expense)/gain on operation - net	(3,286)	185	(3)	(48)
Net provision for inventory obsolescence	(2,384)	–	–	–
Others	(2,918)	(2,780)	–	–
	(8,618)	(28,211)	(3)	(48)

Foreign exchange arising from purchases and services procured are classified as part of operating expenditure.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

10 FINANCE (COSTS)/ INCOME - NET

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Finance income				
Profit income from deposits with licensed islamic banks	1,103	28,050	1,103	28,050
Interest income from deposits with other licensed banks	957	44	–	–
Accretion gain on asset retirement obligations, net (Note 27)	4,414	–	–	–
Other finance income	–	753	–	–
Foreign exchange gain, net	–	4,537	3	166
Finance income, net	6,474	33,384	1,106	28,216
Finance costs				
Interest expenses on loan from corporate shareholder (Note 22)	(34,654)	(2,744)	–	–
Interest expense on deferred consideration (Note 22)	(5,551)	–	–	–
Accretion of asset retirement obligations (Note 27)	–	(75)	–	–
Other finance cost	(4,052)	(65)	–	–
Foreign exchange loss, net	(33,712)	–	–	–
Interest expense on financial liability component of the Public Issue Shares	–	(21,040)	–	(21,040)
Finance costs, net	(77,969)	(23,924)	–	(21,040)
Finance (costs)/income, net	(71,495)	9,460	1,106	7,176

Foreign exchange arising from cash and bank balance is classified as part of finance cost-net.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2017 (cont'd)

11 (LOSS) / PROFIT BEFORE INCOME TAX

	Group		Company	
	2017 RM'000	2016 RM'000 (Restated)	2017 RM'000	2016 RM'000
(Loss) / profit before taxation is arrived at after charging/ (crediting):				
Auditor remuneration:				
- Statutory audit fees				
- PricewaterhouseCoopers, Malaysia	309	357	297	345
- Member firm of PricewaterhouseCoopers International Limited*	616	320	–	–
- Non audit fees:**				
- PricewaterhouseCoopers, Malaysia	90	1,958	90	1,958
- Member firm of PricewaterhouseCoopers International Limited*	243	2,530	–	2,530
Employee compensation cost (Note 8)	16,971	6,895	5,936	5,873
Depreciation of property, plant and equipment (Note 17)	64,244	3,357	83	227
Amortisation of intangible assets	70	4	–	–
Negative goodwill (Note 31)	–	(144,441)	–	–
Professional fees	3,203	770	714	397
Realised foreign exchange loss	6	800	2	48
Taxes other than income tax (Note 7)	47,049	4,743	–	–
Tax penalty fee	1	311	1	311
Share based payment	–	362	–	362

* PricewaterhouseCoopers PLT Malaysia and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.

** In the prior financial year, non-audit fees primarily relates to the role as Reporting Accountants in connection with the acquisition of the subsidiary.

12 DIRECTORS' REMUNERATION

The aggregate amount of emoluments receivable by Directors during the financial year was as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors' fee	294	200	294	200
Remuneration and other emoluments	1,891	1,450	1,891	1,450
Defined contribution plans	206	137	206	137
	2,391	1,787	2,391	1,787

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

13 INCOME TAX EXPENSE/(BENEFIT)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current income tax				
Malaysian income tax:				
- Current year	–	5,150	–	5,150
- Over accrual in prior year	(29)	(2,314)	(29)	(2,314)
Foreign income tax:				
- Current year	166	(58)	–	–
	137	2,778	(29)	2,836
Deferred income tax (Note 25)				
Origination and reversal of temporary difference	25,344	3,247	–	–
	25,481	6,025	(29)	2,836

The explanation of the relationship between tax expense and (loss)/profit before income tax is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000 (Restated)	2017 RM'000	2016 RM'000
(Loss)/Profit before income tax	(121,705)	113,837	(6,831)	(1,389)
Tax calculated at the statutory tax rates of 24 % (2016: 24%)	(29,209)	27,321	(1,639)	(333)
Tax effects of:				
- Income not subject to tax	(12,538)	(35,052)	(10)	(70)
- Expenses not deductible for tax purposes	31,728	13,450	1,649	5,518
- Difference in overseas tax rates and tax base	3,049	1,565	–	–
- Re-measurement of deferred tax due to change in the applicable profit tax rate	34,334	435	–	–
- Tax losses and deductible temporary difference for which no deferred tax asset is recognised	–	35	–	35
- Adjustments to deferred tax due to currency exchange rate movements	(1,854)	585	–	–
- Over accrual in prior year-net	(29)	(2,314)	(29)	(2,314)
Income tax expense/(benefit)	25,481	6,025	(29)	2,836

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

13 INCOME TAX EXPENSE/(BENEFIT) (CONT'D)

Deferred tax in Kazakhstan has been re-measured to reflect the changes in excess profit tax rate that will be applicable in the periods in which the deductible/taxable temporary differences are expected to reverse.

Income in Kazakhstan is taxed at the excess profit tax rate which is based on rate of return on subsurface use operations and requires estimation of future taxable income, capital expenditures and other assumptions which affect the estimation of amounts and periods when deductible/taxable temporary differences existing at the reporting date are reversed/ settled.

14 (LOSS)/EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2017 was based on the profit or loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2017	**2016 (Restated)**
(Loss)/Profit attributable to ordinary shareholders (RM'000)	(87,836)	113,094
Weighted average number of ordinary shares ('000)	1,096,412	1,269,892
Basic (loss)/earnings per ordinary share (RM)	(0.08)	0.09
Diluted (loss)/earnings per ordinary share (RM)	(0.08)	0.09

The Group and Company presents basic and diluted profit per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per ordinary share

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares, which comprise free convertible warrants granted to the shareholders.

The assumed conversion from the exercise of warrants would be anti-dilutive.

15 SIGNIFICANT ACQUISITIONS

Summary of acquisition

On 5 March 2016, the Company entered into a tri-partite conditional Sale and Purchase Agreement with Palaeontol Cooperatief U.A. ("Palaeontol COOP") and MIE Holdings Corporation ("MIEH"), a corporation listed on the Main Board of the Stock Exchange of Hong Kong for the proposed acquisition of 60% equity interest in Palaeontol B.V. ("PBV"). PBV was acquired by Reach Energy Ventures Sdn Bhd, a wholly owned subsidiary of REB and the acquisition was completed on 30 November 2016.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

15 SIGNIFICANT ACQUISITIONS (CONT'D)

Summary of acquisition (Cont'd)

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration:

	RM'000
Cash paid	580,528
Deferred consideration	196,706
Total purchase consideration	777,234

The following summarises the amount of assets and liabilities recognised at the acquisition date:

	Provisional fair value RM'000
Property, plant and equipment	1,799,274
Intangible assets	718
Inventories	9,324
Prepayments and other receivables	32,983
Trade receivables	6,990
Cash and bank balances	7,177
Trade payables	(45,512)
Accruals and other payables	(74,501)
Asset retirement obligations	(14,337)
Deferred tax liabilities	(92,425)
Amount due to related parties	(430,532)
Net identifiable assets acquired	1,199,159
Non-controlling interests	(265,052)
Negative goodwill	(156,873)
Net assets acquired	777,234

Purchase consideration - cash outflow

	RM'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash paid	580,528
Less: Balances acquired cash and bank balances	(7,177)
Net outflow of cash - investing activities	573,351

The PPA has been finalised on 25 November 2017, as determined in note 31.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

16 INVESTMENTS IN SUBSIDIARY

	Company 2017 RM'000	Company 2016 RM'000
Unquoted shares - at cost*	–	–
Cost of investment	25,646	25,616
Advance to subsidiary treated as quasi-investment**	584,391	584,391
	610,037	610,007

The details of the subsidiaries are as follows:

Name of subsidiary	Group's interest 2017 %	Group's interest 2016 %	Country of incorporation	Principal activities
Reach Energy Ventures Sdn. Bhd.	100	100	Malaysia	Investment holding company
Subsidiary held through Reach Energy Ventures Sdn. Bhd.				
Palaeontol B.V.	60	60	Netherlands	Investment holding company
Subsidiary held through Palaeontol B.V.				
Emir Oil LLP***	100	100	Republic of Kazakhstan	Exploration, development, production and sale of crude oil and other petroleum products

The financial year end of the subsidiaries fall on 31 December.

* Denotes RM2

** Advance to subsidiary treated as quasi-investment is denominated in Ringgit Malaysia, unsecured, interest free, and repayable on demand.

*** Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

16 INVESTMENTS IN SUBSIDIARY (CONT'D)

Summarised financial information for subsidiary

Set out below are the summarised financial information for Palaeontol B.V. Group ("PBV Group"):

Summarised statement of financial position

	2017 RM'000	2016 RM'000
Non-current assets	1,580,946	1,818,902
Current assets	38,923	109,885
Current liabilities	(148,520)	(220,905)
Non-current liabilities	(475,405)	(1,058,245)
Net assets	995,944	649,637
Accumulated non-controlling interests at 40%	398,378	259,855

Summarised statement of comprehensive income

	2017 RM'000	2016 RM'000
Revenue	157,115	14,994
Depreciation, depletion and amortisation	(64,231)	(1,275)
Other operating expenses	(133,308)	(18,080)
Operating loss	(40,424)	(4,361)
Finance cost- net	(33,266)	(5,277)
Loss before income tax	(73,690)	(9,638)
Income tax expense	(25,511)	(3,566)
Loss for the financial year/period	(99,201)	(13,204)
Loss allocated to non-controlling interests	(39,680)	(5,282)

Other than the restricted cash set aside for environmental remediation relation to its operations as disclosed in Note 20, there is no restrictions on the Group's ability to access or use the assets or settle the liabilities of the PBV Group.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

16 INVESTMENTS IN SUBSIDIARY (CONT'D)

Summarised financial information for subsidiary (Cont'd)

Set out below are the summarised financial information for Palaeontol B.V. Group ("PBV Group"): (Cont'd)

Summarised statement of cash flows

	2017 RM'000	2016 RM'000
Loss before income tax	(73,690)	(9,638)
Adjustments for:		
Depreciation, depletion and amortisation	64,231	1,275
Unrealised foreign exchange (gain)/ loss	(46)	55
Finance cost	38,707	5,451
Finance income	(5,370)	(44)
Loss in disposal of assets	75	–
Reversal provision for impairment of trade receivables	(159)	–
Net provision for inventory obsolescence	2,384	–
Share based payment transactions	–	617
	26,132	(2,284)
Changes in working capital:		
Inventories	(3,139)	2,856
Prepayment and other receivables	12,001	(1,991)
Trade receivables	(6,336)	(2,055)
Trade payables	9,445	982
Other payables and accruals	(91,225)	59,439
Cash flows (used in)/ generated from operating activities	(53,122)	56,947
Income tax paid	–	–
Net cash (used in)/ generated from operating activities	(53,122)	56,947
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(11,149)	–
Finance income received	842	44
Movement in restricted cash	(1,156)	(639)
Net cash used in investing activities	(11,463)	(595)

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

16 INVESTMENTS IN SUBSIDIARY (CONT'D)

Summarised financial information for subsidiary (Cont'd)

Set out below are the summarised financial information for Palaeontol B.V. Group ("PBV Group"): (Cont'd)

Summarised statement of cash flows (Cont'd)

	2017 RM'000	2016 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance cost paid	–	(22)
Loans received from corporate shareholder	–	6,236
Net cash generated from financing activities	–	6,214
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(64,585)	62,566
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	63,154	933
EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS	2,963	(345)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	1,532	63,154

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

17 PROPERTY, PLANT AND EQUIPMENT

	Exploration and evaluation assets RM'000	Oil and gas properties RM'000	Leasehold, buildings and improvements RM'000	Vehicles, office and other production equipment RM'000	Information technology network equipment RM'000	Construction in progress RM'000	Total RM'000
Group							
2017							
Cost							
At 1 January	135,541	1,257,156	7,944	8,436	63	375,238	1,784,378
Additions	2,412	1,458	29	154	–	7,120	11,173
Disposal	–	–	(6)	(393)	–	–	(399)
Reclassification	(122,019)	277,399	78	(2,805)	–	(152,653)	–
Foreign exchange translation	(7,328)	(127,533)	(627)	(362)	–	(21,817)	(157,667)
At 31 December	8,606	1,408,480	7,418	5,030	63	207,888	1,637,485
Accumulated depreciation							
At 1 January	–	2,822	539	350	63	–	3,774
Charge for the financial year	–	61,362	1,209	1,673	–	–	64,244
Disposal	–	–	(6)	(318)	–	–	(324)
At 31 December	–	64,184	1,742	1,705	63	–	67,694
Net book value							
At 31 December	8,606	1,344,296	5,676	3,325	–	207,888	1,569,791

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

17 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Exploration and evaluation assets RM'000	Oil and gas properties RM'000	Leasehold, buildings and improvements RM'000	Vehicles, office and other production equipment RM'000	Information technology network equipment RM'000	Construction in progress RM'000	Total RM'000
Group							
2016							
Cost							
At 1 January	–	–	403	256	63	–	722
Acquisition of a subsidiary (restated)	134,774	1,249,874	7,498	8,118	–	373,110	1,773,374
Foreign exchange translation	767	7,282	43	46	–	2,128	10,266
Additions	–	–	–	16	–	–	16
At 31 December	135,541	1,257,156	7,944	8,436	63	375,238	1,784,378
Accumulated depreciation							
At 1 January	–	–	266	100	51	–	417
Charge for the financial year	–	2,822	273	250	12	–	3,357
At 31 December	–	2,822	539	350	63	–	3,774
Net book value							
At 31 December	135,541	1,254,334	7,405	8,086	–	375,238	1,780,604

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

17 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold, buildings and improvements RM'000	Vehicles, office and other production equipment RM'000	Information technology network equipment RM'000	Total RM'000
Company				
Cost				
At 1 January 2017	403	272	63	738
Additions	–	24	–	24
At 31 December 2017	403	296	63	762
Accumulated depreciation				
At 1 January 2017	401	180	63	644
Charge for the financial year	2	81	–	83
At 31 December 2017	403	261	63	727
Net book value				
At 31 December 2017	–	35	–	35
Cost				
At 1 January 2016	403	256	63	722
Additions	–	16	–	16
At 31 December 2016	403	272	63	738
Accumulated depreciation				
At 1 January 2016	266	100	51	417
Charge for the financial year	135	80	12	227
At 31 December 2016	401	180	63	644
Net book value				
At 31 December 2016	2	92	–	94

In accordance with MFRS 136 'Impairment of assets', the recoverable amount of assets is the greater of its value in use and its fair value less costs to sell. During the financial year ended 31 December 2017, following the revision of reserves volume reported from an independent reserves engineer, the Group performed an assessment of the recoverability of the Group's oil and gas properties and its related intangible assets. The recoverable amount is determined based on fair value less cost of disposal ("FVLCD"). The fair value measurement is performed based on Level 3 hierarchy.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

17 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The key assumptions used in determining the recoverable amount is as follows:

Period of projection	2018 - 2036
Selling price	USD65 - USD89 (at end of projection period)
Reserve volume	68.88 MMBbl
Inflation rate (USD)	1.7% - 2.7%
Inflation rate (KZT)	2.8% - 7.1%
Weighted average cost of capital (USD)	11.3%
Weighted average cost of capital (KZT)	13.4%
Capital expenditure	USD264.4 million over the projection period

The Group did not record an impairment for oil and gas properties due to a surplus between the carrying value of the oil and gas properties and the present value of cash flows expected to be generated from proved and probable developed reserves of certain oil fields, being the determined cash generating unit ("CGU").

