



REACH ENERGY BERHAD

Company no: 1034400-D
(Incorporated in Malaysia)

Report
on
Unaudited
Quarterly Financial Results
for the Period
1 Jan 2020
to
31 Mar 2020

(The figures have not been audited)

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
		Unaudited for the quarter ended 31 Mar 20 RM'000	Unaudited for the quarter ended 31 Mar 19 RM'000	Unaudited for the year ended 31 Mar 20 RM'000	Unaudited for the year ended 31 Mar 19 RM'000
	Note				
Revenue		22,681	50,774	22,681	50,774
Operating expense					
Taxes other than income taxes		(9,207)	(15,487)	(9,207)	(15,487)
Purchase, services and other direct costs		(9,306)	(8,607)	(9,306)	(8,607)
Depreciation, depletion and amortisation		(17,185)	(15,044)	(17,185)	(15,044)
Impairment		(6,629)	-	(6,629)	-
Distribution expenses		(3,680)	(5,330)	(3,680)	(5,330)
Employee compensation costs		(3,849)	(3,470)	(3,849)	(3,470)
General and administration expenses		(2,338)	(1,543)	(2,338)	(1,543)
Net loss on impairment of financial instruments		-	-	-	-
Other operating income/(expense) – net		4,824	(738)	4,824	(738)
Total operating expenses		<u>(47,370)</u>	<u>(50,219)</u>	<u>(47,370)</u>	<u>(50,219)</u>
(Loss)/profit from operations		(24,689)	555	(24,689)	555
Finance income		20,618	410	20,618	410
Finance cost		(12,545)	(21,081)	(12,545)	(21,081)
Finance income/(cost) – net		<u>8,073</u>	<u>(20,671)</u>	<u>8,073</u>	<u>(20,671)</u>
Loss before taxation	B13	(16,616)	(20,116)	(16,616)	(20,116)
Income tax benefits	B14	<u>9,313</u>	<u>7,361</u>	<u>9,313</u>	<u>7,361</u>
Loss for the financial period		<u>(7,303)</u>	<u>(12,755)</u>	<u>(7,303)</u>	<u>(12,755)</u>
Loss attributable to:					
Owners of the Company		4,604	(12,881)	4,604	(12,881)
Non-controlling interests		(11,907)	126	(11,907)	126
Loss for the financial period		<u>(7,303)</u>	<u>(12,755)</u>	<u>(7,303)</u>	<u>(12,755)</u>
Earnings per share attributable to owners of the Company	B12				
Basic loss per ordinary share (RM):		0.004	(0.01)	0.004	(0.01)
Diluted loss per ordinary share (RM):		0.004	(0.01)	0.004	(0.01)
Loss for the financial period		(7,303)	(12,755)	(7,303)	(12,755)
Other comprehensive (expense)/income, net of tax					
Items that will be reclassified subsequently to profit or loss:					
- Foreign currency translation differences		<u>(999)</u>	<u>5,000</u>	<u>(999)</u>	<u>5,000</u>
Total comprehensive expense for the financial period		<u>(8,302)</u>	<u>(7,755)</u>	<u>(8,302)</u>	<u>(7,755)</u>

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes.

REACH ENERGY BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended	Unaudited for the quarter ended	Unaudited for the year ended	Unaudited for the year ended
Note	31 Mar 20 RM'000	31 Mar 19 RM'000	31 Mar 20 RM'000	31 Mar 19 RM'000
Total comprehensive expense for the period attributable to:				
Owners of the Company	4,005	9,479	4,005	9,479
Non-controlling interests	(12,307)	(17,234)	(12,307)	(17,234)
Total comprehensive expense for the financial period	(8,302)	(7,755)	(8,302)	(7,755)

