



REACH ENERGY BERHAD

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

Report
on
Unaudited
Quarterly Financial Results
for the Period
1 Jan 2022
to
31 Mar 2022

(The figures have not been audited)

REACH ENERGY BERHAD
Company no. 201301004557 (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	Unaudited for the quarter ended	Unaudited for the year ended	Unaudited for the year ended
	Note	31 Mar 22 RM'000	31 Mar 21 RM'000	31 Mar 22 RM'000	31 Mar 21 RM'000
Revenue		51,219	23,057	51,219	23,057
Operating expenses					
Taxes other than income taxes		(14,439)	(6,062)	(14,439)	(6,062)
Purchase, services and other direct costs		(6,502)	(4,270)	(6,502)	(4,270)
Depreciation, depletion and amortisation		(20,071)	(9,841)	(20,071)	(9,841)
Distribution expenses		(2,879)	(2,288)	(2,879)	(2,288)
Employee compensation costs		(3,265)	(2,270)	(3,265)	(2,270)
General and administration expenses		(1,397)	(1,204)	(1,397)	(1,204)
Other operating income/(expenses) – net		73	(1,440)	73	(1,440)
Total operating expenses		<u>(48,480)</u>	<u>(27,375)</u>	<u>(48,480)</u>	<u>(27,375)</u>
Profit/(loss) from operations		2,739	(4,318)	2,739	(4,318)
Finance income		10,803	14,970	10,803	14,970
Finance cost		(18,603)	(12,576)	(18,603)	(12,576)
Finance (cost)/income – net		<u>(7,800)</u>	<u>2,394</u>	<u>(7,800)</u>	<u>2,394</u>
Loss before taxation	B13	(5,061)	(1,924)	(5,061)	(1,924)
Income tax benefit	B14	7,995	4,974	7,995	4,974
Profit for the financial period		<u>2,934</u>	<u>3,050</u>	<u>2,934</u>	<u>3,050</u>
Profit/(loss) attributable to:					
Owners of the Company		366	20,245	366	20,245
Non-controlling interests		2,568	(17,195)	2,568	(17,195)
Profit for the financial period		<u>2,934</u>	<u>3,050</u>	<u>2,934</u>	<u>3,050</u>
Profit per share attributable to owners of the Company	B12				
Basic loss per ordinary share (RM):		0.0003	0.02	0.0003	0.02
Diluted loss per ordinary share (RM):		0.0003	0.02	0.0003	0.02
Profit for the financial period		2,934	3,050	2,934	3,050
Other comprehensive income/(expense), net of tax					
Items that will be reclassified subsequently to profit or (loss):					
- Foreign currency translation differences		610	(2,737)	610	(2,737)
Total comprehensive income for the financial period		<u>3,544</u>	<u>313</u>	<u>3,544</u>	<u>313</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 2021 and the accompanying explanatory notes.

REACH ENERGY BERHAD
Company no. 201301004557 (1034400-D)
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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 22 RM'000	31 Mar 21 RM'000	31 Mar 22 RM'000	31 Mar 21 RM'000
Total comprehensive income/(expense) for the period attributable to:				
Owners of the Company	732	18,603	732	18,603
Non-controlling interests	2,812	(18,290)	2,812	(18,290)
Total comprehensive income for the financial period	3,544	313	3,544	313

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 2021 and the accompanying explanatory notes.