If the average oil price had been USD5/bbl lower than management's estimates, the surplus of the FVLCTS calculation would reduce to RM1,495.8 million and would result in a deficit of RM8.9 million.

If the inflation rate had been 1% lower than management's estimates, the surplus of the FVLCTS calculation would increase to RM1,818.3 million and would not cause an impairment.

If the estimated WACC used in determining the after-tax discount rate applied to the discounted cash flows had been 1% higher than management's estimates, the surplus of the FVLCTS calculation would reduce to RM1,644.2 million and would result in a deficit of RM5.4 million.

18 PREPAYMENTS AND OTHER RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Advances to external parties	5,484	6,024	20	32
Value-added tax recoverable	12,417	26,304	–	–
Total prepayments	17,901	32,328	20	32
Other receivables	1,047	2,940	45	115
Deposits	135	135	135	135
Total deposits, prepayments and other receivables	19,083	35,403	200	282
Represent:				
Non-current	3,254	4,864	–	–
Current	15,829	30,539	200	282
	19,083	35,403	200	282

As at 31 December 2017, substantially all other receivables are denominated in KZT. All other receivables are unsecured, interest free and have no fixed term of repayment. The fair values of other receivables approximate their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

19 TRADE RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables	14,391	9,245	–	–
Less: provision for impairment of trade receivables	(10)	(169)	–	–
Trade receivables - net	14,381	9,076	–	–

The Group's trade receivables have credit terms of between 30 days to 60 days.

The aging analysis of trade receivables were as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Neither past due nor impaired	14,066	9,043	–	–
Past due:				
- 60 - 180 days	7	12	–	–
- more than 180 days	318	190	–	–
	14,391	9,245	–	–
Less: provision for impairment of trade receivables	(10)	(169)	–	–
	14,381	9,076	–	–

The carrying amounts of trade receivables are denominated in the following currencies:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
United States Dollar ("USD")	13,200	7,596	–	–
Kazakhstani Tenge ("KZT")	1,181	1,480	–	–
At 31 December	14,381	9,076	–	–

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

19 TRADE RECEIVABLES (CONT'D)

The movement in the Group and Company's provision for impairment of trade receivables is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January	169	–	–	–
Provision arising from acquisition of subsidiary	–	169	–	–
Net reversal during the financial year	(159)	–	–	–
At 31 December	10	169	–	–

All trade receivables above are individually impaired at the reporting dates as they relate to balances that are unlikely to be collected.

As at 31 December 2017, trade receivables of RM315,000 (2016: RM33,000) were past due but not impaired. These relate to customers with no recent history of default.

The credit quality of trade receivables that are neither past due nor impaired can be assessed by historical information about counterparty defaults:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Counterparties without external ratings:				
- new customers during the financial year	–	9,043	–	–
- existing customers with no defaults in the past	14,066	–	–	–
	14,066	9,043	–	–

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

20 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash and bank balances	1,654	63,671	122	518
Deposits with licensed financial institution	33,222	48,969	25,865	42,054
	34,876	112,640	25,987	42,572
Less: Deposits with licensed financial institution/banks which are restricted in use*	(7,357)	(6,915)	–	–
Total cash and cash equivalents at the end of financial year	27,519	105,725	25,987	42,572

* Under the laws of Kazakhstan, the Group is required to set aside funds for environmental remediation relating to its operations. Management is unable to estimate reliably when these amounts will be utilised, and therefore, these amounts are classified as non-current.

The remaining days to maturity and effective interest rate for the fixed deposits with licensed banks as at the period end ranges from 4 to 59 days (2016: ranges from 2 to 30 days).

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
United States Dollar ("USD")	1,506	62,759	18	421
Kazakhstani Tenge ("KZT")	7,401	7,730	–	–
Euro ("EUR")	1	3	1	3
Malaysian Ringgit ("MYR")	25,968	42,148	25,968	42,148
	34,876	112,640	25,987	42,572

The credit qualities of all banks balances are assessed by reference to RAM Rating Services Berhad and Fitch Rating as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
-AAA	14,447	10,000	14,447	10,000
-AA1	–	4,867	–	4,867
-AA2	26	431	26	431
-AA3	805	1,121	805	1,121
-A2	10,708	26,152	10,708	26,152
-BBB-	35	59,466	–	–
-B	8,848	10,600	–	–
-Unrated	7	3	1	1
	34,876	112,640	25,987	42,572

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

21 AMOUNTS DUE FROM/(TO) CORPORATE SHAREHOLDER IN A SUBSIDIARY AND AMOUNT DUE FROM CORPORATE SHAREHOLDER

The amounts due from corporate shareholder in a subsidiary is denominated in United States Dollars. The amount is non-interest bearing, unsecured and has no fixed terms of repayment.

The amounts due to corporate shareholder in a subsidiary is denominated in United States Dollars, is unsecured with the repayment terms and interest exposure as follows:

Amount RM'000	Interest	Repayment terms
269,433	5%	Due in 2019
178,911	Ranging from 10% to 14%	No fixed repayment period
76,530	4.86%	Due in 2036
72,796	Interest free	Repayable on demand
1,763	5%	Due in 2023
5,382	Interest free	No fixed repayment period
604,815		

The amount due from corporate shareholder is denominated in Ringgit Malaysia, the amount is non-interest bearing, unsecured and is repayable on demand.

22 SIGNIFICANT RELATED PARTY DISCLOSURES

The related party transactions of the Group and the Company comprise mainly transactions between the Company and its subsidiaries and corporate shareholders.

The related parties and their relationship with the Company are as follows:

Companies	Relationship
Reach Energy Ventures Sdn Bhd ("REVSB")	Subsidiary
Palaeontol B.V. ("PBV")	Subsidiary
MIE Holdings Corporation ("MIEH")	Corporate shareholder in a subsidiary
Reach Energy Holdings Sdn Bhd ("REHSB")	Corporate shareholder

All related party transactions were carried out on agreed terms with the related parties. The significant related party transactions of the Group and the Company are shown below:

(a) Details of significant transactions arising during the financial year with the related companies are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(i) Transactions with subsidiaries				
Payments on behalf	–	–	2,187	25,616
Advance to subsidiary treated as quasi - investment	–	–	–	584,391

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

22 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(a) Details of significant transactions arising during the financial year with the related companies are as follows: (Cont'd)

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
(ii) Transactions with corporate shareholder in a subsidiary				
Capital contribution due to restructuring of loans	14,403	–	–	–
Technical and other service income	671	–	671	–
Loan advanced during the year	–	2,494	–	–
Interest expenses on loans	34,654	2,744	–	–
Deferred payment	–	196,706	–	–
Interest expenses on deferred consideration	5,551	–	–	–
Advances given	–	262	–	–
Service fee	1,802	–	–	–
(iii) Transactions with corporate shareholder				
Payments on behalf	130	90	130	43

(b) Significant net period end balances owing (to)/from related parties are as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Amounts due from corporate shareholder	173	43	173	43
Amounts due (to)/from corporate shareholder in a subsidiary	(604,815)	(635,168)	671	–
Amount due from subsidiary	–	–	2,161	4
Investment in subsidiary	–	–	610,037	610,007

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

22 SIGNIFICANT RELATED PARTY DISCLOSURES (CONT'D)

(c) Key management personnel

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Directors:				
- Fees	294	200	294	200
- Remuneration and other emoluments	1,891	1,450	1,891	1,450
- Defined contribution plans	206	137	206	137
	2,391	1,787	2,391	1,787
Other key management personnel:				
- Remuneration and other emoluments	100	1,644	100	1,644
- Defined contribution plans	79	176	79	176
	179	1,820	179	1,820
	2,570	3,607	2,570	3,607

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel include all the Directors of the Group, and certain members of senior management of the Group.

23 CAPITAL

	Group and Company	
	2017 RM'000	2016 RM'000
Total capital		
Total share capital	678,968	10,964
Total share premium	–	668,004
Proceeds of shares allocated to warrant reserves	(189,993)	(189,993)
Reclassification to capital redemption reserve	–	(324)
	488,975	488,651

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

23 CAPITAL (CONT'D)

The movement in the share capital of the Group and of the Company are as follows:

Share capital

Group and Company	2017 Number of shares '000	2017 Amount RM'000	2016 Number of shares '000	2016 Amount RM'000
Authorised:				
Ordinary share of RM0.01 each				
At the beginning/ end of financial year	–	–	5,000,000	50,000
Issued and fully paid:				
At the beginning of financial year	1,096,412	10,964	1,277,822	12,778
Transition to no-par value regime on 31 January 2017 under Companies Act 2016*	–	668,004	–	–
Cancellation during the financial year	–	–	(181,410)	(1,814)
At the end of financial year	1,096,412	678,968	1,096,412	10,964

The movement in the share premium of the Group and of the Company are as follows:

Share premium

Share premium comprises the premium paid on subscription of shares in the Group and in the Company over and above the par value of the shares. The movements in the share premium of the Company are as follows:

	Group and Company 2017 RM'000	Group and Company 2016 RM'000
At the beginning of financial year	668,004	734,006
Cancellation of shares during the financial year	–	(724,721)
Reclassification from finance liabilities	–	662,763
Share issuance expenses	–	(4,044)
Transition to no-par value regime on 31 January 2017 under Companies Act 2016*	(668,004)	–
At the end of financial year	–	668,004

* The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the capital redemption reserve account of RM323,991 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition. Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act, 1965. In accordance with the transitional provisions set out in Section 618 (2) of the Act, on 31 January 2017 any amount standing to the credit of the Company's share premium account has become part of the Company's share capital. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium and capital redemption reserve account of RM668,003,825 and RM323,991 for purposes as set out in Section 618 (3) of the Act.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 December 2017 (cont'd)

24 OTHER RESERVES

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Warrants reserve	(a)	198,914	198,914	198,914	198,914
Share-based payment reserve	(b)	821	821	821	821
Capital redemption reserves	(c)	–	324	–	324
Foreign exchange reserve	(d)	(26,396)	128	–	–
Capital contribution reserve	(e)	14,403	–	–	–
		187,742	200,187	199,735	200,059

(a) Warrants reserve

The movements in the warrants reserve of the Group and of the Company are as follows:

	2017 Number of warrants	2017 Amount RM'000	2016 Number of warrants	2016 Amount RM'000
At 1 January 2017	1,277,822	198,914	1,277,822	45,278
Proceeds from finance liabilities	–	–	–	153,636
At 31 December 2017	1,277,822	198,914	1,277,822	198,914

Each warrant shall entitle the holder to subscribe for one new ordinary share of RM0.75 at the exercise price at any time during the exercise period and shall be subject to adjustments in accordance with the provision of the warrants deed poll. The warrant holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such warrant holders exercise their warrants into new shares.

The new shares arising from the exercise of warrants shall, upon allotment and issue, rank pari passu with the then existing shares, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which precedes the date of allotment of the new shares.

The warrants shall be transferable in the manner in accordance with the warrants deed poll subject always to the provisions of the SICDA (Securities Industry (Central Depositories) Act) and the rules of Bursa depository and any appendices.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

24 OTHER RESERVES (CONT'D)

(b) Share-based payment reserve

The movements in the share-based payment reserve of the Group and Company are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At 1 January 2017	821	459	821	459
Charge during the financial year	–	362	–	362
At 31 December 2017	821	821	821	821

The subscription of ordinary shares by the previous holding company, Reach Energy Holdings Sdn. Bhd. in the previous years was with free detachable warrants with the following features:

(i) 1 free warrant for 1 ordinary share of RM1 each;
(ii) Exercise price for each warrant is RM0.75; and
(iii) There is a moratorium in place whereby the warrants are not transferable during the moratorium period which is from the date of listing until the Company has commenced commercial production and generated one full financial year of audited operating revenue.

It is deemed that the free warrants were issued for payment of service.