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 31 Mar 20 RM'000	Audited As at 31 Dec 19 RM'000
Assets			
Non-current assets			
Property, plant and equipment		1,477,656	1,425,941
Intangible assets		1,729	1,705
Right use of assets		5,995	5,856
Prepayment and other receivables		3,620	7,402
Restricted cash		6,136	6,860
Total non-current assets		1,495,136	1,447,764
Current assets			
Inventories		2,235	3,553
Trade receivables		2,275	296
Prepayment and other receivables		16,360	16,743
Amount due from corporate shareholder in a subsidiary		3,361	3,237
Amount due from corporate shareholder		-	-
Amount due from subsidiary		-	-
Deposits, cash and bank balances		14,041	35,958
Tax Recoverable		-	-
Total current assets		38,272	59,787
Total assets		1,533,408	1,507,551
Liabilities			
Current liabilities			
Trade payables		47,123	42,399
Accruals and other payables		19,799	18,025
Lease liabilities		885	912
Amounts due to corporate shareholder in a subsidiary	A7	8,567	8,149
Current tax liabilities		3,705	3,513
Total current liabilities		80,079	72,998
Net current liabilities		(41,807)	(13,211)
Total assets less current liabilities		1,453,329	1,434,553
Non-current liabilities			
Deferred tax liabilities		103,513	108,756
Amounts due to corporate shareholder in a subsidiary	A7	648,395	617,131
Trade payables		19,392	22,356
Accruals and other payables		1,017	864
Lease liabilities		4,110	4,859
Provisions		5,157	5,738
		781,584	759,704
Net assets		671,745	674,849
Equity			
Capital		488,975	488,975
Other reserves		178,627	176,108
Retained earnings/(accumulated losses)		(189,416)	(184,106)
Equity attributable to owners of the Company		478,186	480,977
Non-controlling interest		193,559	193,872
Total Equity		671,745	674,849
Net assets per share (RM)		0.61	0.62

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←----- Attributable to Equity Holders of the Company ----->							
	←----- Non-distributable ----->							
	Capital RM'000	Warrants reserve RM'000	Share- based payment reserves RM'000	Foreign exchange reserve RM'000	Accumulated losses RM'000	Total RM'000	Non- controlling interest RM'000	Total Equity RM'000
As at 1 January 2020	488,975	198,914	821	(23,627)	(194,020)	471,063	203,786	674,849
Loss for the financial year	-	-	-	-	4,604	4,604	(11,907)	(7,303)
Other comprehensive expense, net of tax - Foreign currency translation	-	-	-	2,519	-	2,519	1,680	4,199
Total comprehensive income/(expense) for the financial year	-	-	-	2,519	4,604	7,123	(10,227)	(3,104)
As at 31 March 2020	488,975	198,914	821	(21,108)	(189,416)	478,186	193,559	671,745

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Capital RM'000	Warrants reserve RM'000	Capital contribution RM'000	Share- based payment reserves RM'000	Foreign exchange reserve RM'000	Accumulated losses RM'000	Total RM'000	Non- controlling interest RM'000	Total Equity RM'000
As at 1 January 2019	488,975	198,914	81,682	821	(23,029)	(55,703)	691,660	162,480	854,140
Loss for the financial year	-	-	-	-	-	(128,403)	(128,403)	(51,711)	(180,114)
Other comprehensive income, net of tax									
- Foreign currency translation	-	-	-	-	(598)	-	(598)	(399)	(997)
- Impact of restructuring of loan from corporate shareholder of a subsidiary	-	-	(81,682)	-	-	-	(81,682)	83,502	1,820
Total comprehensive income/(expense) for the year	-	-	(81,682)	-	(598)	(128,403)	(201,683)	31,392	(179,291)
As at 31 Dec 2019	488,975	198,914	-	821	(23,627)	(184,106)	480,977	193,872	674,849

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 3 months 31 Mar 20 RM'000	Unaudited 3 months 31 Mar 19 RM'000
Cash flows from operating activities		
Loss before tax	(16,616)	(20,116)
Adjustments for:-		
Depreciation of property, plant and equipment	15,209	15,044
Impairment of asset	6,629	-
Unrealised foreign exchange (gain)/loss, net	(20,350)	5,451
Finance cost	12,565	15,630
Finance income	(268)	(410)
Loss in disposal of assets	12	-
Write off of inventory	78	83
Write off of property, plant and equipment	(33)	9
Net provision for impairment of trade receivables	(22)	-
	<u>(2,796)</u>	<u>15,691</u>
Changes in working capital:		
Inventories	1,518	1,983
Prepayment and other receivables	5,349	(1,859)
Trade receivables	(1,897)	(14,133)
Trade payables	16,487	18,694
Other payables and accruals	(23,495)	(2,883)
Amount due to corporate shareholder in a subsidiary	(4,504)	(739)
Cash flows generated from operating activities	<u>(9,338)</u>	<u>16,754</u>
Income tax refund/(paid)	-	153
Net cash generated from operating activities	<u>(9,338)</u>	<u>16,907</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(12,439)	(20,711)
Finance income received	268	377
Movement in restricted cash	1,052	(75)
Net cash used in investing activities	<u>(11,119)</u>	<u>(20,409)</u>
Cash flows from financing activities		
Interest paid	(13,398)	-
Payment of lease interest	(20)	-
Payment of lease principal	(312)	-
Net cash used in financing activities	<u>(13,730)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	(34,187)	(3,502)
Cash and cash equivalents at the beginning of the year	35,958	49,007
Exchange difference on cash and cash equivalents	12,270	426
Cash and cash equivalents at end of the period	<u>14,041</u>	<u>45,931</u>

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes.

