



# **REACH ENERGY BERHAD**

Company no: 1034400-D  
(Incorporated in Malaysia)

Report  
on  
Unaudited  
Quarterly Financial Results  
for the Period  
1 Oct 2019  
to  
31 Dec 2019

(The figures have not been audited)

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

		<b>INDIVIDUAL QUARTER</b>	<b>INDIVIDUAL QUARTER</b>	<b>CUMULATIVE QUARTER</b>	<b>CUMULATIVE QUARTER</b>
		<b>Unaudited for the quarter ended 31 Dec 19 RM'000</b>	<b>Audited for the quarter ended 31 Dec 18 RM'000</b>	<b>Unaudited for the year ended 31 Dec 19 RM'000</b>	<b>Audited for the year ended 31 Dec 18 RM'000</b>
<b>Note</b>					
Revenue		37,760	69,297	170,812	220,284
Operating expense					
Taxes other than income taxes		(12,982)	(22,452)	(55,634)	(74,578)
Purchase, services and other direct costs		(9,383)	(12,588)	(34,790)	(29,947)
Depreciation, depletion and amortisation		(48,913)	(1,618)	(90,195)	(59,902)
Impairment		(84,893)	-	(84,893)	-
Distribution expenses		(4,302)	(6,475)	(18,153)	(25,673)
Employee compensation costs		(4,135)	(3,683)	(14,011)	(14,300)
General and administration expenses		(492)	(1,599)	(7,664)	(8,781)
Net loss on impairment of financial instruments		-	(455)	-	(455)
Other operating (expenses)/income – net		(2,652)	(1,880)	(884)	1,223
Total operating expenses		<u>(167,752)</u>	<u>(50,750)</u>	<u>(306,224)</u>	<u>(212,413)</u>
<b>(Loss)/profit from operations</b>		<b>(129,992)</b>	<b>18,547</b>	<b>(135,412)</b>	<b>7,871</b>
Finance income		19,624	(257)	25,674	8,671
Finance cost		(42,824)	(14,821)	(90,075)	(55,249)
Finance (cost)/income – net		<u>(23,200)</u>	<u>(15,078)</u>	<u>(64,401)</u>	<u>(46,578)</u>
<b>(Loss)/profit before taxation</b>	B13	<b>(153,192)</b>	<b>3,469</b>	<b>(199,813)</b>	<b>(38,707)</b>
Income tax benefits/(expenses)	B14	<u>30,040</u>	<u>(18,508)</u>	<u>30,266</u>	<u>(17,318)</u>
<b>Loss for the financial period</b>		<b><u>(123,152)</u></b>	<b><u>(15,039)</u></b>	<b><u>(169,547)</u></b>	<b><u>(56,025)</u></b>
<b>Loss attributable to:</b>					
Owners of the Company		(105,719)	(26,799)	(141,571)	(41,727)
Non-controlling interests		<u>(17,433)</u>	<u>11,760</u>	<u>(27,976)</u>	<u>(14,298)</u>
<b>Loss for the financial period</b>		<b><u>(123,152)</u></b>	<b><u>(15,039)</u></b>	<b><u>(169,547)</u></b>	<b><u>(56,025)</u></b>
<b>Earnings per share attributable to owners of the Company</b>	B12				
Basic loss per ordinary share (RM):		(0.10)	(0.02)	(0.13)	(0.04)
Diluted loss per ordinary share (RM):		(0.10)	(0.02)	(0.13)	(0.04)
<b>Loss for the financial period</b>		<b>(123,152)</b>	<b>(15,039)</b>	<b>(169,547)</b>	<b>(56,025)</b>
<b>Other comprehensive (expense)/income, net of tax</b>					
<b>Items that will be reclassified subsequently to profit or loss:</b>					
- Foreign currency translation differences		900	(211)	14,722	4,996
<b>Total comprehensive expense for the financial period</b>		<b><u>(122,252)</u></b>	<b><u>(15,250)</u></b>	<b><u>(154,825)</u></b>	<b><u>(51,029)</u></b>

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes.