REACH ENERGY BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 31 Mar 22 RM'000	Audited As at 31 Dec 21 RM'000
Assets			
Non-current assets			
Property, plant and equipment		1,284,579	1,284,517
Intangible assets		1,241	1,299
Right use of assets		2,281	2,339
Prepayment and other receivables		3,502	3,469
Restricted cash		8,833	8,480
Total non-current assets		1,300,436	1,300,104
Current assets			
Inventories		43	1,677
Trade receivables		7,929	849
Prepayment and other receivables		18,978	18,427
Amount due from corporate shareholder in a subsidiary		4,064	4,064
Deposits, cash and bank balances		25,108	44,452
Total current assets		56,122	69,469
Total assets		1,356,558	1,369,573
Liabilities			
Current liabilities			
Trade payables		73,887	69,536
Accruals and other payables		29,333	29,191
Lease liabilities		482	538
Amounts due to corporate shareholder in a subsidiary	A7	9,286	361,695
Current tax liabilities		2,938	2,877
Short term borrowing	A7	2,485	15,097
Provisions		765	17,730
Total current liabilities		119,176	496,664
Net current liabilities		(63,054)	(427,195)
Total assets less current liabilities		1,237,382	872,909
Non-current liabilities			
Deferred tax liabilities		61,523	69,170
Amounts due to corporate shareholder in a subsidiary	A7	731,110	362,465
Trade payables		9,097	9,048
Lease liabilities		1,570	1,654
Long term borrowing	A7	23,899	23,740
Provisions		3,737	3,930
		830,936	470,007
Net assets		406,446	402,902
Equity			
Capital		488,975	488,975
Other reserves		180,797	180,431
Accumulated losses		(365,840)	(366,206)
Equity attributable to owners of the Company		303,932	303,200
Non-controlling interest		102,514	99,702
Total Equity		406,446	402,902
Net assets per share (RM)		0.37	0.37

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 2021 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 2022	488,975	198,914	821	(19,304)	(366,206)	303,200	99,702	402,902
Profit for the financial year	-	-	-	-	366	366	2,568	2,934
Other comprehensive income, net of tax - Foreign currency translation	-	-	-	366	-	366	244	610
Total comprehensive income for the financial year	-	-	-	366	366	732	2,812	3,544
As at 31 March 2022	488,975	198,914	821	(18,938)	(365,840)	303,932	102,514	406,446

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 2021 and the accompanying explanatory notes.

REACH ENERGY BERHAD
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AUDITED 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 2021	488,975	198,914	821	(17,893)	(312,796)	358,021	129,492	487,513
Loss for the financial year	-	-	-	-	(53,410)	(53,410)	(28,849)	(82,259)
Other comprehensive expense, net of tax - Foreign currency translation	-	-	-	(1,411)	-	(1,411)	(941)	(2,352)
Total comprehensive expense for the financial year	-	-	-	(1,411)	(53,410)	(54,821)	(29,790)	(84,611)
As at 31 December 2021	488,975	198,914	821	(19,304)	(366,206)	303,200	99,702	402,902

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 2021 and the accompanying explanatory notes.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 3 months 31 Mar 22 RM'000	Unaudited 3 months 31 Mar 21 RM'000
Cash flows from operating activities		
Loss before tax	(5,061)	(1,924)
Adjustments for:-		
Depreciation of property, plant and equipment	20,071	9,841
Unrealised foreign exchange loss/(gain), net	6,541	97
Finance cost	12,062	12,479
Finance income	(10,803)	(14,970)
Change in estimate of asset retirement obligations	2	-
Loss in disposal of assets	-	4
Write off of inventory	52	243
Impairment charge/(reversal) of:		
- trade receivables	1	(24)
- cash and bank balances	5	-
- other receivables	18	-
Net reversal for inventory obsolescence	-	(1,173)
	<u>22,888</u>	<u>4,573</u>
Changes in working capital:		
Inventories	1,609	2,134
Trade receivables	7,074	5,048
Prepayment and other receivables	490	(860)
Trade payables	3,358	(355)
Other payables and accruals	(23,115)	27,388
Amount due from corporate shareholder in a subsidiary	-	(27,968)
Cash flows generated from operating activities	<u>12,304</u>	<u>9,960</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(8,482)	658
Finance income received	123	168
Movement in restricted cash	(302)	1,201
Net cash (used in)/generated from investing activities	<u>(8,661)</u>	<u>2,027</u>
Cash flows from financing activities		
Repayment of borrowing	(13,162)	-
Payment of lease interest	(15)	(6)
Payment of lease principal	(108)	(417)
Net cash used in financing activities	<u>(13,285)</u>	<u>(423)</u>
Net (decrease)/increase in cash and cash equivalents	(9,642)	11,564
Cash and cash equivalents at the beginning of the year	44,452	10,163
Exchange difference on cash and cash equivalents	(9,702)	(9,383)
Cash and cash equivalents at end of the year	<u>25,108</u>	<u>12,344</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 2021 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 2021 and the accompanying notes attached to the audited condensed consolidated financial statements.