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PART A - EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS
("MFRS") 134 - INTERIM FINANCIAL REPORTING

A1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting issued by Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

The explanatory notes attached to unaudited condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2019.

The accounting policies and methods of computation adopted by the Group in these unaudited condensed consolidated financial statements are consistent with those adopted in the audited consolidated financial statements for the financial year ended 31 December 2019 except for those standards, amendments and interpretations which are effective from the annual period beginning on or after 1 January 2020. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the financial year ending 31 December 2020.

A2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

The Group plans to apply the below mentioned accounting standards, amendments and interpretations: from the annual period beginning on 1 January 2020 for those accounting standards that are effective for annual periods beginning on or after 1 January 2020.

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

A3. AUDITORS' OPINION ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The Group's consolidated financial statements for the financial year ended 31 Mar 2020 were not subject to audit qualification.

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The Group's operations are not affected by any seasonal or cyclical factors.

A5. INDIVIDUALLY SIGNIFICANT ITEMS

There are no other significant or unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group on the current financial period under review.

A6. MATERIAL CHANGES IN ESTIMATES

There were no significant changes in estimates that have material effect on the current financial period under review.

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A7. BORROWING, DEBT AND EQUITY SECURITY

(I) BORROWING

	As at 31 Mar 2020					
	Long term		Short term		Total borrowings	
Amount due to corporate shareholder in a subsidiary	*Foreign denomination	RM denomination	*Foreign denomination	RM denomination	*Foreign denomination	RM denomination
Unsecured	150,702	648,395	1,991	8,567	152,693	656,962
	As at 31 Dec 2019					
	Long term		Short term		Total borrowings	
Amount due to corporate shareholder in a subsidiary	*Foreign denomination	RM denomination	*Foreign denomination	RM denomination	*Foreign denomination	RM denomination
Unsecured	150,796	617,131	1,991	8,149	152,787	625,280

*The unsecured borrowings are denominated in United States Dollars ("USD") and translated at the rate of 4.303 (2019: 4.093).

There was a repayment of principal on deferred consideration and no drawdowns of borrowings made during the 3 months financial period ended 31 March 2020. The amount due to corporate shareholder in a subsidiary has the following interest exposures and repayment terms:

<u>Amount</u>	<u>Interest</u>	<u>Repayment terms</u>
RM'000		
166,710	Ranging from 10% to 14%	No fixed repayment period
246,940	5%	Due in 2021
85,606	Interest free	Due in 2021
63,252	4.86%	Due in 2036
30,230	Interest free	Due in 2036
8,567	Interest free	Repayable on demand
1,672	5%	Due in 2023
581	Interest free	Due in 2023
<u>53,404</u>	Interest free	No fixed repayment period
<u>656,962</u>		

(II) EQUITY

There were no movements in the issued and paid-up capital of the Company during the current period.

A8. DIVIDEND PAID

There was no dividend declared or paid during the current financial period ended 31 Mar 2020.

A9. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE YEAR

There were no material events after the interim period that have not been reflected in the unaudited condensed consolidated financial statements.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current financial period ended 31 Mar 2020.

A11. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 31 Mar 2020.

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A12. COMMITMENT

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

	Unaudited As at 31 Mar 20 RM'000	Audited As at 31 Dec 19 RM'000
Authorised but not contracted for	15,688	35,526
Contracted but not provided for	93,582	107,170
	109,270	142,696

(II) According to the production contracts for four fields in Kazakhstan, the Group is obligated to perform minimum work program during the life of the production contracts. Set out below is the commitment for the minimum work program:

	Unaudited As at 31 Mar 20 RM'000	Audited As at 31 Dec 19 RM'000
< 1 year	151,204	201,733
1 – 2 years	432,728	326,752
2 – 5 years	119,415	299,768
> 5 years	311,860	763,252
	1,015,207	1,591,505

The minimum work program includes capital expenditure of RM 651 million (2019: RM 931 million) to be incurred over the life of the production contracts expiring in 2036. Other commitments represent mainly direct operation and maintenance costs of wells and related facilities.