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)**

	<b>INDIVIDUAL QUARTER</b>	<b>INDIVIDUAL QUARTER</b>	<b>CUMULATIVE QUARTER</b>	<b>CUMULATIVE QUARTER</b>
	<b>Unaudited for the quarter ended</b>	<b>Audited for the quarter ended</b>	<b>Unaudited for the year ended</b>	<b>Audited for the year ended</b>
<b>Note</b>	<b>31 Dec 19 RM'000</b>	<b>31 Dec 18 RM'000</b>	<b>31 Dec 19 RM'000</b>	<b>31 Dec 18 RM'000</b>
<b>Total comprehensive expense for the period attributable to:</b>				
Owners of the Company	(105,179)	(26,541)	(117,385)	(21,376)
Non-controlling interests	(17,073)	11,291	(37,440)	(29,653)
<b>Total comprehensive expense for the financial period</b>	<b><u>(122,252)</u></b>	<b><u>(15,250)</u></b>	<b><u>(154,825)</u></b>	<b><u>(51,029)</u></b>

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	Unaudited As at 31 Dec 19 RM'000	Audited As at 31 Dec 18 RM'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,420,525	1,577,947
Intangible assets		1,706	2,067
Right use of assets		5,855	-
Prepayment and other receivables		7,402	2,357
Restricted cash		6,860	6,936
<b>Total non-current assets</b>		<b>1,442,348</b>	<b>1,589,307</b>
<b>Current assets</b>			
Inventories		3,553	3,073
Trade receivables		321	14,241
Prepayment and other receivables		16,718	13,233
Amount due from corporate shareholder in a subsidiary		3,237	2,080
Amount due from corporate shareholder		-	209
Amount due from subsidiary		50	-
Deposits, cash and bank balances		35,958	49,007
Tax Recoverable		-	164
<b>Total current assets</b>		<b>59,837</b>	<b>82,007</b>
<b>Total assets</b>		<b>1,502,185</b>	<b>1,671,314</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade payables		42,399	33,026
Accruals and other payables		19,098	17,822
Amounts due to corporate shareholder in a subsidiary	A7	8,149	306,686
Current tax liabilities		3,512	4,439
<b>Total current liabilities</b>		<b>73,158</b>	<b>361,973</b>
<b>Net current liabilities</b>		<b>(13,321)</b>	<b>(279,966)</b>
<b>Total assets less current liabilities</b>		<b>1,429,027</b>	<b>1,309,341</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		91,460	123,672
Amounts due to corporate shareholder in a subsidiary	A7	617,131	293,534
Trade payables		27,103	22,350
Accruals and other payables		864	2,112
Provisions		5,738	13,533
		<b>742,296</b>	<b>455,201</b>
<b>Net assets</b>		<b>686,731</b>	<b>854,140</b>
<b>Equity</b>			
Capital		488,975	488,975
Other reserves		185,540	258,388
Retained earnings/(accumulated losses)		(197,274)	(55,703)
Equity attributable to owners of the Company		477,241	691,660
Non-controlling interest		209,490	162,480
<b>Total Equity</b>		<b>686,731</b>	<b>854,140</b>
<b>Net assets per share (RM)</b>		<b>0.63</b>	<b>0.78</b>

The unaudited condensed consolidated statement of financial position should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2018 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
<b>As at 1 January 2019</b>	488,975	198,914	81,682	821	(23,029)	(55,703)	691,660	162,480	854,140
Loss for the financial year	-	-	-	-	-	(141,571)	(141,571)	(27,976)	(169,547)
Other comprehensive expense, net of tax									
- Foreign currency translation	-	-	-	-	8,834	-	8,834	5,888	14,722
- Impact of restructuring of loan from shareholder	-	-	(81,682)	-	-	-	(81,682)	69,098	(12,584)
Total comprehensive income/(expense) for the financial year	-	-	(81,682)	-	8,834	(141,571)	(214,419)	47,010	(167,409)
<b>As at 31 Dec 2019</b>	<b>488,975</b>	<b>198,914</b>	<b>-</b>	<b>821</b>	<b>(14,195)</b>	<b>(197,274)</b>	<b>477,241</b>	<b>209,490</b>	<b>686,731</b>

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes.