The fair values of share-based payment were estimated using the Trinomial Lattice Model based on the following key assumptions:

		Tranche 1	Tranche 2
(i)	Grant date	31 July 2013	30 June 2014
(ii)	Subscription price	RM0.045 per share	RM0.099 per share
(iii)	Exercise price	RM0.75 per warrant	RM0.75 per warrant
(iv)	Tenure of the Warrant	8 years	8 years
(v)	Risk free interest rate	3.222%	3.222%
(vi)	Expected dividend yield	0%	0%
(vii)	Expected share price volatility	56.65%	34.11%
(viii)	Number of share options issued	113,600,000	142,000,000
(ix)	Fair value at grant date	RM0.0046 per warrant	RM0.0021 per warrant

(c) Capital redemption reserves

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amount standing to the credit of the capital redemption reserve account of RM323,991 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

24 OTHER RESERVES (CONT'D)

(d) Forex exchange reserve

The foreign exchange reserve arises from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(e) Capital contribution reserve

During the financial year, the management re-negotiated the shareholders loan agreement terms with a corporate shareholder in a subsidiary, MIE Holdings Corporation ("MIEH") to revise the interest rate from 7.855% to 5%. The reduction in interest rates is deemed to be capital contribution from MIEH.

25 DEFERRED TAX LIABILITIES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000 (Restated)	2017 RM'000	2016 RM'000
Deferred tax liabilities to be settled after more than 12 months	(106,349)	(90,978)	–	–

The movements during the financial year relating to deferred tax are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000 (Restated)	2017 RM'000	2016 RM'000
At 1 January	(90,978)	–	–	–
Acquisition of a subsidiary	–	(87,245)	–	–
Forex exchange translation	9,973	(68)	–	–
Credited/ (Charged) to profit or loss (Note 13)				
- tax losses	(741)	(3,585)	–	–
- provisions	(452)	409	–	–
- property, plant and equipment	(24,526)	(573)	–	–
- intangible assets	375	84	–	–
At 31 December	(106,349)	(90,978)	–	–

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

25 DEFERRED TAX LIABILITIES (CONT'D)

	Group		Company	
	2017 RM'000	2016 RM'000 (Restated)	2017 RM'000	2016 RM'000
Subject to income tax				
Deferred tax assets (before offsetting):				
- tax losses	129,239	143,506	–	–
- provisions	4,466	5,712	–	–
	133,705	149,218	–	–
Offsetting	(133,705)	(149,218)	–	–
Deferred tax assets (after offsetting)	–	–	–	–
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(233,474)	(239,981)	–	–
- intangible assets	(6,580)	(215)	–	–
	(240,054)	(240,196)	–	–
Offsetting	133,705	149,218	–	–
Deferred tax liabilities (after offsetting)	(106,349)	(90,978)	–	–

26 TRADE PAYABLES

The carrying amounts of trade payable are denominated in the following currencies:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Kazakhstani Tenge ("KZT")	41,116	38,735	–	–
United States Dollars ("USD")	12,272	7,963	–	–
	53,388	46,698	–	–

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

27 PROVISIONS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Asset retirement obligations	9,348	14,949	–	–
Movements of asset retirement obligations are as follows:				
At 1 January 2017	14,949	–	–	–
Arising from acquisition of subsidiary	–	14,337	–	–
Foreign exchange translation	(1,187)	537	–	–
Changes in estimates	(5,608)	–	–	–
Accretion expenses of asset retirement obligations	1,194	75	–	–
At 31 December	9,348	14,949	–	–

28 ACCRUALS AND OTHER PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Advance payments	22,656	124,572	–	–
Withholding and other tax payable	6,452	6,242	–	–
Salary and welfare payable	1,426	1,583	143	214
Accruals and other payables	3,688	6,849	825	5,029
Total accruals and other payables	34,222	139,246	968	5,243
Represent:				
Non-current	11,983	41,103	–	–
Current	22,239	98,143	968	5,243
	34,222	139,246	968	5,243

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

29 COMMITMENTS

(i) Capital commitments for the purchase of property, plant and equipment:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Authorised but not contracted for	22,751	199,091	–	–
Contracted but not provided for	6,779	65,904	–	–
	29,530	264,995	–	–

(ii) Operating lease commitments

The Group has operating lease commitments related to its non-cancellable operating leases for offices and none of the lease includes contingent rentals. The future aggregate minimum lease payments under these operating leases are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<1 year	1,991	2,186	123	123
1-2 years	1,910	2,063	–	–
2-5 years	–	46	–	–
	3,901	4,295	123	123

(iii) According to the production contracts for four blocks 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:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<1 year	109,719	198,815	–	–
1-2 years	136,537	283,641	–	–
2-5 years	853,010	1,067,136	–	–
>5 years	2,681,846	2,995,098	–	–
	3,781,112	4,544,690	–	–

The minimum work program includes capital expenditure of RM1,091,000 (2016: RM1,434,000) to be incurred over the life of the production contracts expiring in 2036. Other commitments represent mainly other direct operation and maintenance costs of wells and related facilities.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

30 FINANCIAL INSTRUMENTS BY CATEGORY

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables;

(b) Financial liabilities measured at amortised costs

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Loans and receivables				
Trade receivables	14,381	9,076	–	–
Other receivables (excluding prepayments)	1,182	3,075	180	250
Deposits, cash and bank balances	34,876	112,640	25,987	42,572
Amount due from corporate shareholder	173	43	173	43
Amount due from subsidiary	–	–	2,161	4
Amount due from corporate shareholder in a subsidiary	671	–	671	–
	51,283	124,834	29,172	42,869
Other financial liabilities				
Trade payables	53,388	46,698	–	–
Accruals and other payables (excluding statutory liabilities)	26,344	6,495	825	4,690
Amounts due to corporate shareholder in a subsidiary	604,815	635,168	–	–
	684,547	688,361	825	4,690

31 COMPARATIVE

In the previous financial year, the Company entered into a tri-partite conditional Sale and Purchase Agreement with Palaeontol Cooperatief U.A. ("Palaeontol COOP") and MIE Holdings Corporation ("MIEH"), a corporation listed on the Main Board of the Stock Exchange of Hong Kong for the proposed acquisition of 60% equity interest in Palaeontol B.V. ("PBV"). PBV was acquired by Reach Energy Ventures Sdn Bhd, a wholly owned subsidiary of REB, and the acquisition was completed on 25 November 2016.

At the acquisition date, the Group had estimated the negative goodwill at RM156,873,000. As allowed under MFRS 3 Business Combination, the Group has 12 months from the date of acquisition to complete the Purchase Price Allocation ("PPA").

The Group had concluded the PPA on 25 November 2017 and had adjusted the fair values of certain identifiable assets and liabilities. Correspondingly, the provisional negative goodwill on consolidation was revised from RM156,873,000 to RM144,441,000. This revision has been accounted for retrospectively.

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

31 COMPARATIVE (CONT'D)

The following summarises the adjustments made:

	Preliminary Assessment RM'000	Adjustment RM'000	Final Assessment RM'000
Property, plant and equipment	1,799,274	(25,900)	1,773,374
Intangible assets	718	–	718
Inventories	9,324	–	9,324
Prepayment and other receivables	32,983	–	32,983
Trade receivables	6,990	–	6,990
Cash and bank balances	7,177	–	7,177
Trade payables	(45,512)	–	(45,512)
Accruals and other payables	(74,501)	–	(74,501)
Asset retirement obligations	(14,337)	–	(14,337)
Deferred tax liabilities	(92,425)	5,180	(87,245)
Amount due to related parties	(430,532)	–	(430,532)
Net identifiable assets acquired	1,199,159	(20,720)	1,178,439
Non-controlling interests	(265,052)	8,288	(256,764)
Negative goodwill	(156,873)	12,432	(144,441)
Net assets acquired	777,234	–	777,234

Negative goodwill calculation: Full amount

	RM'000
Purchase consideration	777,234
Non-controlling interests	256,764
Identifiable net assets	(1,178,439)
Negative goodwill	(144,441)

The restatement of comparatives are as follows:

Statement of financial position as at 31 December 2016:

	As previously reported RM'000	Adjustment RM'000	As restated RM'000
Property, plant and equipment	1,806,504	(25,900)	1,780,604
Deferred tax liabilities	96,158	(5,180)	90,978
Retained earnings	86,292	(12,432)	73,860
Non-controlling interests	259,855	(8,288)	251,567

NOTES TO THE FINANCIAL STATEMENTS
For The Financial Year Ended 31 December 2017 (cont'd)

32 SEGMENTAL INFORMATION

Management has determined the operating segments based on the reports reviewed by the Executive Management (Chief Operating decision maker).

During the financial year 2017, the Group has one single operating segment, which operates the exploration, development, production and sales of oil and other petroleum products in the Republic of Kazakhstan. The segment information is consistent with the financial position and financial performance as shown in the statement of financial position and statement of comprehensive income including related notes to the financial statements.

The reportable operating segment derive all revenue from the sale of crude oil in the Republic of Kazakhstan (the "Kazakhstan"). All revenue of the operating segment is contributed by external customer. The major customer, Euro Asian Oil SA ("Euro Asian") is one of the largest trading companies in Mangystau region of Western Kazakhstan. Euro Asian contributes revenue of RM157,115,000.

	Malaysia RM'000	Kazakhstan RM'000	Total RM'000
Statement of financial position			
2017			
Non-current assets			
Property, plant and equipment	35	1,569,756	1,569,791
Intangible assets	–	579	579
Total	35	1,570,335	1,570,370

	Malaysia RM'000	Kazakhstan RM'000 (Restated)	Total RM'000 (Restated)
2016			
Non-current assets			
Property, plant and equipment	94	1,780,510	1,780,604
Intangible assets	–	713	713
Total	94	1,781,223	1,781,317

STATEMENT BY DIRECTORS
Pursuant To Section 251(2) Of The Companies Act 2016

We, Shahul Hamid Bin Mohd Ismail and Izlan Bin Izhab, two of the Directors of Reach Energy Berhad, hereby state that, in the opinion of the Directors the accompanying financial statements set out on pages 39 to 102 are drawn up so as to give a true and fair view of the financial position of the Group and Company as at 31 December 2017 and financial performance of the Group and of the Company for the financial year ended 31 December 2017 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated 26 March 2018.

SHAHUL HAMID BIN MOHD ISMAIL **DIRECTOR**	**IZLAN BIN IZHAB** **DIRECTOR**

Kuala Lumpur

STATUTORY DECLARATION
Pursuant To Section 251(1) Of The Companies Act 2016

I, Shahul Hamid Bin Mohd Ismail, the Officer responsible for the financial management of Reach Energy Berhad, do solemnly and sincerely declare that the financial statements set out on pages 39 to 102 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

SHAHUL HAMID BIN MOHD ISMAIL

Subscribed and solemnly declared by the abovenamed Shahul Hamid Bin Mohd Ismail, at Kuala Lumpur in Malaysia on 26 March 2018, before me.

PESURUHJAYA SUMPAH
No. W 710
MOHAN A.S. MANIAM
MALAYSIA

COMMISSIONER FOR OATHS

Tingkat 20 Ambank Group Building
55, Jln. Raja Chulan, 50200 Kuala Lumpur

INDEPENDENT AUDITORS' REPORT
To The Members Of REACH ENERGY BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Reach Energy Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 39 to 102.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

INDEPENDENT AUDITORS' REPORT
To The Members Of REACH ENERGY BERHAD (cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. There were no key audit matters identified at Company level.

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of oil and gas assets As at 31 December 2017, the Group recorded property, plant and equipment of RM1,569.8 million, the majority of which relates to oil and gas assets of RM1,344.3 million. The recoverable amount of the Group's oil and gas assets is determined at the fair value less costs of disposal which is based on the discounted cash flow model. The assessment of the recoverable amount of the oil and gas assets, or for the relevant cash-generating units ("CGU"), incorporates significant judgements and estimates in respect of factors such as future oil prices, future production levels, revenue discount rates, operating costs/ capital expenditure and economic assumptions such as discount rates, and inflation rates. These forward looking estimates are inherently difficult to determine with precision. We focused on this area due to the significance of the oil and gas assets balance (being 80 percent of the Group's total assets) and the significant estimates in determining the inputs used by management in determining the recoverable amount of the oil and gas assets. There was no impairment recorded as at year end as a result of the impairment assessment.	Our audit procedures to evaluate the reasonableness of key assumptions used in the determination of the recoverable amount of oil and gas assets comprised the following: • Tested the key assumptions used in determining the recoverable amount of oil and gas assets by: - Comparing the forecasted oil prices against available independent market data and estimates; - Comparing the revenue discount rates against historical trend; - Comparing the inflation and discount rates against industry data; - Comparing the level of oil and gas reserves and expected capital expenditures against the management's external expert reserves report; • Evaluated the competency and objectivity of the expert used by the Group who produced the reserve estimates used in the valuations by reference to their professional qualifications and experience. • Engaged our valuation expert in testing the appropriateness of methodology adopted in the assessment of the recoverable amount of oil and gas assets. We did not identify any material exceptions from the procedures performed.
Liquidity risk of the Group As at 31 December 2017, the Group's current liabilities exceeded their current assets by RM83.4 million. Management identified that the key assumptions in assessing the Group's liquidity risk were the expected cash inflows from the operations of Emir Oil. The cash flow projections required management to make critical judgements and estimates on the net cash inflows generated from the oil and gas assets.	In assessing the liquidity risk of the Group, we assessed the cash flow requirements of the Group over the next 12 months from the end of the reporting date based on the Group's forecasts. We obtained an understanding of the forecast expenditure which were committed as well as loan repayment terms. We also discussed with management and checked that the amount and timing of settlement of the amount due to a corporate shareholder in a subsidiary used in the cash flow projections is consistent with the contractual terms.