PART B: ADDITIONAL NOTES TO REQUIREMENTS UNDER CHAPTER 9 OF THE BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

B1. OPERATING SEGMENTS

Operating segments are represented in respect of the Group's business segments. The Group has activities in the following principal areas:

OIL AND GAS

The oil and gas operating segment consists of the exploration, development, production and sales of oil and other petroleum products in the Republic of Kazakhstan.

All revenue of the operating segment is contributed by external customers. The major customer, Euro Asian Oil SA ("Euro Asian"), is one the largest trading companies in Mangystau region of Western Kazakhstan.

INVESTMENT HOLDING

The investment holding segment's main activity is to hold the investment in Emir-Oil Concession Block with awarded Exploration and Production Contracts up to year 2036.

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B1. OPERATING SEGMENTS (CONT'D)

(I) SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER		CUMULATIVE QUARTER		CUMULATIVE QUARTER	
	Unaudited for the quarter ended 31 Mar 20		Unaudited for the quarter ended 31 Mar 19		Unaudited for the year ended 31 Mar 20		Unaudited for the year ended 31 Mar 19	
	Oil & Gas RM'000	Investment Holdings RM'000	Oil & Gas RM'000	Investment Holdings RM'000	Oil & Gas RM'000	Investment Holdings RM'000	Oil & Gas RM'000	Investment Holdings RM'000
Revenue	22,681	-	50,774	-	22,681	-	50,774	-
Results								
Operating expenses	(45,098)	(2,272)	(48,496)	(1,723)	(45,098)	(2,272)	(48,496)	(1,723)
Finance (expense)/income, net	(6,884)	14,957	(9,324)	(11,347)	(6,884)	14,957	(9,324)	(11,347)
(Loss)/profit before taxation	(29,301)	12,685	(7,046)	(13,070)	(29,301)	12,685	(7,046)	(13,070)
Income tax benefit	9,313	-	7,361	-	9,313	-	7,361	-
(Loss)/profit for the financial period	(19,988)	12,685	315	(13,070)	(19,988)	12,685	315	(13,070)

The amounts are denominated in United States Dollars ("USD") and translated at an average rate of 4.026 (2019: 4.141).

(II) SUMMARISED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31 Mar 20		Audited as at 31 Dec 19	
	Oil & Gas RM'000	Investment Holdings RM'000	Oil & Gas RM'000	Investment Holdings RM'000
Non-current assets	1,494,843	293	1,447,407	357
Current assets	26,856	11,416	34,163	25,623
Current liabilities	(76,433)	(3,646)	(69,685)	(3,312)
Non-current liabilities	(561,356)	(220,228)	(543,492)	(216,212)
Net assets	883,910	(212,165)	868,393	(193,545)
Accumulated non-controlling interest		193,559		193,872

The amounts are denominated in United States Dollars ("USD") and translated at the closing rate of 4.093 (2018: 4.139).

B2. OVERALL REVIEW OF GROUP'S FINANCIAL PERFORMANCE

(I) COMPARING WITH PRECEDING YEAR QUARTER RESULTS

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 31 Mar 20 RM'000	Unaudited for the quarter ended 31 Mar 19 RM'000	Unaudited for the year ended 31 Mar 20 RM'000	Unaudited for the year ended 31 Mar 19 RM'000
Revenue	22,681	50,774	22,681	50,774
Operating expenses	(47,370)	(50,219)	(47,370)	(50,219)
EBITDA	(7,504)	15,599	(7,504)	15,599
Loss before tax	(16,616)	(20,116)	(16,616)	(20,116)
Loss after tax	(7,303)	(12,755)	(7,303)	(12,755)

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

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

Individual Quarter

The Group recorded revenue of RM 22.7 million for the current quarter under review as compared to RM 50.8 million in the preceding year corresponding quarter. The lower revenue for the current quarter was due to lower production. The average production for the first quarter of 2020 was 1,840 bopd as compared to 2,800 bopd for the first quarter 2019.

Operating expenses for the first quarter showed a decrease of RM 2.9 million as compared to the corresponding first quarter of 2019, mainly due to decrease in taxes other than income taxes. The lower tax was attributed to the lower revenue as explained above.