**REACH ENERGY BERHAD**  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	←----- Attributable to Equity Holders of the Company -----→					Accumulated losses RM'000	Total RM'000	Non- controlling interest RM'000	Total Equity RM'000
	←----- Non-distributable -----→		Capital contribution RM'000	Share- based payment reserves RM'000	Foreign exchange reserve RM'000				
	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
<b>As at 1 January 2018</b>	488,975	198,914	14,403	821	(26,396)	(13,976)	662,741	175,146	837,887
Loss for the financial year	-	-	-	-	-	(41,727)	(41,727)	(14,298)	(56,025)
Other comprehensive income, net of tax									
- Foreign currency translation	-	-	-	-	3,367	-	3,367	1,632	4,999
- Gain from extinguishment of debt	-	-	67,279	-	-	-	67,279	-	67,279
Total comprehensive income/(expense) for the year	-	-	67,279	-	3,367	(41,727)	28,919	(12,666)	16,253
<b>As at 31 Dec 2018</b>	<b>488,975</b>	<b>198,914</b>	<b>81,682</b>	<b>821</b>	<b>(23,029)</b>	<b>(55,703)</b>	<b>691,660</b>	<b>162,480</b>	<b>854,140</b>

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Unaudited 12 months 31 Dec 19 RM'000</b>	<b>Audited 12 months 31 Dec 18 RM'000</b>
<b>Cash flows from operating activities</b>		
Loss before tax	(199,813)	(38,707)
Adjustments for:-		
Depreciation of property, plant and equipment	90,195	59,902
Impairment of asset	84,893	-
Unrealised foreign exchange loss/(gain), net	6,667	(12,273)
Finance cost	82,626	55,249
Finance income	(24,891)	(1,645)
Loss in disposal of assets	466	668
Write off of inventory	357	1,454
Write off of property, plant and equipment	141	155
Net provision for inventory obsolescence	832	1,497
	<u>41,473</u>	<u>66,300</u>
Changes in working capital:		
Inventories	(1,730)	2,822
Prepayment and other receivables	(8,872)	4,900
Trade receivables	13,925	400
Trade payables	4,663	(3,727)
Other payables and accruals	(3,423)	(12,864)
Amount due to corporate shareholder in a subsidiary	(23,836)	417
<b>Cash flows generated from operating activities</b>	<u>22,200</u>	<u>58,248</u>
Income tax refund/(paid)	164	(11)
<b>Net cash generated from operating activities</b>	<u><u>22,364</u></u>	<u><u>58,237</u></u>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(36,762)	(35,014)
Finance income received	486	2,837
Advances to corporate shareholder	-	(36)
Movement in restricted cash	(1)	546
<b>Net cash used in investing activities</b>	<u><u>(36,277)</u></u>	<u><u>(31,667)</u></u>
<b>Cash flows from financing activities</b>		
Interest paid	(2,886)	(2,596)
Payment of amount due to corporate shareholder in a subsidiary	(10,262)	(1,738)
<b>Net cash used in financing activities</b>	<u><u>(13,148)</u></u>	<u><u>(4,334)</u></u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(27,061)	22,236
<b>Cash and cash equivalents at the beginning of the year</b>	49,007	27,519
<b>Exchange difference on cash and cash equivalents</b>	14,012	(748)
<b>Cash and cash equivalents at end of the period</b>	<u><u>35,958</u></u>	<u><u>49,007</u></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 2018 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 2018 except for those standards, amendments and interpretations which are effective from the annual period beginning on or after 1 January 2019. 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 2019. The adoption of these standards, amendments and interpretations has no material impact to these unaudited condensed consolidated financial statements, other than as disclosed below:-

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Annual improvement to MFRS 2015-2017 cycle *Amendments to MFRS 123 'Borrowing Costs'*
- Annual improvement to MFRS 2015-2017 cycle *Amendments to MFRS 112 'Income Taxes'*

The Group has adopted the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January, 2019. The adoption of these new and revised MFRSs and IC Interpretations have not resulted in any material impact on the financial statements of the Group as mentioned below:

MFRS 16 Leases

MFRS 16 replaces the guidance in MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases – Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 eliminates the classification of leases by the lessee as either finance lease or operating lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. 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 the statement of profit or loss. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting is substantially unchanged from the existing MFRS 117. Lessor will continue to classify all the leases using the same classification principle in MFRS 117 as finance or operating lease.