INDEPENDENT AUDITORS' REPORT
To The Members Of REACH ENERGY BERHAD (cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters (Cont'd)

Key audit matters	How our audit addressed the key audit matters
Liquidity risk of the Group (Cont'd) We focused on this area due to the significant management's judgement involved in preparing the cash flow projections of the Group. Refer to Note 4.1(c) and Note 29 of the consolidated financial statements on liquidity risk and commitments respectively.	Our audit procedures included: - Auditing key assumptions used by management including forecasted oil prices, revenue discounts, inflation and discount rates. - Comparing the level of oil and gas reserves and expected capital expenditures against the management's external expert reserves report; - Reviewing key loan agreements to assess the availability of funds and to estimate the future cash outflows from loan repayments. - Performing sensitivity analysis on management's key assumptions, including applying potential downside scenarios such as lower oil prices and lower production profile. We held discussions with management to understand the timing of the cash flows from the existing operations of Emir Oil based on their scheduled or planned progress and the availability of funds as well as the deferment of payment for purchase consideration which is in accordance with the contractual terms. Where there were significant variances between actual and prior year's forecasted cash flows as a result of changes in assumptions used in the cash flow projections, we have discussed with management to incorporate these changes to the cash flow projections. Based on the procedures performed, we noted no significant exceptions.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises Directors' Report and Statement on Risk Management and Internal Control, which we obtained prior to the date of this auditors' report, and the complete 2017 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT
To The Members Of REACH ENERGY BERHAD (cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT
To The Members Of REACH ENERGY BERHAD (cont'd)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' responsibilities for the audit of the financial statements (Cont'd)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 16 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Pricewaterhousecoopers PLT

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

NURUL A'IN BINTI ABDUL LATIF
02910/02/2019 J
Chartered Accountant

Kuala Lumpur
26 March 2018

STATEMENT ON DIRECTORS' RESPONSIBILITY

The Companies Act, 2016, ("the Act") requires the Board to prepare financial statements which give a true and fair view of the state of affairs together with the results and cash flows of the Company. As required by the Act and the Main Market Listing Requirements of Bursa Securities, the financial statements for the financial year ended 31 December 2017 ("FY2017") have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

In preparing the financial statements for the FY2017 set out in this Annual Report, the Directors consider that the Company has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors have the responsibility in ensuring that the Company maintains accounting records that disclose the financial position of the Company with reasonable accuracy to ensure that the financial statements are in compliance with the Act. The Directors also have the overall responsibility to take such steps that are reasonably available to them to safeguard the assets of the Company as well as to prevent any irregularities.

SUSTAINABILITY STATEMENT

SUSTAINABILITY, OUR APPROACH

At Reach Energy Berhad, we understand the importance of maintaining a balance between our interests and the interests of the society. Social and environmental sustainability concerns are important drivers of our business longevity and our role as a member of the society.

Our sustainability strategy was developed after identifying areas where we are able to apply our skills, experience and financial ability to make a positive difference. The foundation of our approach includes having global standards, processes and tools in place to manage the welfare of our people, the surrounding community and the environment. In the long run, we aim to continuously improve the way we operate to prevent incidents and to identify, avoid where possible and minimise adverse environmental and social impacts across our operating arena.

Our business is planned for the long-term, which means we can be part of a community for decades. For this reason, sustainable practices are imperative for the future of our business and we vow to continue building a lasting legacy of sustainability that respects people, their welfare and their environment.

In order to ensure the success of our sustainability approach, we understand the need to act in the long-term interest of our stakeholders. As a start, we engaged with our stakeholders through a variety of communication channels to understand and identify issues that need to be addressed. Their accumulated feedback, combined with an assessment of industry trends and risks forms the pillars of our sustainability approach. These five pillars consist of our Code of Conduct, Promoting Health and Safety, Empowering Our People, Protecting the Environment and Supporting Local Communities.

The objective of our Sustainability Statement is to provide our shareholders with a holistic report on all aspects of our business. However, as this is Reach Energy's inaugural Sustainability Report, there are certain areas which do not possess the level of data quality as desired to form meaningful comparison against preceding years. Nevertheless, we intend to improve the quality of our statement over time with respect to the quality of information disclosed and the authenticity of our future statements.

OUR FIVE PILLARS OF SUSTAINABILITY

Code of Conduct

The success of our Company is dependent on the trust and confidence we earn from our employees, customers, shareholders and other stakeholders. We gain credibility by honouring our commitments, displaying honesty and integrity and reaching company goals solely through honourable conduct.

As we continue on our journey to achieve our Mission of becoming a global player in the Oil and Gas ("O&G") industry, we are guided by our high standards of ethical behaviour and performance. We believe that a strong code of conduct creates huge value for the Company. Corporate governance will influence the way we conduct our business in a fair, ethical and legal manner. Reach Energy's Code of Conduct was formulated to enhance the standards of corporate governance and corporate behaviour by providing guidance to our Board of Directors, Management Team and all employees. We encourage our employees to uphold Reach Energy's values of Reliable, Responsible and Results-Oriented in order to distinguish ourselves and guide our actions to deliver desired results in the environment we operate in.

Obeying the law, both in letter and in spirit, is the foundation on which the Company's ethical standards are built. Our long-standing commitment to doing business with integrity includes avoiding corruption in any form and complying with applicable laws and anti-corruption guidelines of every country in which we operate. We employ a strict approach to address any acts of bribery, fraud or corruption in the Company. Any employee found to be in breach of our Code of Conduct or any applicable law and regulations will be subject to internal investigation and further disciplinary measures, in the event such person is found guilty of the offence in relation to this matter.

As we also operate in Kazakhstan, our employees are encouraged to understand the local culture, laws and regulations to ensure that all decision making, thinking patterns and values are guided accordingly. We firmly believe that an in-depth understanding of the local culture, laws and regulations is part of an important process to ensure the viability of our business.

SUSTAINABILITY STATEMENT (cont'd)

OUR FIVE PILLARS OF SUSTAINABILITY (CONT'D)

Promoting Health & Safety

We regard the health and safety of our people as top priority, and exercise our duty of care by providing a working environment that exceeds regulatory obligations for our employees and others who work or visit our premises. Aside from our employees, we are also committed to delivering our work responsibly and safely, preventing harm to our contractors, local communities and the environment. In order to achieve this, everyone who works for us, or with us, has an important part to play. For a start, employees and contractors are required to comply with health, safety and environmental legal requirements wherever we operate.

We place great importance in creating a safety-first culture at work. Our leaders play a significant role in understanding the critical safety risks they are accountable to manage, and to ensure their teams understand these risks and their respective responsibilities. Our workforce is competent and equipped with adequate resources to ensure a safe environment at the workplace. By reinforcing a culture of care and caution, we encourage our workforce to unite and perform at its best, delivering quality work in the safest way.

In addition, we have also put in place appropriate measures as well as providing our people with the right training with our Health, Safety, Security and Environment Policy and Manual as guideline. By undertaking these practical and reasonable measures, we aim to eliminate or prevent the risk of personal injury, occupational illnesses and damage to properties as well as to ensure that the Company is able to safely return to function as soon as possible should anything untoward occurs.

Since assuming full control of Emir-Oil LLP ("Emir-Oil") in May 2017, there have been one report of incident which is classified as major incident and two reports of "near misses" with medium/severe hazard potential reported. Upon receipts of these reports, our team acted swiftly and the necessary steps have been taken to mitigate the effects and address any other potential hazards that may occur.

Empowering Our People

At Reach Energy, we acknowledge that a significant part of our continuous growth is attributed to our people. Our workforce is beautifully diversified, with our talents comprising individuals from varied cultural backgrounds, ages, genders, experience, skill sets, thoughts and perspectives that contribute to the development of the Company. To-date, we have a total of 201 employees in Kazakhstan and 13 employees in Kuala Lumpur. Out of 201 employees in Emir-Oil, two are Malaysians, one is Irish and three are Chinese whereas out of the 13 employees in Kuala Lumpur, 12 are Malaysians and one Kazakh. In terms of gender, there are 165 males and 49 females.

As part of our efforts to empower our people, we provide them with access to opportunities for long-term personal and professional development. These opportunities include English classes to improve their language skills, on-the-job training as well as coaching and mentoring initiatives by leaders. Aside from opportunities for learning and progression, we have also developed a comprehensive benefits and rewards system as an incentive as well as to recognise staff contribution to the Company. These incentives include hospital-care, medical-care, extended maternity leave and special allowances amongst others.

At Emir-Oil, our employees are like members of a family. We value their loyalty and contribution and strive to provide a conducive environment to boost their productivity. Aside from this, we provided assistance to employees' families in the form of schooling subsidies for 26 children. We have also dispensed allowances to our employees who had suffered losses in 2017. All Emir-Oil employees are covered by a comprehensive year-round health insurance plan. The health insurance includes outpatient care, hospitalisation, pharmaceutical coverage and dental care amongst others.

In 2017, we honoured three of Emir-Oil's staff who retired after serving the Company for more than a decade each. The three retirees were awarded gift certificates to commemorate their service, loyalty, and contribution to the Company.

SUSTAINABILITY STATEMENT (cont'd)

OUR FIVE PILLARS OF SUSTAINABILITY (CONT'D)

Empowering Our People (Cont'd)

To further bridge the relationship between the various nationalities, the Company organised events such as the International Women's Day on 8 March 2017 to celebrate and recognise the achievements of our female employees. For this purpose, Emir-Oil rewarded 40 of our female employees with bonuses and gift certificates.

Meanwhile, on 17 March 2017, Emir-Oil celebrated its 15th year anniversary. As the anniversary coincided with Nauryz, a celebration in Kazakhstan, Emir-Oil hosted its employees and their families at Globus Restaurant. Nauryz is celebrated to rejoice the end of winter and to welcome the spring season. Families will gather around and exchange gifts. In this spirit, we rewarded 181 gift certificates to Emir-Oil's employees as a token of appreciation of their contributions to the Company. In addition, as per Emir-Oil's custom, we also awarded bonuses to 206 employees in conjunction with the New Year.

Kazakhstan is a country steeped in traditions which have been preserved from generation to generation. One of these hallmark traditions is the Kazakh hospitality where young guests are given delicious treats and small presents especially during special occasions. Hence in keeping with the tradition of gift-giving for the New Year, we have also contributed to boarding schools for children with disabilities.

SUSTAINABILITY STATEMENT (cont'd)

OUR FIVE PILLARS OF SUSTAINABILITY (CONT'D)

Empowering Our People (Cont'd)

Continuing the spirit of education, in August 2017, we hosted the Children's Summer Camp "Tausamal" for our employees' children. The camp's objectives were to instil lifelong values of teamwork and individual responsibility as well as to build individual character, confidence and skills through the various activities organised. A total of 19 children between the ages of 8 to 16 joined the 10-day camp in Almaty City.

As a business, our growth and success are dependent to a certain extent on the leadership capability of our Management Team. Our Senior Management Team comprises individuals with strong track record and invaluable technical expertise in the Exploration and Production business. We acknowledge the importance of ensuring continuity and succession planning in our management in order to maintain our competitiveness and deliver our business objectives and plans. Therefore, we have placed priority on talent management and development by recruiting, identifying, exposing and nurturing high potential and adequately experienced younger talent. In this respect, we have implemented a structured leadership development programmes overseen by the Senior Management Team to expose selected potential successors to various aspects of the business and ensure that they will be readily available to undertake leadership positions in our Company.

Protecting the Environment

As we move forward to achieve our aim to be a Global Player in the Oil and Gas industry, our commitment to protecting Mother Nature continues to be an essential element of our business activities. We believe that managing the impact of our operations on the environment is essential to long-term success. As such, we are committed to implementing environmentally friendly work processes while raising the environmental awareness amongst our employees.

The emission of greenhouse gases ("GHG") such as carbon dioxide is also a point of concern for us. To mitigate the effects of GHG emission, we have begun monitoring our activities closely as well as investing in measures that favour resource conservation. For example, modern communication infrastructure such as video and teleconference equipment are adopted which provide more convenience for our teams based in different geographical locations to meet without travelling. Other measures include reduced paper consumption, reduced power consumption and use of more environmental friendly batteries and cleaning detergents.

We strive to continue investing in more efforts to reduce waste and carbon emissions whilst conserving energy, water and paper in the years to come. We will continue to constantly challenge ourselves to improve efficiency and effectiveness of our resources.

Supporting Local Communities

The Company's Corporate Social Responsibility foundation is based on the creation and provision of learning platform and progression opportunities. This is due to our belief that education is a critical instrument to bring about social change. As such, we have created various opportunities for individuals from the communities we operate in to learn new skill sets and enhance existing ones. With this in mind, we have implemented a traineeship programme where interns are provided hands-on training which exposes them to aspects of the business and working culture. We believe that with our current presence across different countries combined with our diverse workforce, we are able to ensure there is transfer of knowledge, expertise and experience within our Company.

SUSTAINABILITY STATEMENT (cont'd)

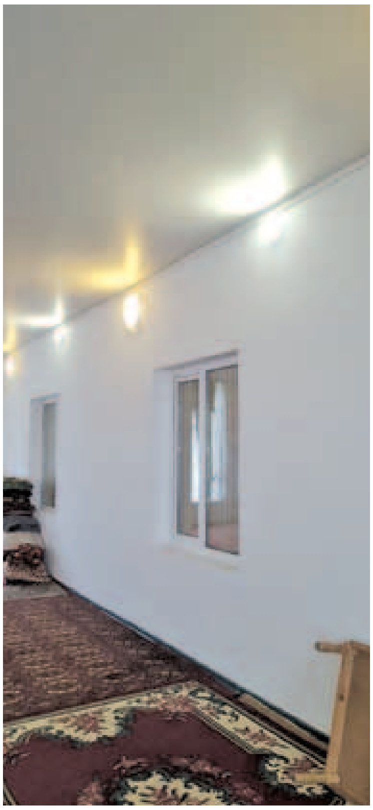
OUR FIVE PILLARS OF SUSTAINABILITY (CONT'D)

Supporting Local Communities (Cont'd)

We have also provided scholarships to six college students to sponsor their education. For this initiative, a contribution has been committed to fund the education of these students who were selected based on their academic performance, extracurricular activities and promising potential. The Company had also made contributions to the Embassy of the Republic of Kazakhstan in Malaysia for the installation of a Kazakh concept reading room (Kazakhstan Corner) at the National Library of Malaysia. The objective of the room is to raise awareness and educate patrons on Kazakhstan. A contribution was made to the Lions Club of Kuala Lumpur South to assist the club in continuing with their community based activities and projects and to help them serve the local community better.