The explanatory notes attached to unaudited condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2021.

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 2021 except for those standards, amendments and interpretations which are effective from the annual period beginning on or after 1 January 2022. 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 2022.

In the previous financial year, our statutory auditor have issued an unqualified audit opinion with emphasis of matter on material uncertainty relating to going concern. The material uncertainty arising from operational issues which have affected the Group's ability to meet production targets and the volatility of crude oil price as a result of the uncertainties surrounding the industry caused by, among others, the COVID-19 pandemic and the Ukraine-Russia conflict, in respect of REB's audited financial statements for the financial year ended 31 December 2021.

A2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in this Report are consistent with those adopted in the audited consolidated financial statements for the financial year ended 31 December 2021 except for the adoption of the following new accounting standards and amendments to standards and interpretations:

MFRSs and Amendments effective for annual periods beginning on or after 1 April 2021

Amendments to MFRS 16	Leases – Covid-Related Rent Concession beyond 30 June 2021
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MFRSs and Amendments effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 3	Business Combinations – Reference to the Conceptual Framework
Amendments to MFRS 9	Financial Instruments
Annual Improvements to MFRS 9	Fees in the "10 per cent" test for Derecognition of Financial Liabilities
Annual Improvements to MFRS 16	Amendments to Illustrative Examples – Leases Incentives
Amendments to MFRS 116	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to MFRS 137	Provision, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract

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

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

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A2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

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

A3. AUDITORS' OPINION ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The Group's consolidated financial statements for the financial year ended 31 December 2021 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.

A7. BORROWING, DEBT AND EQUITY SECURITY

(I) BORROWING

	As at 31 Mar 2022					
	Long term		Short term		Total borrowings	
Amount due to corporate shareholder in a subsidiary	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000
Unsecured	173,908	731,110	2,209	9,286	176,117	740,396
External Borrowings	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000
Secured	5,685	23,899	591	2,485	6,276	26,384
Total	179,593	755,009	2,800	11,771	182,393	766,780
	As at 31 Dec 2021					
	Long term		Short term		Total borrowings	
Amount due to corporate shareholder in a subsidiary	*Foreign denomination '000	RM Denomination '000	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM Denomination '000
Unsecured	86,797	362,465	86,613	361,695	173,410	724,160
External Borrowings	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000
Secured	5,685	23,740	3,615	15,097	9,300	38,837
Total	92,482	386,205	90,228	376,792	182,710	762,997

*The unsecured and secured borrowings are denominated in United States Dollars ("USD") and translated at the rate of 4.204 (2021: 4.176).

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

(I) BORROWING (CONT'D)

External Borrowings

Term loan facility of principle amount up to USD 6.3 million and revolving credit facility of principle amount up to USD 3.0 million for a period not exceeding 84 months at the interest of 7% per annum, offered by Kazakhstan Bank, namely Joint Stock Company Bank RBK have been drawdown in the year of 2021 to finance Emir Oil's working capital requirements and for capital expenditure (CAPEX) in relation to its drilling activities.

Amount due to corporate shareholder in a subsidiary

There was no repayment of principal on deferred consideration and no drawdowns of borrowings made during the 3 months financial period ended 31 March 2022. The amount due to corporate shareholder in a subsidiary has the following interest exposures and repayment terms:

<u>Non-current</u>	<u>Current</u>	<u>Interest</u>	<u>Repayment terms</u>
RM'000	RM'000		
162,894	-	Ranging from 10% to 14%	No fixed repayment period
242,914	-	5%	Due in 2023
117,684	-	Interest free	Due in 2023
61,804	-	4.86%	Due in 2036
48,085	-	Interest free	Due in 2036
-	9,286	Interest free	Repayable on demand
97,729	-	Interest free	No fixed repayment period
<u>731,110</u>	<u>9,286</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 March 2022.

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 March 2022.

A11. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 31 March 2022.