The Group has opted to apply the simplified retrospective approach whereby cumulative effect of MFRS 16 adjustments is reflected in the opening retained earnings as at 1 January 2019.

Balance sheet impact of adopting MFRS 16 as follows

	1 January 2019	31 December 2019
	RM'm	RM'm
Right-of-use assets	7.0	6.5
Finance lease liabilities	7.0	6.5

The net impact on retained earnings on 1 January 2019 was nil.



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**A1. BASIS OF PREPARATION (COND'T)**

IC Interpretation 23 Uncertainty over Income Tax Treatments

Recognition and measurement of deferred and current income tax assets and liabilities when there are uncertain tax treatments.

Annual improvement to MFRS 2015-2017 cycle Amendments to MFRS 123 'Borrowing Costs'

Classification of specific borrowing after related qualifying asset is ready for its intended use or sale.

Annual improvement to MFRS 2015-2017 cycle Amendments to MFRS 112 'Income Taxes'

Income tax consequences of dividends on financial instruments.

**A2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES**

(a) Standards, amendments to published standards and interpretation that are applicable to the Group but not yet effective:

(i) Financial year 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)

The Group plans to apply the abovementioned 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.

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

The Group's consolidated financial statements for the financial year ended 31 December 2019 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 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
	As at 31 Dec 2018					
	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	70,927	293,534	74,106	306,686	145,033	600,220

\*The unsecured borrowings are denominated in United States Dollars ("USD") and translated at the rate of 4.093 (2018: 4.139).

There was a repayment of principal and interest on deferred consideration and no drawdowns of borrowings made during the 12 months financial period ended 31 Dec 2019. 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		
170,851	Ranging from 10% to 14%	No fixed repayment period
234,886	5%	Due in 2021
77,236	Interest free	Due in 2021
60,165	4.86%	Due in 2036
26,652	Interest free	Due in 2036
8,149	Interest free	Repayable on demand
1,590	5%	Due in 2023
502	Interest free	Due in 2023
<u>45,249</u>	Interest free	No fixed repayment period
<u>625,280</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 Dec 2019.

**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 Dec 2019.

**A11. CONTINGENT LIABILITIES OR CONTINGENT ASSETS**

There were no contingent liabilities or contingent assets as at 31 Dec 2019.

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**A12. COMMITMENT**

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

	<b>Unaudited As at 31 Dec 19 RM'000</b>	<b>Audited As at 31 Dec 18 RM'000</b>
Authorised but not contracted for	35,526	32,934
Contracted but not provided for	107,170	48,977
	142,696	81,911

**(II) RENTAL COMMITMENTS**

The Group has rental commitments related to its non-cancellable leases for offices. The future aggregate minimum lease payments under these operating leases are as follows:

	<b>Unaudited As at 31 Dec 19 RM'000</b>	<b>Audited As at 31 Dec 18 RM'000</b>
< 1 year	811	1,929
1 – 2 years	2,126	152
2 – 5 years	1,825	-
> 5 years	3,649	-
	8,411	2,081

**(III) 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:**

	<b>Unaudited As at 31 Dec 19 RM'000</b>	<b>Audited As at 31 Dec 18 RM'000</b>
< 1 year	201,733	134,989
1 – 2 years	326,752	591,461
2 – 5 years	299,768	814,124
> 5 years	763,252	2,218,666
	1,591,505	3,759,240

The minimum work program includes capital expenditure of RM 931 million (2018: RM 829 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**