We are of a firm belief that our role extends to contributing to the health and welfare of the society we operate in. In September 2017, Emir-Oil made contributions to the Public Foundation Board of Trustees of "Tart Ana"(an orphanage in Kazakhstan) to alleviate the plight of the orphans. In April 2017, a disaster struck after snowmelt increased river levels causing floods across many parts of the country. A Public Fund "Kolganat Aktobe" was established where Emir-Oil made contribution to help those affected rebuild their lives.

Donation was made to a local mosque to improve its facilities. The money was utilised for the installation of a gas heater, extra lighting, handrail, furniture as well as tableware.



In June 2017, we took part in the ASTANA EXPO 2017 ("EXPO") exhibition in Astana, Kazakhstan. The EXPO, themed "Future Energy", was aimed to create a global debate among countries, non-governmental organisations, companies and the general public on matters relating to the energy industry. Emir-Oil participated in the 3-month long exhibition as it was a solid platform to create and increase awareness about the Company and our business amongst the local community as well as the international delegations. Emir-Oil sponsored the airfare and accommodation for 18 employees. Through this exposure, we were able to contribute towards the increase of job opportunities in the surrounding community.

Moving Forward

As an active player in the O&G industry, we fully understand the risks and benefits of our business operations. As we look forward to business growth, we vow to continue embracing and prioritising sustainability initiatives in our core strategies to ensure that we operate safely, efficiently and responsibly while bringing wider benefits to the environment and communities we operate in.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of Reach Energy Berhad ("Reach Energy" or "the Company") is entrusted with the responsibility of safeguarding the Company's resources in the interest of its shareholders by exercising due and reasonable care. The Board recognises that its primary role is to protect and promote the interests of its shareholders, with the overriding objective of enhancing the long-term value of Reach Energy. The Board remains focused and committed to maintaining high standards of corporate governance and management of risks.

The Board continues to review its existing corporate governance practices and policies throughout the Group in ensuring full application of key corporate governance principles as set out in the Malaysian Code of Corporate Governance 2017 ("MCCG").

This statement which is made pursuant to paragraph 15.25 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), sets out the manner in which the Group has applied the principles and recommendations of MCCG. It must be read together with the Corporate Governance Report published in Reach Energy's website at www.reachenergy.com.my.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board is cognizant of its responsibilities by ensuring proper control of the economics and financial management of the Company and validates the strategic directions proposed by the Management for implementation.

The Board will act in the best interests of Reach Energy, honestly, fairly and diligently and in accordance with the duties and obligations imposed upon it by the Constitution of Reach Energy and the prevailing regulatory requirements.

The Board also serves as a panel to provide effective guidance on the assessment of principal risks and the appropriate systems to manage these risks, as well as to review the adequacy and integrity of the Company's internal control system in safeguarding shareholder interests and the Company assets.

The Board's role and responsibilities include but are not limited to the following:-

- Setting and reviewing the objectives, goals and strategic plans for the Company with a view to maximising shareholders' value.
- Adopting and monitoring progress of the Company's strategies, budgets, plans and policies.
- Overseeing the conduct of the Company's businesses to evaluate whether the businesses are properly managed.
- Identifying principal risks of the Company and ensuring the implementation of appropriate systems to mitigate and manage these risks.
- Considering Management's recommendations on key issues including acquisitions, divestments, restructuring, funding and significant capital expenditure.
- Implementing succession planning for senior management.
- Reviewing the adequacy and integrity of the Company's internal control systems and management information systems.

To ensure the effective discharge of its functions and responsibilities, the Board has in place, business authority limits which sets out relevant matters which the Board has delegated to the Management Team led by the Chief Executive Officer. These authority limits are reviewed and revised as and when required, to ensure an optimum structure for efficient and effective decision-making in the Group.

There is a schedule of matters reserved specifically for the Board's decision, including the approval of corporate plans and budgets, acquisition and disposal of major investments, changes to the management and control structure of the Company and issues in respect of key policies, procedures and authority limits. The Executive Directors and the Management are tasked to ensure compliance with this.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

It is also the Directors' responsibility to declare to the Board whether they have any potential or actual conflict of interest in any transactions or in any contract or proposed contract with the Company or any of its related companies. Where issues involve conflict of interest, the Directors will abstain from discussion and voting on the matters as well as abstain from any other decision making process in relation to these transactions.

The Board delegates certain responsibilities to the Board Committees, all of which operate within defined terms of reference.

The roles of the Chairman and Chief Executive Officer remain separate and distinct. The Chairman plays an important leadership role and is responsible for:

- Setting the agenda for meetings of the Board that focus on strategic direction and performance.
- Maintaining on-going dialogue and relationship of trust with and between the Directors and Management.
- Ensuring clear and relevant information is provided to Directors in a timely manner.
- Ensuring sufficient time is allowed for the discussion of complex or critical issues.
- Cultivating good governance and compliance practices throughout the Group.

A Corporate Code of Conduct, formalised in December 2014 by the Board, sets out the standard business and ethical conduct of the Board, Management and Employees of the Company in the performance and execution of respective responsibilities.

The Board Charter, which was formalised in 2013 and revised in March 2018 to be in line with MCCG, sets out inter alia, the roles and responsibilities of the Board and Board Committees, the procedures for convening Board meetings, financial reporting, investor relations and shareholder communication. The Charter which serves as a source of reference for new Directors, will be reviewed and updated periodically in accordance with the needs of the Company and any new regulations that may have an impact on the discharge of the Board's responsibilities.

The Board Charter and Corporate Code of Conduct are available for reference at the Company's website at www.reachenergy.com.my.

The Whistleblowing Policy, which was adopted by the Group in June 2014, is intended to cover protection for staff who raise concerns in relation to irregular and unlawful practices.

The Senior Independent Director will receive whistle-blower reports made by employees or external parties as prescribed under the Whistleblowing Policy.

The details of the procedures and lodgement channels of the Whistleblowing Policy are available on the Company's website at www.reachenergy.com.my.

The Board members have full access to the two (2) Companies Secretaries, both of whom are professionally qualified and play an advisory role to the Board in relation to the Company's constitution, Board's policies and procedures as well as compliance with the relevant guidelines, regulatory and statutory requirements, corporate governance and best practices.

The Company Secretaries are also responsible in organising and attending all Board and Committee Meetings, ensuring adherence to board policies and procedures and that all statutory records are well maintained at the registered office of the Company. The Company Secretaries also ensure that the deliberations and decisions made at the Board and Committee Meetings are well captured and minuted.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition

The Board of Reach Energy determines the strategic directions of the Company activities and monitors their implementation. The Board is currently made up of five (5) members comprising three (3) Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Chairman and one (1) Executive Director. This is in compliance with the Listing Requirements of at least two (2) Directors of the Board to be independent.

The presence of Independent Non-Executive Directors fulfils a pivotal role in corporate accountability. The roles of these Independent Non-Executive Directors are particularly important to provide unbiased and independent views, advice and judgment. This is to protect the interests of shareholders, employees, various other stakeholders and the communities where the Company operates.

The Chairman is responsible for ensuring Board effectiveness and conduct while the Chief Executive Officer is responsible for the organisational and operational effectiveness and implementation of Board policies and decisions.

The Board takes cognisance of the recommendation to have gender diversity on the Board and will through its Nomination Committee ("NC") take steps to ensure that women candidates are sought as part of its recruitment exercise. NC will endeavour to consider women candidates in the recruitment exercise, when the need arises.

The Board also recognises the requirement for Independent Directors with good experience in the Exploration & Production Sector of the Oil & Gas Industry. The NC will endeavour to consider same in the recruitment exercise when the need arises.

In maintaining the independence of the Independent Directors, annual assessment is performed in order to mitigate risks arising from conflict of interests or undue influence affecting their independence. The assessment is conducted via the Assessment Sheet for each of the Independent Directors of the Company to ensure that the Director is able to exercise independent judgment, impartiality and objectivity in the best interest of the Company.

The disclosures in relation to Practice 4.2 of the MCCG are disclosed in the Corporate Governance Report.

III. Remuneration

The Board believes in a competitive and transparent remuneration framework that supports the Directors' and Senior Management's responsibilities and fiduciary duties in managing the Company to achieve its long-term objective and enhance stakeholders' value.

The remuneration of Directors is determined at levels which enable the Company to attract and retain Directors with the relevant experience and expertise to govern the Group effectively. In the case of Executive Directors, the remuneration is structured to link rewards to corporate and individual performance based on key performance indicators. For Non-Executive Directors, the level of remuneration reflects their experience and level of responsibilities.

The disclosures on Practice 6.2 and 7.1 to 7.3 of the MCCG are disclosed in the Corporate Governance Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee ("AC") comprises three (3) members, all of whom are Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director.

The composition of the AC is reviewed by the NC annually and recommended to the Board for approval. In safeguarding an independent and effective AC whilst taking guidance from the MCCG, the membership for AC consists of at least one (1) member who is financially literate and possesses appropriate level of expertise, experience and strong understanding of the Company's business.

The disclosures on Practice 8.1 to 8.5 of the MCCG are disclosed in the Corporate Governance Report.

II. Risk Management and Internal Control Framework

The Board understands that the ultimate responsibility for ensuring a sound internal control system which provides reasonable assurance on the effectiveness and efficiency of the system lies with the Board. The Group's internal control system is crafted to manage the risks to achieve Company's objectives aside from safeguarding the stakeholders' interests and the Group's asset.

The details of the Risk Management and Internal Control Framework are set out in the Statement on Internal Control and Risk Management of the Annual Report.

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

Reach Energy recognises the importance of timely dissemination of relevant corporate and other information to its shareholders and investors. Therefore, the Company complies strictly with the disclosure requirements of Bursa Securities for the Main Market and the Malaysian Accounting Standards Board. Various channels of communications are employed to promote effective dissemination of information. Information is disseminated via annual reports, circulars to shareholders, press releases, quarterly financial results and various announcements made from time to time to Bursa Securities. Reach Energy also maintains a website at www.reachenergy.com.my that allows all shareholders and investors to gain access to the information of the Company.

All announcements made by the Company, financial results, annual reports as well as the notice of general meetings are also made available on the Company's website.

In addition to the above, the Board identified Encik Izlan Bin Izhab as the Senior Independent Non-Executive Director to whom all concerns from the shareholders or investors may be conveyed.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

II. Conduct of General Meetings

All shareholders are encouraged to attend the Company's AGM, where shareholders can participate and be given the opportunity to ask questions regarding the business operations and financial performance and position of the Company. The Company allows a member to appoint two (2) proxies, who may, but need not, be members of the Company. A member may appoint any person to be his/her proxy without limitation and the proxy shall have the same rights as the member to speak at the general meetings.

Resolutions will be voted by way of poll, as required under the Listing Requirements of Bursa Securities. An Independent Scrutineer will be appointed to validate the poll results and the Company will make an announcement on the detailed results to Bursa Securities.

In facilitating greater participation by shareholders at AGMs of the Company, Reach Energy will continue to explore possible means of leveraging modern technology.

This Corporate Governance Overview Statement was approved by the Board of Reach Energy on 21 March 2018.

AUDIT COMMITTEE REPORT

The Board of Directors ("the Board") is pleased to present the Audit Committee Report and its activities held throughout the financial year ended 31 December 2017 in compliance with Paragraph 15.15 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

1. COMPOSITION, MEETINGS AND ATTENDANCE

The Audit Committee currently comprises of the following members, all of whom are Independent Non-Executive Directors. In accordance with corporate governance best practice, the Audit Committee Chairman has the necessary accounting and finance qualifications.

Directors	Position	Directorship
Nik Din Bin Nik Sulaiman	Chairman	Independent Non-Executive Director
Izlan Bin Izhab	Member	Senior Independent Non-Executive Director
Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin *	Member	Independent Non-Executive Director

* Appointed on 11 August 2017

The Audit Committee has the authority to examine specific issues and report to the Board with its recommendation. The final decision on all matters, however, lies with the entire Board of the Company.

The Audit Committee held a total of five (5) meetings during financial year ended 31 December 2017. Details of attendance of the Audit Committee members are as follows:

Name of Member	Number of Meetings Attended
Nik Din Bin Nik Sulaiman	5/5
Izlan Bin Izhab	5/5
Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin	1/2

The Finance Manager and the representatives of the internal auditors were invited to attend the meetings. The Executive Director/Chief Executive Officer was invited to attend all meetings to facilitate direct communication as well as to provide clarification on audit issues and the Company's operation. The external auditors were present at all the meetings held. During the financial year, the Audit Committee met with the external auditors twice without the presence of the executive board member and Management. Other relevant responsible senior management personnel were invited to attend the Meetings, as and when required.

2. TERMS OF REFERENCE

The Terms of Reference of the Audit Committee was last reviewed and updated on 27 February 2017 and is made available on the Company's corporate website at www.reachenergy.com.my.