As a result of lower revenue, the Group recorded negative Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 7.5 million in the first quarter of 2020 as compared to positive RM 15.6 million in the first quarter of 2019.

The impairment of asset amounted of RM 6.6 million was arising from the decline in oil price and negative impact on economic activities.

The finance income of RM 20.6 million in the first quarter mainly consist of unrealised forex gain whereas the finance cost of RM 12.5 million in the first quarter of 2020 mainly consists of interest payable to corporate shareholder.

The Group has recorded Loss before Tax of RM 16.6 million in the first quarter of 2020, compared to Loss before Tax of RM 20.1 million in the first quarter of 2019.

Currently, the Group's net asset per share stands at RM 0.61 as compared to the closing market price of RM 0.075 per share on 29 June 2020.

(II) COMPARING WITH IMMEDIATE PRECEDING QUARTER RESULTS

	CURRENT QUARTER	IMMEDIATE PRECEDING QUARTER
	Unaudited for the period ended 31 Mar 20 RM'000	Audited for the period ended 31 Dec 19 RM'000
Revenue	22,681	37,760
Operating expenses	(47,370)	(158,415)
EBITDA	(7,504)	(70,802)
Loss before tax	(16,616)	(146,481)
Loss after tax	(7,303)	(133,720)

The Group's revenue for the current quarter under review has decreased by 39.9% to RM 22.7 million from RM 37.8 million in the fourth quarter of 2019. The lower revenue was contributed by the lower production in first quarter of 2020 of 1,840 bopd, as compare to 2,011 bopd in fourth quarter in 2019.

For the current quarter under review, operating expenses recorded lower as compared to the fourth quarter of 2019 mainly due to lower impairment of asset and Depreciation, Depletion and Amortization (DD&A).

The lower negative EBITDA for the current quarter under review was mainly due to lower impairment of asset and taxes other than income tax as compared to the fourth quarter of 2019.

For the current quarter under review, the Group has recorded Loss before Tax of RM 16.6 million and Loss after Tax of RM 7.3 million compared to the four quarter of 2019 Loss before Tax of RM 146.5 million and Loss after Tax of RM 133.7 million.

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B3. MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group recorded a Loss before Tax of RM 16.6 million in the current 3 months period ended 31 March 2020 while in the corresponding 3 months period ended 31 March 2019, the Group recorded a Loss before Tax of RM 20.1 million.

B4. PROSPECT

In 2019, we pursued key endeavors of obtaining Commercial Production Contracts for the North Kariman and Yessen fields and the Prolongation of the Exploration Contract for the Emir-Oil Concession Block for another three year period. These three critical items were successfully secured and signed effective 1 January 2020. The Field Development Plans for Aksaz, Dolinnoe and Kariman fields were also submitted and approved by the Republic of Kazakhstan's Ministry of Energy during this period.

Reach Energy also announced the positive results from the exploration wells K-16 (spudded 6 October 2018) and K-15 (spudded 30 December 2018) based on well tests conducted in November 2019. These results validate our geological understanding that the Kariman field is a larger geological structure as compared to the current mining allotment area of the Kariman field. This represents a good prospect as Reach Energy plans to apply to enlarge the current Kariman mining allotment towards the west and north of Kariman, including the North Kariman field which creates a much larger and integrated Kariman mining allotment.

Well Yessen-4 ("Y-4") was drilled (spudded 24 December 2019) to confirm the larger extent of hydrocarbon-bearing formation to upgrade the geological analysis and understanding of the area. As previous exploration wells in the Yessen field (Y-1, Y-2, and Y-3) have discovered oil, the chances of success of this well in terms of commerciality and contribution to overall reserves and production is high.

Due to expected reservoir pressure decline, the need for installing ESPs in most of the producing wells has become necessary to artificially lift to maintain the current level of production until reservoir pressure maintenance project is implemented and also targeted new development wells are drilled to increase production from current level.

The outlook for Year 2020 is expected to remain challenging, due to the volatility in the global and domestic markets. This is further compounded by the COVID-19 pandemic which saw crude oil prices fall rapidly on expectations of a demand slump due to the outbreak. This would inevitably impact the Group as well as other industry players.

Within such an environment, cost containment will continue to be paramount, and we will continue to focus intently on maintaining strong cost discipline through proven cost optimisation efforts to underline our competitiveness and resilience. The Group will however remain focused in growing its core business despite these challenges.