	<b>INDIVIDUAL QUARTER</b>		<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Unaudited for the quarter ended 31 Dec 19</b>		<b>Audited for the quarter ended 31 Dec 18</b>		<b>Unaudited for the year ended 31 Dec 19</b>		<b>Audited for the year ended 31 Dec 18</b>	
	<b>Oil &amp; Gas</b>	<b>Investment Holdings</b>	<b>Oil &amp; Gas</b>	<b>Investment Holdings</b>	<b>Oil &amp; Gas</b>	<b>Investment Holdings</b>	<b>Oil &amp; Gas</b>	<b>Investment Holdings</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	37,760	-	69,297	-	170,812	-	220,284	-
<b>Results</b>								
Operating expenses	(164,980)	(2,772)	(48,507)	(2,243)	(297,389)	(8,835)	(204,004)	(8,409)
Finance expense, net	29,270	(52,470)	24,046	(39,124)	(38,795)	(25,606)	(1,326)	(45,252)
(Loss)/profit before taxation	(97,950)	(55,242)	44,836	(41,367)	(165,372)	(34,441)	14,954	(53,661)
Income tax benefit/(expenses)	30,040	-	(18,526)	18	30,266	-	(17,318)	-
(Loss)/profit for the financial period	(67,910)	(55,242)	26,310	(41,349)	(135,106)	(34,441)	(2,364)	(53,661)

The amounts are denominated in United States Dollars ("USD") and translated at an average rate of 4.141 (2018: 4.036).

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

	<b>Unaudited as at 31 Dec 19</b>		<b>Audited as at 31 Dec 18</b>	
	<b>Oil &amp; Gas</b>	<b>Investment Holdings</b>	<b>Oil &amp; Gas</b>	<b>Investment Holdings</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Non-current assets	1,442,334	14	1,589,288	19
Current assets	34,214	25,623	60,964	21,043
Current liabilities	(71,635)	(1,523)	(361,054)	(919)
Non-current liabilities	(526,196)	(216,100)	(455,201)	-
Net assets	878,717	(191,986)	833,997	20,143
Accumulated non-controlling interest		209,490		162,480

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**

	<b>INDIVIDUAL QUARTER</b>	<b>INDIVIDUAL QUARTER</b>	<b>CUMULATIVE QUARTER</b>	<b>CUMULATIVE QUARTER</b>
	<b>Unaudited for the quarter ended 31 Dec 19</b>	<b>Audited for the quarter ended 31 Dec 18</b>	<b>Unaudited for the year ended 31 Dec 19</b>	<b>Audited for the year ended 31 Dec 18</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	37,760	69,297	170,812	220,284
Operating expenses	(167,752)	(50,750)	(306,224)	(212,413)
EBITDA	(81,079)	20,165	(45,217)	67,773
(Loss)/profit before tax	(153,192)	3,469	(199,813)	(38,707)
Loss after tax	(123,152)	(15,039)	(169,547)	(56,025)

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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 37.8 million for the current quarter under review as compared to RM 69.3 million in the preceding year corresponding quarter. The lower revenue for the current quarter was due to lower production. The average production for the fourth quarter of 2019 was 2,011 bopd as compared to 3,100 bopd for the fourth quarter 2018.

Operating expenses for the fourth quarter showed an increase of RM 117.0 million compared with the corresponding fourth quarter of 2018, mainly due to impairment and Depreciation, Depletion and Amortization (DD&A).

Taxes other than Income Tax for the current quarter under review was lower by 42.2% as compared to the fourth quarter of 2018 mainly due to the lower production rate.

As a result of lower revenue and impairment of asset, the Group recorded negative Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 81.1 million in the fourth quarter of 2019 as compared to positive RM 20.2 million in the fourth quarter of 2018.

The Finance Cost of RM 42.8 million in the fourth quarter of 2019 mainly consists of interest payable to corporate shareholder.

The Group has recorded Loss before Tax of RM 153.2 million in the fourth quarter of 2019, compared to Profit before Tax of RM 3.5 million in the fourth quarter of 2018.

Currently, the Group's net asset per share stands at RM 0.63 as compared to the closing market price of RM 0.125 per share on 27 Feb 2020.

**Current Financial Year to Date Performance against the Year Ended 31 December 2018**

For current financial year to date, the Group revenue decreased by 22.5% from RM 220.3 million to RM 170.8 million compared with 2019. Revenue was lower due to decrease in production. The average production volume for year 2019 is 2,400 bopd as compared to 2,900 bopd in year 2018.