3. SUMMARY OF WORK

During the financial year, the Audit Committee carried out its duties in accordance with its terms of reference. The main activities carried out by the Audit Committee were as follows:

AUDIT COMMITTEE REPORT (cont'd)

3. SUMMARY OF WORK (CONT'D)

Financial and Operations Review

(a) Reviewed the quarterly financial results and the annual audited financial statements for recommendation to the Board for approval and release to Bursa Malaysia Securities Berhad;

(b) Reviewed and recommended to the Board for approval, the Statement of Risk Management and Internal Control for inclusion in the Annual Report 2017;

(c) Reviewed and approved the Audit Committee Report for inclusion in the Annual Report 2017;

(d) Reported to the Board on significant issues and concerns discussed during the Audit Committee Meetings together with applicable recommendations. Minutes of the Audit Committee Meetings were tabled and noted by the Board; and

(e) Reviewed the application of corporate governance principles and the extent of the Company's compliance with the recommendations set out in the Malaysian Code on Corporate Governance 2017 in conjunction with the preparation of the Corporate Governance Overview Statement and Statement of Risk Management and Internal Control.

External Audit

(a) Reviewed with the external auditors, their scope of work and audit plan prior to the commencement of audit;

(b) Reviewed with the external auditors, the extent of assistance rendered by Management and issues arising from their audit, without the presence of the executive board members and Management;

(c) Reviewed with the external auditors the approved accounting standards applicable to the financial statements of the Company;

(d) Reviewed with the external auditors the results of the audit, the audit report, issues, reservations and management's responses arising from the audit, as well as the audit and non-audit fees;

(e) Reviewed the conduct, suitability, independence and the remuneration and re-appointment of the external auditors; and

(f) Ensured the independence of the external auditors by obtaining written assurance from the external auditors that the external auditors are independent in accordance with the By-laws (on professional ethics, conducts and practices) of the Malaysia Institute of Accountants.

Internal Audit

(a) Reviewed and approved/adopted the internal auditors' scope of work and audit plan as well as the adequacy of the resources requirements, competency and the budget of the internal audit function;

(b) Reviewed the internal audit reports and the status of action plans committed by Management arising from the follow-up reviews of each audit reports previously reported and to communicate to the Board on relevant issues; and

(c) Discussed the results arising from the internal audit activities, the recommendations by the internal auditors on the systems controls and weaknesses and ensured that corrective actions were taken by Management.

As part of the duties and responsibilities to oversee the financial reporting, the Audit Committee ensures that the changes in or implementation of major accounting policy changes and all significant matters highlighted including financial reporting issues, significant judgments made by Management, significant and unusual events or transactions, and how these matters are addressed and adhered to.

AUDIT COMMITTEE REPORT (cont'd)

3. SUMMARY OF WORK (CONT'D)

Internal Audit (Cont'd)

The Audit Committee also ensures that the financial reporting of the Company and the Group are in compliance with the Main Market Listing Requirements, applicable approved accounting standards and other statutory and regulatory requirements.

Related Party Transactions

The Audit Committee is to review all related party transactions entered into by the Company to ensure that such transactions are undertaken on normal commercial terms and that internal control procedures employed are both sufficient and effective.

4. INTERNAL AUDIT FUNCTION AND SUMMARY OF WORK

The Company has outsourced its Internal Audit Function to an independent professional firm, Deloitte Enterprise Risk Services Sdn Bhd ("Deloitte ERS") which reports directly to the Audit Committee. The Audit Committee is to review and monitor on behalf of the Board, the adequacy and integrity of the Company's internal control.

The internal auditors are empowered with strict accountability for confidentiality and proper safeguarding of records and information, is authorised full, free and unrestricted access to any and all of the Company's records, physical properties, to carry out any internal audit activities.

The outsourced internal auditor submitted audit reports on the reviews carried out based on the agreed Internal Audit Plan to the Audit Committee for their review and presented the audit findings at the Audit Committee meetings. The internal audit reports focus on providing a comprehensive view of internal control design and effectiveness for the respective auditable areas as well as recommendations on internal control deficiencies identified. The outsourced internal auditor also carried out follow-up review on remediation activities taken by Management subsequent to the recommendations agreed during the meetings.

During the financial year ended 31 December 2017, the outsourced internal auditors carried out audits and follow-up review on the following areas:-

- Finance Management
- Human Resource Management
- Baseline Internal Audit of Emir-Oil LLP as part of the Transition of Operatorship from MIE Holdings Corporation to the Company.

The outsourced internal auditor used international practices framework or a risk-based approach in preparing their internal reviews. The results of the audits provided in the Internal Audit Reports together with the findings and recommendation for improvements were presented to the Audit Committee for deliberations. The resulting reports from the audits were also forwarded to the Management for attention and necessary corrective actions.

The total cost incurred for the internal audit function for the financial year ended 31 December 2017 amounted to RM209,000.

5. PERFORMANCE OF AUDIT COMMITTEE

The performance of Audit Committee was assessed through self-evaluation and the Nomination Committee reviewed the results of such assessments prior to recommending to the Board. During the financial year ended 31 December 2017, the Board is satisfied that the Audit Committee has been able to discharge its function, duties and responsibilities in accordance to the Terms of Reference of the Audit Committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(B) of the Listing Requirement of Bursa Malaysia Securities Berhad, the Board of Directors ("the Board") is pleased to provide the following Risk Management and Internal Control Statement ("Statement") which outlines the nature and scope of risk management and internal control of the Group during the financial year ended 31 December 2017.

The Board is committed and acknowledges its responsibility to oversee the system of risk management and internal controls within the Group including reviewing its adequacy, integrity and effectiveness to safeguard shareholders' investments and the Group's assets.

BOARD OF DIRECTORS ROLES AND RESPONSIBILITIES

The Board is responsible and accountable for the Group's system of risk management framework and internal control, which includes the establishment of an appropriate risk management framework and control environment, as well as reviewing its effectiveness, adequacy and integrity. The system of internal control covers governance, financial, organisational, operational and compliance controls. This system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's desired objectives by virtue of the limitations inherent in any system of internal controls. Accordingly, it can only provide reasonable, rather than absolute, assurance against material misstatement or loss.

Management has assessed the risks faced by the Group based on their judgement, by identifying the Group's ability to reduce the incidence and impact of risks, and ensuring that the benefits outweigh the costs of operating the controls. Through the Risk Management Committee, the Board observed that measures were taken on areas identified for improvement, as part of management's continued efforts to strengthen the Group's internal control.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS

Risk management is regarded by the Board to be the component of internal control and integral to operations. It is unified into the Group's governance and business operations, which consist of structured and systematic process that enable continuous improvement in decision-making, through a robust Risk Management Framework.

To achieve the above, the Group has established and carried out the processes for identifying, evaluating and managing significant risks faced by the Group. Risk assessment and evaluation are embedded in the Group's strategic planning and day-to-day operations.

In the event that breaches of controls are noted, the relevant parties would be informed accordingly and steps would be taken to rectify such breaches.

A. Management

Management acknowledges their responsibility in risk management for implementing the processes for identifying, evaluating, monitoring and reporting risks and for taking appropriate and timely corrective or mitigating actions as needed, in particular the following areas:

- *Operational level*

  Detailed risk assessments and mitigation plans of each project are led by the relevant manager involving health, safety, security and environment ("HSSE") specialists, geologists, petroleum engineers, primary contractors and joint venture representatives. These also include subsurface, wells, facilities, operations, business processes, commercial and regulatory matters.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS (CONT'D)

A. Management (Cont'd)

- *Group level*

  The key risks are reported to the Risk Management Committee on a regular basis for monitoring and review. The Risk Management Committee comprises key personnel from different technical, operational and financial disciplines, who are responsible for ensuring effective risk governance and implementation within the Group and meets at least twice a year to review and update the risk events, procedures and mitigating measures that are undertaken and also proposes new mitigation measures to contain risks which all remain prevalent.

The risk profiles at each entity level are also regularly discussed at management level to ensure risks and controls are designed to meet the agreed business objectives.

B. Internal Audit

Internal audit complements the role of the Risk Management Committee by independently reviewing the adequacy and effectiveness of the controls implemented based on identified risk and risk management strategies relevant to the audit engagement.

To achieve the above, the Group's outsourced internal auditors assist to assess the quality of risk management and control and report to the Audit Committee on the status of specific areas identified for improvement based on their audit plan.

C. Board of Directors

The Board considers whether business risks have impacted or are likely to impact the Group's achievement of its objectives and strategies in assessing the effectiveness of the risk oversight and internal control activities of the Group.

The Board meets the Risk Management Committee at least twice a year to highlight and discuss the key risks as well as the status of mitigation plans. As such, the Risk Management Committee, on behalf of the Board, is tasked to:

(a) provide oversight, direction and counsel to the Company's/Group's risk management framework, policies and process which include the following:

- Establish the Company's/Group's Risk Management Framework based on an internationally recognized risk management framework.
- Conduct annual review and periodic testing of the Company's/Group's Risk Management Framework. This should include any insights it has gained from the review and any changes made to its Risk Management Framework arising from the review.
- Monitor the Company/Group and Divisional level risk exposures and management of the significant financial and non-financial risks identified.
- Evaluate new risks identified including the likelihood of the emerging risks happening in near future and consider the need to put in place appropriate controls.
- Review Company/Group Risk Profile and ensure that significant risks that are outside tolerable ranges are being responded with appropriate actions taken in a timely manner.
- Review the status of the implementation of management action plans in mitigating significant risks identified.
- Review and recommend the Company's/Group's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' interest and the Company's/Group's assets.

(b) review the risk identification process to confirm it is consistent with the Company's strategy and business plan;

(c) inquire of management / department heads and the external/internal auditors about significant business, political, financial and control risks or exposure to such risk;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL EFFECTIVENESS (CONT'D)

C. Board of Directors (Cont'd)

(d) oversee and monitor the Company's documentation of the material risks that the Company faces and update as events change and risks shift;

(e) assess the steps management has implemented to manage and mitigate identifiable risk, including the use of hedging and insurance;

(f) oversee and monitor at least annually, and more frequently if necessary, the Company's policies for risk assessment and risk management (the identification, monitoring, and mitigation of risks); and

(g) review the following, with the objective of obtaining reasonable assurance that financial risk is being effectively managed and controlled:

i. management's tolerance for financial risks;

ii. management's assessment of significant financial risks facing the Company;

iii. the Company's policies, plans, processes and any proposed changes to those policies for controlling significant financial risks; and

iv. to review legal matters which could have a material impact on the Company's public disclosure, including financial statements.

Throughout the financial year and up to the date of this statement, the Board had considered all key issues that have been highlighted, and how these had been addressed, including all additional information necessary to ensure it had taken into account all significant aspects of risk factors and internal control of the Group. Among the issues considered were:

(a) changes in the nature and the extent of significant risk factors since the previous assessment and how the Group has responded to changes in its business and the external environment;
(b) the effectiveness of the Group's risk management and internal control system;
(c) the work of its internal audit, risk management team and other assurance providers, including the external auditors;
(d) the extent and adequacy of the communication of the results of the monitoring to the Board;
(e) the incidence of any control failure or weaknesses that were identified at any time during the year and their impact on the Group's performance or financial, business or operational conditions;
(f) events that had not been anticipated by management which impacted the achievement of the Group's objectives; and
(g) the adequacy and effectiveness of the risk management and internal control policies as a whole.

INTERNAL CONTROL FRAMEWORK AND ASSESSMENT

The Group's internal control framework and assessment are segregated into two inter-related components, as follows:

A. Control Environment

Control environment is the organisational structure and culture created by management and employees to sustain organisational support for effective internal control, whereby it is the foundation for all the other components of internal control, providing discipline and structure. Management's commitment to establishing and maintaining effective internal control is flowed downwards and spread throughout the Group's control environment, in supporting the implementation of internal control.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

INTERNAL CONTROL FRAMEWORK AND ASSESSMENT (CONT'D)

A. Control Environment (Cont'd)

The key elements of control environment encompasses the following:

Organisation Structure

The Group has a well-defined organisation structure that is aligned to its business operation requirements, which includes check and balance through segregation of duties. Well-established reporting lines and authority limits govern the approval process, driven by Limits of Authority set by the Board.

Through the abovementioned structure, the Board approved and monitored the key strategic, business and investment plans. The Board papers, include both financial and non-financial matters such as cash flow forecasts, business strategies, business opportunities, corporate exercises, and any other key matters to be considered for the Group. These are escalated to the Board for deliberation and approval.

Limits of Authority

The Board, through a clear and formally defined Limits of Authority, delegates authorities to the Board Committees and management which deal with areas of corporate, financial, operational, human resource, and work plans and budgets. The Limits of Authority is the primary instrument that governs and manages the Group's business decision process. The objective of the Limits of Authority is to ensure a system of internal control of checks and balances to empower management in executing business activities. The Limits of Authority will be reviewed and updated periodically to ensure its relevance to the Group's business.

Board and Management Committees

The Board Committees, namely the Audit Committee, Nomination Committee, Remuneration Committee, and Risk Management Committee are all governed by clearly defined terms of reference.

The Audit Committee encompasses a majority of independent directors with wide ranging in-depth experience from different backgrounds, knowledge and expertise. Its members continue to meet regularly and have unimpeded access to both the internal and external auditors during the financial year.

Human Resource policies and procedures

There are guidelines within the Group for the hiring and termination of staff, annual performance appraisals, human capital development and other relevant procedures to ensure that employees are competent and adequately trained to carry out their duties and responsibilities.

Code of Conduct and Ethics (Code)

Employees and directors are required to read, understand and adhere to the Code of Conduct policy. The policy encompasses sections such as Conflict of Interest, Insider Trading, Discrimination and harassment, health & safety and other relevant sections.