B5. RESERVES

As part of our responsibility as a public-listed E&P Company, we provide transparency of our core assets to shareholders and the public. Our appointed Independent Reserves Assessor, Gaffney Cline and Associates (GCA), had completed an independent reserves and economic evaluation of oil and gas properties in the Emir-Oil Concession Block, as at the effective date on 1 January 2020.

As at 01 January 2020, 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	13.33	50.87	85.77
Dolinnoe	1.55	3.39	5.98
Aksaz	0.91	1.74	3.10
Yessen	0.87	2.53	7.11
Emir	0.02	0.05	0.12
Total	16.68	58.58	102.08

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B5. RESERVES (CONT'D)

(II) GAS

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

(III) OIL, LPG AND GAS

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

B6. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

Purpose of Utilisation	Proposed Utilisation RM'000	Actual Utilisation RM'000
Acquisition of the target company/asset	710,625	580,528
Working capital		
- Remuneration of the management team	15,459	14,696
- Pre-IPO office and corporate expenses	611	25,646
- Others	26,475	31,102
Estimated listing expenses	26,000	26,795

B7. PROFIT FORECAST AND GUARANTEE

The Group has not announced or disclosed any profit forecast and guarantee in any public documents.

B8. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were no purchases or disposal of quoted securities during the financial period ended 31 Mar 2020.

B9. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sale of unquoted investment and /or properties during the financial period ended 31 Mar 2020.

B10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

There were no financial instruments with material off-balance sheet risk as at 31 Mar 2020.

B11. MATERIAL LITIGATION

There were no material litigations as at 31 Mar 2020.

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B12. EARNINGS PER SHARE

(I) BASIC LOSS PER ORDINARY SHARE

The calculation of basic loss per ordinary share as at 31 Mar 2020 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, as follows:-

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 31 Mar 20 RM'000	Unaudited for the quarter ended 31 Mar 19 RM'000	Unaudited for the year ended 31 Mar 20 RM'000	Unaudited for the year ended 31 Mar 19 RM'000
Loss after taxation attributable to owner of the Company	4,604	(12,881)	4,604	(12,881)
Weighted average number of ordinary shares	1,096,413	1,096,413	1,096,413	1,096,413
Basic loss per ordinary share (RM)	0.004	(0.01)	0.004	(0.01)
Diluted loss per ordinary share (RM)	0.004	(0.01)	0.004	(0.01)

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

Diluted earnings/(loss) per ordinary share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effect of all dilutive potential ordinary shares, which comprise of free convertible warrants granted to the shareholders.

The assumed conversions from the exercise of warrants of the ordinary shares would be anti-dilutive.

B13. LOSS BEFORE TAXATION

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 31 Mar 20 RM'000	Unaudited for the quarter ended 31 Mar 19 RM'000	Unaudited for the year ended 31 Mar 20 RM'000	Unaudited for the year ended 31 Mar 19 RM'000
Loss before taxation is arrived after charging/(crediting):				
Interest income from deposits with licensed banks	268	377	268	377
Other finance income	-	33	-	33
Unrealised foreign exchange (loss)/gain, net	20,350	(5,451)	20,350	(5,451)
Interest expenses on loan from corporate shareholder in a subsidiary	(6,520)	(9,039)	(6,520)	(9,039)
Interest expenses on deferred consideration	(5,670)	(6,288)	(5,670)	(6,288)
Other finance cost	(355)	(303)	(355)	(303)

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B14. INCOME TAX EXPENSES

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 31 Mar 20 RM'000	Unaudited for the quarter ended 31 Mar 19 RM'000	Unaudited for the year ended 31 Mar 20 RM'000	Unaudited for the year ended 31 Mar 19 RM'000
Current income tax				
Malaysian income tax:				
- Current period/year	-	-	-	-
Foreign income tax:				
- Current year	20,957	6,428	20,957	6,428
- Under provision in prior year	-	-	-	-
Deferred income tax:				
- Origination and reversal of temporary difference	(11,644)	933	(11,644)	933
	<u>9,313</u>	<u>7,361</u>	<u>9,313</u>	<u>7,361</u>

In the current year, the income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated assessable profit for the year.

BY ORDER OF THE BOARD
CHEN BEE LING (MAICSA 7046517)
TAN LAI HONG (MAICSA 7057707)

COMPANY SECRETARIES
30 JUNE 2020