Operating expenses increased by 44.2% from RM 212.4 million to RM 306.2 million. These costs increase were mainly due to impairment loss of asset and increase in Depreciation, Depletion and Amortization (DD&A).

Taxes other than Income Taxes decreased by 25.4% or RM 19.0 million which was in line with the lower revenue.

Loss before Tax was recorded at RM 199.8 million as compared with RM 38.7 million in prior year. The bigger loss was primarily due to the abovementioned costs incurred, and lower revenue.

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

	<b>CURRENT QUARTER</b>	<b>IMMEDIATE PRECEDING QUARTER</b>
	<b>Unaudited for the period ended 31 Dec 19 RM'000</b>	<b>Unaudited for the period ended 30 Sep 19 RM'000</b>
Revenue	37,760	35,208
Operating expenses	(167,752)	(41,722)
EBITDA	(81,079)	6,200
Loss before tax	(153,192)	(17,161)
Loss after tax	(123,152)	(16,646)

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

**(II) COMPARING WITH IMMEDIATE PRECEDING QUARTER RESULTS (CONT'D)**

The Group's revenue for the current quarter under review has increased by 7.2% to RM 37.8 million from RM 35.2 million in the third quarter of 2019, even though the production for the fourth quarter of 2019 is at 2,011 bopd which is lower than the third quarter of 2019. The higher revenue with lower production in the fourth quarter was contributed by higher export quota in the fourth quarter as compared to the third quarter.

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

The decrease in EBITDA for the current quarter under review was mainly due to impairment of asset as compared to the third quarter of 2019.

For the current quarter under review, the Group has recorded Loss before Tax of RM 153.2 million and Loss after Tax of RM 123.2 million compared to the third quarter of 2019 Loss before Tax of RM 17.2 million and Loss after Tax of RM 16.6 million.

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

The Group recorded a Loss before Tax of RM 199.8 million in the current 12 months period ended 31 December 2019 while in the corresponding 12 months period ended 31 December 2018, the Group recorded a Loss before Tax of RM 38.7 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 Block for another 3-year period. These 3 critical items were successfully secured and signed effective 1 January 2020. The Field Development Plans for Aksas, Dolinnoe and Kariman Fields were also submitted and approved by the Kazakhstan Ministry of Energy during this period.

REB also announced the positive results from the exploration wells K-15 and K-16 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 REB plans to apply to enlarge the current Kariman mining allotment towards the west and north of Kariman, including the North Kariman field – creating a much larger and integrated Kariman mining allotment.

The outlook for Year 2020 is expected to remain challenging, due to the volatility in the global and domestic market. The group will however remain focus in continuously growing its core business despite these challenges. Amongst others, REB plans to drill new development wells in the more prolific North Kariman field that will contribute to Emir-Oil's daily production. In addition, the pilot programs for water and gas injection will be conducted to rejuvenate the Kariman field and improve hydrocarbon recovery.

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**B5. RESERVES**

As part of our responsibility as a public-listed E&P Company, we provide transparency of our core assets to shareholders and the public. Our appointed Independent Reserves 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 <u>(PROVED RESERVES)</u>	2P <u>(PROVED + PROBABLE RESERVES)</u>	3P <u>(PROVED + PROBABLE + POSSIBLE RESERVES)</u>
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
<b>Total</b>	<b>16.68</b>	<b>58.58</b>	<b>102.08</b>

**(II) GAS**

FIELD	GAS RESERVES (BSCF)		
	1P <u>(PROVED RESERVES)</u>	2P <u>(PROVED + PROBABLE RESERVES)</u>	3P <u>(PROVED + PROBABLE + POSSIBLE RESERVES)</u>
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
<b>Total</b>	<b>23.68</b>	<b>86.12</b>	<b>140.57</b>

**(III) OIL, LPG AND GAS**

FIELD	OIL AND GAS RESERVES (MMBOE)		
	1P <u>(PROVED RESERVES)</u>	2P <u>(PROVED + PROBABLE RESERVES)</u>	3P <u>(PROVED + PROBABLE + POSSIBLE RESERVES)</u>
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
<b>Total</b>	<b>20.62</b>	<b>72.93</b>	<b>125.52</b>

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

<b>Purpose of Utilisation</b>	<b>Proposed Utilisation RM'000</b>	<b>Actual Utilisation RM'000</b>
Acquisition of the target company/asset	710,625	580,528
Working capital		
- Remuneration of the management team	15,459	14,048
- Pre-IPO office and corporate expenses	611	25,646
- Others	26,475	29,723
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 Dec 2019.