Health, Safety and Environment Policy

The Group continues to instill awareness and build commitment on health, safety and environment throughout the whole organisation. Reasonable and practical steps are undertaken to eliminate or prevent the risk of personal injury, occupational illnesses and damage to properties as well as protect and conserve the environment.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

INTERNAL CONTROL FRAMEWORK AND ASSESSMENT (CONT'D)

A. Control Environment (Cont'd)

To achieve the above, management is committed to:

(a) Comply with health, safety and environment legal requirements wherever the Group operates;
(b) Identify, evaluate and control safety and health risks, and environment impacts relating to the operations and prevent health, safety and environment incidents;
(c) Provide competent workforce, adequate resources and organisation in all activities in ensuring a safe environment at the workplace;
(d) Maintain a healthy and safe working place for the employees and contractors;
(e) Promote productive health, safety and environment engagement with the employees, regulatory authorities, contractors and other relevant key stakeholders;
(f) Implement a fit-for-purpose Health, Safety and Environment Management System (HSE-MS);
(g) Establish effective crisis management and emergency response capabilities in the operations; and
(h) Continually improve the Health, Safety and Environment performance.

Other Policies

Key policies and procedures such as Procurement, Finance Management, Information & Technology, Quality Management, Whistleblowing, Personal Data Protection, Anti Bribery, Corporate Communications, No Smoking, Drugs and Alcohol are available via the Group's shared drive. These are revised periodically to meet changing business, operational and statutory reporting needs.

B. Monitoring

Monitoring the effectiveness of internal control is embedded in the normal course of the business. Periodic assessments are integral to management's continuous monitoring of internal control.

Management and Board Meetings

The Board members meet regularly with a set schedule of matters, which is required to be brought to their attention for discussion to ensure the effectiveness of supervision over appropriate control.

To achieve the above, the Board meetings encompasses the following activities:

(a) The Chief Executive Officer ("CEO") and key management personnel lead the presentation of Board papers and provide explanations of pertinent issues; and
(b) The Board members, through a thorough deliberation and discussion, act on the recommendations by management.

The Group's overall strategic business plan which maps out its objectives, business direction and highlights project risks with particular focus on the operation of Emir-Oil Concession Block in Kazakhstan is presented by management to the Board for their deliberation and approval. Management, together with the Board, regularly reviews issues covering, but not limited to, business strategy, risks, performance, resources and future business appraisals.

The Audit Committee and Risk Management Committee monitor the risks associated with this operation and report their findings to the Board. Significant changes in the business and the external environment, and strategic plans to address these changes are reported by management to the Board on an on-going basis.

In addition, quarterly unaudited financial results and other information are provided to the Audit Committee and the Board to enable the Board to monitor and evaluate the business and financial performance.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

INTERNAL CONTROL FRAMEWORK AND ASSESSMENT (CONT'D)

B. Monitoring (Cont'd)

Internal Audit

The Internal Audit Function is outsourced to an external service provider. The outsourced internal auditor directly reports to the Audit Committee on the effectiveness of the current system of internal controls from the perspective of governance, risks and controls.

The internal and external audit plans are approved by the Audit Committee on a periodic basis. The Audit Committee also monitors major internal and external audit issues to ensure they are promptly addressed and resolved. Significant findings and recommendations for improvements are highlighted to management and Audit Committee, with follow-up and reviews of action plans.

Adequacy and effectiveness of the group's risk management and internal control systems

The Group's internal control system does not apply to its corporate shareholder, MIE Holdings Corporation ("MIEH") but to its subsidiaries, Palaeontol B.V. and Emir-Oil which fall within the control of its majority shareholders.

The Group's internal control system described in this statement applies for subsidiaries where the Group is the operator and has the ability to participate in the key decision-making process of the subsidiaries.

The Board and Audit Committee review management accounts of subsidiaries. These provide the Board with performance-related information to enable informed and timely decision-making on the Group's investments.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditor, PricewaterhouseCoopers ("PwC") has reviewed this Statement for inclusion in the Annual Report of the Group for the financial year ended 31 December 2017. Their review was conducted in accordance with Audit and Assurance Practice Guide 3 ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement, issued by the Malaysian Institute of Accountants ("MIA"). AAPG 3 does not require the external auditors to, and they did not, consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures. AAPG 3 also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

CONCLUSION

The Board is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system. The Board has received assurance from the CEO that the Group's risk management and internal control system, in all material aspects, is operating adequately and effectively. For the financial year under review, there were no material control failures or adverse compliance events that have directly resulted in any material loss to the Group.

This statement on risk management and internal control is made in accordance with the resolution of the Board dated 21 March 2018.

ADDITIONAL COMPLIANCE INFORMATION

Pursuant to the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, the following additional information is provided:-

UTILISATION OF PROCEEDS

The Company did not carry out any corporate exercise to raise funds during the financial year ended 31 December 2017.

AUDIT AND NON-AUDIT FEES

The fees paid/payable to the external auditors for services rendered to the Group and Company for the financial year ended 31 December 2017 are as follows:-

	RM ‘000
AUDIT FEES	
- PricewaterhouseCoopers, Malaysia	309
- Member firm of PricewaterhouseCoopers International Limited	616
NON-AUDIT FEES	
- PricewaterhouseCoopers, Malaysia	90
- Member firm of PricewaterhouseCoopers International Limited	243
	1,258

MATERIAL CONTRACTS INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company involving Directors’ and major shareholders’ interests during the financial year ended 31 December 2017.

RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE

There were no recurrent related party transactions of a revenue nature which require shareholders’ mandate during the financial year ended 31 December 2017.

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2018

Issued and fully paid-up share capital	:	RM10,964,127.75 comprising 1,096,412,775 ordinary shares
Class of shares	:	Ordinary Shares
Voting rights by show of hand	:	One (1) vote for each member
Voting rights by poll	:	One (1) vote for each ordinary share held

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shareholdings
1 - 99	17	0.31	425	0.00
100 - 1,000	310	5.58	180,350	0.02
1,001 - 10,000	2,381	42.86	15,989,900	1.46
10,001 - 100,000	2,287	41.17	84,458,300	7.70
100,001 to less than 5% of issued shares	557	10.03	551,621,978	50.31
5% and above of issued shares	3	0.05	444,161,822	40.51
Total	5,555	100.00	1,096,412,775	100.00

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held (Direct Interest)	%	No. of Shares Held (Deemed/ Indirect Interest)	%
1	Reach Energy Holdings Sdn Bhd	255,600,200	23.31	–	–
2	Ir. Shahul Hamid Bin Mohd Ismail	766,000	0.07	255,600,200 [a]	23.31
3	MTD Capital Bhd	149,245,700	13.61	–	–
4	Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	43,631,400	3.98	40,000,000 [b]	3.65
5	Puan Sri Nik Fuziah Binti Tan Sri Dr. Nik Hussein	40,000,000	3.65	43,631,400 [c]	3.98
6	Lembaga Tabung Haji	106,480,800	9.71	–	–

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2018 (cont'd)

DIRECTOR'S SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

No.	Name of Director	No. of Shares Held (Direct Interest)	%	No. of Shares Held (Deemed/ Indirect Interest)	%
1	Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	43,631,400	3.98	40,000,000 [d]	3.65
2	Izlan Bin Izhab	–	–	–	–
3	Nik Din Bin Nik Sulaiman	400,000	0.04	350,000 [e]	0.03
4	Ir. Shahul Hamid Bin Mohd Ismail	766,000	0.07	255,600,200 [f]	23.31
5	Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin	–	–	2,000,000 [g]	0.18

Notes:

a, f Deemed interest by virtue of his interest in Reach Energy Holdings Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act, 2016

b, d Indirect interest by virtue of the shareholding of his spouse, Puan Sri Nik Fuziah Binti Tan Sri Dr. Nik Hussein, pursuant to Section 59(11)(c) of the Companies Act, 2016

c Indirect interest by virtue of the shareholding of her spouse, Tan Sri Dr. Azmil Khalili Bin Dato' Khalid, pursuant to Section 59(11)(c) of the Companies Act, 2016

e Indirect interest by virtue of the shareholdings of his spouse pursuant to Section 59(11)(c) of the Companies Act, 2016

g Deemed interest by virtue of his directorship in Malene Insurance Brokers Sdn Bhd pursuant to Section 8(4)(a) of the Companies Act, 2016

LIST OF THIRTY (30) LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	% of Shareholdings
1	Reach Energy Holdings Sdn Bhd	255,600,200	23.31
2	Lembaga Tabung Haji	102,225,000	9.32
3	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for MTD Capital Bhd*	86,336,622	7.87
4	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for MTD Capital Bhd*	53,532,678	4.88
5	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Abdul Aziz bin Abdul Kadir*	45,000,000	4.10
6	Nik Fuziah Binti Nik Hussein	40,000,000	3.65
7	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Azmil Khalili bin Khalid*	23,631,400	2.16
8	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Azmil Khalili bin Khalid*	20,000,000	1.82
9	Citigroup Nominees (Asing) Sdn Bhd *Exempt an for Citibank New York (Norges Bank 14)*	15,982,200	1.46
10	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Chin San*	14,244,000	1.30

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2018 (cont'd)

LIST OF THIRTY (30) LARGEST SHAREHOLDERS (CONT'D)

No.	Name of Shareholders	No. of Shares	% of Shareholdings
11	HLB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Kim Heung*	10,000,000	0.91
12	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Rickoh Corporation Sdn Bhd*	10,000,000	0.91
13	Citigroup Nominees (Tempatan) Sdn Bhd *Kumpulan Wang Persaraan (Diperbadankan) (Kenanga)*	9,874,700	0.90
14	HLIB Nominees (Asing) Sdn Bhd *Pledged Securities Account for Sun Rui Zhe*	9,820,000	0.90
15	Yayasan Pok dan Kassim	9,500,000	0.87
16	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for MTD Capital Bhd*	8,000,000	0.73
17	CIMB Group Nominees (Tempatan) Sdn Bhd *CIMB Islamic Trustee Berhad for Pacific Dana Aman*	6,268,300	0.57
18	RHB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Yong Loy Huat*	6,000,000	0.55
19	Lee Chee Ming	5,000,000	0.46
20	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Koh Kin Lip*	5,000,000	0.46
21	RHB Capital Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tengku Adnan bin Tengku Mansor*	5,000,000	0.46
22	Khoo Chang Chiang	4,784,000	0.44
23	Maybank Nominees (Tempatan) Sdn Bhd *Exempt An for Maybank Islamic Asset Management Sdn Bhd*	4,255,800	0.39
24	Alliancegroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Chin San*	4,200,000	0.38
25	HLIB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Abd Rahman Bin Soltan*	4,000,000	0.36
26	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for TNTT Realty Sdn Bhd*	4,000,000	0.36
27	Ng Kim Keong	3,624,100	0.33
28	TA Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Kong Mah Realty (M) Sdn Bhd*	3,300,000	0.30
29	PFM Capital Sdn Bhd	3,172,100	0.29
30	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Mohd Dom Bin Ahmad*	3,110,000	0.28
		775,461,100	70.72

ANALYSIS OF WARRANT HOLDINGS
AS AT 31 MARCH 2018

No. of Warrants Issued	:	1,277,822,225
No. of Warrants Unexercised	:	1,277,822,225
Exercise Price	:	RM0.75
Expiry Date	:	The expiry dates of the warrants is as follows:- 15 August 2022 if the completion of Qualifying Acquisitions takes place within 36 months from the date of listing of the Company (i.e 15 August 2014)
Rights of Warrant Holder	:	The Warrant holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such Warrant holders exercise their Warrants into new ordinary shares of the Company.

ANALYSIS BY SIZE OF WARRANT HOLDINGS

Size of Warrant Holdings	No. of Warrant Holders	% of Warrant Holders	No. of Warrant	% of Warrant Holdings
1 - 99	0	0.00	0	0.00
100 - 1,000	78	2.18	54,725	0.00
1,001 - 10,000	794	22.18	5,557,400	0.43
10,001 - 100,000	1,748	48.83	89,016,300	6.97
100,001 to less than 5% of issued warrant	959	26.79	927,593,800	72.59
5% and above of issued warrant	1	0.03	255,600,000	20.00
Total	3,580	100.00	1,277,822,225	100.00

SUBSTANTIAL WARRANT HOLDERS AS PER THE REGISTER OF SUBSTANTIAL WARRANT HOLDERS

No.	Name of Warrant Holders	No. of Warrants Held (Direct Interest)	%	No. of Warrants Held (Deemed/ Indirect Interest)	%
1	Reach Energy Holdings Sdn Bhd	255,600,000	20.00	–	–
2	Shahul Hamid bin Mohd Ismail	1,000,000	0.08	255,600,000 [a]	20.00

Notes:

a Deemed interest by virtue of his interest in Reach Energy Holdings Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act, 2016

ANALYSIS OF WARRANT HOLDINGS
AS AT 31 MARCH 2018 (cont'd)

DIRECTOR'S WARRANT HOLDINGS AS PER REGISTER OF DIRECTORS' WARRANT HOLDINGS

No.	Name of Director	No. of Warrants Held (Direct Interest)	%	No. of Warrants Held (Deemed/ Indirect Interest)	%
1	Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	–	–	40,000,000 ^	3.13
2	Izlan Bin Izhab	–	–	–	–
3	Nik Din Bin Nik Sulaiman	–	–	–	–
4	Shahul Hamid Bin Mohd Ismail	1,000,000	0.08	255,600,000 #	20.00
5	Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin	–	–	2,000,000 *	0.16

Notes:

^ Indirect interest by virtue of the warrant holdings of his spouse pursuant to Section 59(11)(c) of the Companies Act, 2016

Deemed interest by virtue of his interest in Reach Energy Holdings Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act, 2016

* Deemed interest by virtue of his directorship in Malene Insurance Brokers Sdn Bhd pursuant to Section 8(4)(a) of the Companies Act, 2016

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS

No.	Name of Warrant Holders	No. of Warrants	% of Warrant Holdings
1	Reach Energy Holdings Sdn Bhd	255,600,000	20.00
2	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Abdul Aziz Bin Abdul Kadir*	40,000,000	3.13
3	Nik Fuziah Binti Nik Hussein	40,000,000	3.13
4	Lembaga Tabung Haji	35,521,100	2.78
5	Ku Lian Sin	26,349,200	2.06
6	Citigroup Nominees (Asing) Sdn Bhd *CBHK PBGSGP for Sunnyvale Holdings Ltd*	22,710,300	1.78
7	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Tan Soon Lai*	22,086,700	1.73
8	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Tan Boon Chai*	21,000,000	1.64
9	Citigroup Nominees (Asing) Sdn Bhd *Exempt an for Citibank New York (Norges Bank 1)*	20,000,000	1.57
10	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Lim Kai Swee*	12,500,000	0.98

ANALYSIS OF WARRANT HOLDINGS
AS AT 31 MARCH 2018 (cont'd)

LIST OF THIRTY (30) LARGEST WARRANT HOLDERS (CONT'D)

No.	Name of Warrant Holders	No. of Warrants	% of Warrant Holdings
11	Chua Chin Chyang	11,000,000	0.86
12	Ng Mooi Lan	10,700,000	0.84
13	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for Lee Soi Gek (PB)*	10,643,000	0.83
14	Era Bina Sdn Bhd	10,550,000	0.83
15	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ang Piang Kok*	10,550,000	0.83
16	DB (Malaysia) Nominee (Asing) Sdn Bhd *Exempt An for Bank of Singapore Limited*	10,500,000	0.82
17	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB for Teo Ah Seng*	10,000,000	0.78
18	Cimsec Nominees (Tempatan) Sdn Bhd *CIMB Bank for Tan Kim Heung*	10,000,000	0.78
19	Mohanadass Kanagasabai	8,615,000	0.67
20	Tiong Huo Chiong	8,469,000	0.66
21	Maybank Securities Nominees (Asing) Sdn Bhd *Pledged Securities Account for Seyed Abu Tahir Bin Huhary*	8,056,900	0.63
22	Lai Ming Chun @ Lai Poh Lin	8,000,000	0.63
23	Raymon Mangalaraj A/L Yesudian	8,000,000	0.63
24	Chua Chin Chyang	7,700,000	0.60
25	Tan Ah San @ Tan Ah Seng	7,582,000	0.59
26	Leow Wai Mun	7,200,000	0.56
27	Wong Chee Keong @ Wong Chee Kong	7,000,000	0.55
28	Affin Hwang Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lye Ha Noou @ Lai Chow Mooi*	6,771,000	0.53
29	HLIB Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ahmad Zaini bin A. Jamil*	6,000,000	0.47
30	Goh Pei Kiat	5,892,000	0.46
		668,996,200	52.35

NOTICE OF FIFTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifth Annual General Meeting of the Company will be held at Ballroom 3, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 28 June 2018 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Directors' and Auditors' Reports thereon. — **Please refer to Explanatory Note to the Agenda**

2. To approve the proposed payment of Directors' fees amounting to RM400,000 in respect of the financial year ending 31 December 2018, to be made payable quarterly. — **Ordinary Resolution 1**

3. To approve the payment of Directors' benefits (other than Directors' fees) up to an amount of RM500,000 for the period from 1 January 2018 until the conclusion of the next Annual General Meeting of the Company. — **Ordinary Resolution 2**

4. To re-elect Encik Nik Din Bin Nik Sulaiman, who retires by rotation pursuant to Article 70 of the Constitution of the Company. — **Ordinary Resolution 3**

5. To re-elect Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin who retires pursuant to Article 75 of the Constitution of the Company. — **Ordinary Resolution 4**

6. To re-appoint PricewaterhouseCoopers PLT (AF1146 & LLP0014401-LCA) as the Company's Auditors and to authorise the Directors to fix their remuneration. — **Ordinary Resolution 5**

AS SPECIAL BUSINESS

7. To consider and if thought fit, to pass the following Ordinary Resolution:-

Authority for Directors to issue and allot shares in the Company pursuant to Section 75 and 76 of the Companies Act, 2016 — **Ordinary Resolution 6**

"**THAT** subject always to the Companies Act, 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Constitution of the Company and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Section 75 and 76 of the Companies Act, 2016 to issue and allot new shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person(s) whomsoever as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total issued share capital of the Company for the time being.

AND THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF FIFTH ANNUAL GENERAL MEETING (cont'd)

ANY OTHER BUSINESS

8. To transact any other business for which due notice shall have been given.

BY ORDER OF THE BOARD

CHEN BEE LING (MAICSA 7046517)
TAN LAI HONG (MAICSA 7057707)
Company Secretaries

Selangor Darul Ehsan
Date : 30 April 2018

Notes:

1. In regard of deposited securities, only members whose names appears in the Record of Depositors as at 22 June 2018 shall be eligible to attend the Meeting and to speak and vote thereat.
2. A member of the Company who is entitled to attend and vote at the Meeting shall be entitled to appoint any person as his(her) proxy to attend and vote in his(her) stead. There shall be no restriction as to the qualification of the proxy. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
3. A member of the Company may appoint not more than two (2) proxies to attend the Meeting. Where a member appoints two (2) proxies, he(she) shall specify the proportion of his(her) shareholdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hands of the member or of his(her) attorney duly authorised in writing or if the member is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised. If the instrument appointing a proxy is executed by an officer or attorney duly authorised in writing, supporting documents are to be produced on the day of the Annual General Meeting for verification by the Company Secretary.
5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account to attend and vote at the Meeting.
6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), such Exempt Authorised Nominee may appoint multiple proxies in respect of each omnibus account it holds. The appointment of multiple proxies shall be invalid unless the authorised nominee or exempt authorised nominee specifies the proportion of its shareholdings to be represented by each proxy it has appointed.
7. To be valid, the Form of Proxy must be completed, signed and deposited at the Share Registrar's office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned meeting.
8. Registration will commence at 8.30 a.m. and close at 10.30 a.m. on the day of the Meeting. Members and proxies are advised to be punctual. For verification purposes, members and proxies are required to produce their original identification card at the registration counter.
9. Drinks and lunch will be provided.
10. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements, all resolutions set out in the Notice of the Fifth Annual General Meeting will be put to vote on a poll.

NOTICE OF FIFTH ANNUAL GENERAL MEETING (cont'd)

EXPLANATORY NOTES TO THE AGENDA:

Item 1 of the Agenda

This item of the Agenda is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item of the Agenda is not put forward for voting.

Items 2 and 3 of the Agenda

Payment of Directors' fees and benefits

Section 230(1) of the Companies Act, 2016 provides amongst others, that "the fees" of the directors and "any benefits" payable to the directors of a listed company and its subsidiaries shall be approved at a general meeting.

In this respect, the Company is seeking shareholders' approval for the payment of Directors' fees totaling RM400,000 for the financial year ending 31 December 2018.

Besides, the Company is also seeking shareholders' approval for the payment of Directors' benefits up to an amount of RM500,000 for the period from 1 January 2018 until the conclusion of the next Annual General Meeting of the Company.

The estimated amount payable (Directors' fees and benefits) is based on the assumption that the Company maintain its existing Board composition. In the event the proposed amount is insufficient (e.g. due to more meetings or enlarged Board size), approval will be sought at the next Annual General Meeting for additional benefits to meet the shortfall.

The proposed payment of benefits comprises meeting allowances and training allowances payable to the Chairman and members of the Board and Board Committees.

Item 4 of the Agenda

Article 70 of the Constitution provides that one-third (1/3) of the Directors of the Company for the time being shall retire by rotation at an Annual General Meeting of the Company. With the current Board size of five (5) directors, one (1) Director is to retire in accordance with Article 70 of the Constitution. The computation excludes Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin who will be retiring pursuant to Article 75 of the Constitution.

Item 5 of the Agenda

Article 75 of the Constitution provides that any director appointed during the year under review shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. This re-election shall not take into consideration the directors who will be retiring pursuant to Article 70 of the Constitution. YM Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin who was appointed during the year under review is to retire in accordance to Article 75 of the Constitution.

Item 6 of the Agenda

Re-appointment of PricewaterhouseCoopers PLT as the Company's auditors

With effect from 2 January 2018, Messrs PricewaterhouseCoopers, a conventional partnership firm with the Registration No. AF 1146 has converted to PricewaterhouseCoopers PLT, a limited liability partnership with the Registration No. LLP0014401-LCA & AF 1146. PricewaterhouseCoopers PLT has given their consent for re-appointment as Auditors of the Company.

NOTICE OF FIFTH ANNUAL GENERAL MEETING (cont'd)

EXPLANATORY NOTES TO THE AGENDA: (CONT'D)

Item 7 of the Agenda

Authority for Directors to issue and allot shares in the Company pursuant to Section 75 and 76 of the Companies Act, 2016

This is the renewal of the mandate obtained from the members at the last Annual General Meeting held on 29 June 2017 ("the previous mandate"). The previous mandate was not utilised and accordingly, no proceeds were raised.

The proposed Ordinary Resolution 6 is to empower the Directors to issue and allot shares in the Company up to an aggregate amount not exceeding 10% of the total issued share capital of the Company for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Authority for Directors to issue and allot shares in the Company pursuant to Section 75 and 76 of the Companies Act, 2016

This is a renewal of the mandate obtained from the shareholders of the Company at the Annual General Meeting of 29 June 2017 and if passed, will empower the Directors of the Company to issue and allot shares up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company.

This authority unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting.

The renewal of this mandate would provide flexibility to the Company for any possible fund raising exercise, including but not limited for further placing of shares, for purpose of funding future investment projects, working capital and/or acquisitions. This authority is to avoid any delay and cost involved in convening a general meeting to approve such issuance of shares.

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REACH ENERGY BERHAD

(1034400-D)

CDS Account No.	
No. of shares held	

PROXY FORM

I/We ....

(FULL NAME IN BLOCK LETTERS)

(NRIC No./Passport No./Company Registration No ....)

of ....

(ADDRESS)

being a member/members of **REACH ENERGY BERHAD**, hereby appoint:

Full Name (in block letters)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Full Name (in block letters)	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the Fifth Annual General Meeting of **REACH ENERGY BERHAD** to be held at Ballroom 3, Sime Darby Convention Centre, 1A, Jalan Bukit Kiara 1, 60000 Kuala Lumpur on Thursday, 28 June 2018 at 10.00 a.m. and at any adjournment thereof, and to vote as indicated below:-

Resolution No.	Resolution	For	Against
Ordinary Resolution 1	To approve the proposed payment of Directors' fees in respect of the financial year ending 31 December 2018, to be made payable quarterly		
Ordinary Resolution 2	To approve the proposed payment of Directors' benefits (other than Directors' fees) for the period from 1 January 2018 until the conclusion of the next Annual General Meeting		
Ordinary Resolution 3	To re-elect Encik Nik Din Bin Nik Sulaiman		
Ordinary Resolution 4	To re-elect Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin		
Ordinary Resolution 5	Re-appointment of PricewaterhouseCoopers PLT as the Company's Auditors		
Ordinary Resolution 6	Authority to issue and allot shares pursuant to Section 75 and 76 of the Companies Act, 2016		

Please indicate with an 'X' in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific instruction, your proxy will vote or abstain as he/she thinks fit.

Signed this __________ day of ___________________, 2018

....

Signature of Shareholder/ Attorney
(if shareholder is a corporation, this part should be executed under seal or under the hand of its officer or attorney duly authorised)

Notes:

1. *In regard of deposited securities, only members whose names appears in the Record of Depositors as at 22 June 2018 shall be eligible to attend the Meeting and to speak and vote thereat.*
2. *A member of the Company who is entitled to attend and vote at the Meeting shall be entitled to appoint any person as his(her) proxy to attend and vote in his(her) stead. There shall be no restriction as to the qualification of the proxy. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*
3. *A member of the Company may appoint not more than two (2) proxies to attend the Meeting. Where a member appoints two (2) proxies, he(she) shall specify the proportion of his(her) shareholdings to be represented by each proxy.*
4. *The instrument appointing a proxy shall be in writing (in the common or usual form) under the hands of the member or of his(her) attorney duly authorised in writing or if the member is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised. If the instrument appointing a proxy is executed by an officer or attorney duly authorised in writing, supporting documents are to be produced on the day of the Annual General Meeting for verification by the Company Secretary.*
5. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account to attend and vote at the Meeting.*
6. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), such Exempt Authorised Nominee may appoint multiple proxies in respect of each omnibus account it holds. The appointment of multiple proxies shall be invalid unless the authorised nominee or exempt authorised nominee specifies the proportion of its shareholdings to be represented by each proxy it has appointed.*
7. *To be valid, the Form of Proxy must be completed, signed and deposited at the Share Registrar's office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned meeting.*
8. *Registration will commence at 8.30 a.m. and close at 10.30 a.m. on the day of the Meeting. Members and proxies are advised to be punctual. For verification purposes, members and proxies are required to produce their original identification card at the registration counter.*
9. *Drinks and lunch will be provided.*
10. *Pursuant to Paragraph 8.29A of the Main Market Listing Requirements, all resolutions set out in the Notice of the Fifth Annual General Meeting will be put to vote on a poll.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

COMPANY SECRETARY
REACH ENERGY BERHAD
c/o Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

1st fold here

REACH ENERGY BERHAD
(Company No: 1034400-D) (Incorporated in Malaysia under the Companies Act, 1965)

D3-5-8, Block D3, Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur, Malaysia.
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www.reachenergy.com.my