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

There were no sale of unquoted investment and /or properties during the financial period ended 31 Dec 2019.

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

There were no financial instruments with material off-balance sheet risk as at 31 Dec 2019.

**B11. MATERIAL LITIGATION**

There were no material litigations as at 31 Dec 2019.

**B12. EARNINGS PER SHARE**

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

The calculation of basic loss per ordinary share as at 31 Dec 2019 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, as follows:-

	<b>INDIVIDUAL QUARTER Unaudited for the quarter ended 31 Dec 19 RM'000</b>	<b>INDIVIDUAL QUARTER Audited for the quarter ended 31 Dec 18 RM'000</b>	<b>CUMULATIVE QUARTER Unaudited for the year ended 31 Dec 19 RM'000</b>	<b>CUMULATIVE QUARTER Audited for the year ended 31 Dec 18 RM'000</b>
Loss after taxation attributable to owner of the Company	(105,719)	(26,799)	(141,571)	(41,727)
Weighted average number of ordinary shares	1,096,413	1,096,413	1,096,413	1,096,413
Basic loss per ordinary share (RM)	(0.10)	(0.02)	(0.13)	(0.04)
Diluted loss per ordinary share (RM)	(0.10)	(0.02)	(0.13)	(0.04)

**(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.



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**B13. LOSS BEFORE TAXATION**

	<b>INDIVIDUAL QUARTER</b>	<b>INDIVIDUAL QUARTER</b>	<b>CUMULATIVE QUARTER</b>	<b>CUMULATIVE QUARTER</b>
	<b>Unaudited for the quarter ended 31 Dec 19 RM'000</b>	<b>Audited for the quarter ended 31 Dec 18 RM'000</b>	<b>Unaudited for the year ended 31 Dec 19 RM'000</b>	<b>Audited for the year ended 31 Dec 18 RM'000</b>
Loss before taxation is arrived after charging/(crediting):				
Interest income from deposits with licensed banks	327	432	1,625	1,608
Other finance income	23,266	(126)	23,266	37
Foreign exchange (loss)/gain, net	(3,969)	(563)	783	7,026
Interest expenses on loan from corporate shareholder in a subsidiary	(8,081)	(9,063)	(35,328)	(33,381)
Interest expenses on deferred consideration	(6,294)	(5,295)	(25,367)	(19,961)
Other finance cost	(28,449)	(463)	(29,380)	(1,907)

**B14. INCOME TAX EXPENSES**

	<b>INDIVIDUAL QUARTER</b>	<b>INDIVIDUAL QUARTER</b>	<b>CUMULATIVE QUARTER</b>	<b>CUMULATIVE QUARTER</b>
	<b>Unaudited for the quarter ended 31 Dec 19 RM'000</b>	<b>Audited for the quarter ended 31 Dec 18 RM'000</b>	<b>Unaudited for the year ended 31 Dec 19 RM'000</b>	<b>Audited for the year ended 31 Dec 18 RM'000</b>
Current income tax				
Malaysian income tax:				
- Current period/year	-	18	-	-
Foreign income tax:				
- Current year	19	(1,729)	975	(1,729)
- Under provision in prior year	(315)	(624)	611	(624)
Deferred income tax:				
- Origination and reversal of temporary difference	30,336	(16,173)	28,680	(14,965)
	<u>30,040</u>	<u>(18,508)</u>	<u>30,266</u>	<u>(17,318)</u>

In the current year, the income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

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

**COMPANY SECRETARIES**  
**28 FEBRUARY 2020**