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A12. COMMITMENT

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

	Unaudited As at 31 Mar 22 RM'000	Audited As at 31 Dec 21 RM'000
Authorised but not contracted for	67,637	20,040
Contracted but not provided for	852	406
	<u>68,489</u>	<u>20,446</u>

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

	Unaudited As at 31 Mar 22 RM'000	Audited As at 31 Dec 21 RM'000
< 1 year	231,220	282,350
1 – 2 years	401,048	488,248
2 – 5 years	457,421	534,553
> 5 years	975,562	1,205,761
	<u>2,065,251</u>	<u>2,510,912</u>

The minimum work program includes capital expenditure of RM 679 million (2021: RM 693 million) to be incurred over the life of the production contracts expiring in 2044. Other commitments represent mainly direct operation and maintenance costs of wells and related facilities.

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 2044.

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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 22		Unaudited for the quarter ended 31 Mar 21		Unaudited for the year ended 31 Mar 22		Unaudited for the year ended 31 Mar 21	
	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	51,219	-	23,057	-	51,219	-	23,057	-
Results								
Operating expenses	(47,719)	(761)	(26,486)	(889)	(47,719)	(761)	(26,486)	(889)
Finance (cost)/ income, net	(5,076)	(2,724)	(7,003)	9,397	(5,076)	(2,724)	(7,003)	9,397
(Loss)/profit before taxation	(1,576)	(3,485)	(10,432)	8,508	(1,576)	(3,485)	(10,432)	8,508
Income tax benefit	7,995	-	4,974	-	7,995	-	4,974	-
Profit/(loss) for the financial period	6,419	(3,485)	(5,458)	8,508	6,419	(3,485)	(5,458)	8,508

The amounts are denominated in United States Dollars ("USD") and translated at an average rate of 4.198 (2021: 4.088).

(II) SUMMARISED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 31 Mar 22		Audited as at 31 Dec 21	
	Oil & Gas RM'000	Investment Holdings RM'000	Oil & Gas RM'000	Investment Holdings RM'000
Non-current assets	1,300,374	62	1,300,006	98
Current assets	51,799	4,323	64,997	4,472
Current liabilities	(114,768)	(4,408)	(492,218)	(4,446)
Non-current liabilities	(570,313)	(260,623)	(216,705)	(253,302)
Net assets	667,092	(260,646)	656,080	(253,178)
Accumulated non-controlling interest		102,514		99,702

The amounts are denominated in United States Dollars ("USD") and translated at the closing rate of 4.204 (2021: 4.176).

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 22 RM'000	Unaudited for the quarter ended 31 Mar 21 RM'000	Unaudited for the year ended 31 Mar 22 RM'000	Unaudited for the year ended 31 Mar 21 RM'000
Revenue	51,219	23,057	51,219	23,057
Operating expenses	(48,480)	(27,375)	(48,480)	(27,375)
EBITDA	22,810	5,523	22,810	5,523
Loss before tax	(5,061)	(1,924)	(5,061)	(1,924)
Profit after tax	2,934	3,050	2,934	3,050

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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 51.2 million for the current quarter under review as compared to RM 23.1 million in the corresponding quarter of the preceding year.

The average production for the first quarter of 2022 was 1,965 bopd as compared to 1,156 bopd for the first quarter of 2021.

The higher revenue for the current quarter under review as compared to the corresponding quarter of the preceding year was contributed by the higher Brent oil price and higher production volume in the current quarter as compared to the corresponding quarter of the preceding year.

Operating expenses for the current quarter showed an increase of RM 21.1 million as compared to the corresponding quarter of the preceding year. The increase in the operating expenses was in tandem with the increase in the production volume in the first quarter of 2022.

The Group recorded Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 22.8 million in the first quarter of 2022 as compared to the EBITDA of RM 5.5 million in the first quarter of 2021. The higher EBITDA in the first quarter of 2022 was contributed by the higher revenue as explained above.

The Finance Cost of RM 18.6 million in the first quarter of 2022 mainly consists of interest payable to corporate shareholder.

The Group has recorded Loss before Tax of RM 5.1 million in the first quarter of 2022, as compared to Loss before Tax of RM 1.9 million in the first quarter of 2021.

Currently, the Group's net asset per share stands at RM 0.37 as compared to the closing market price of RM 0.05 per share on 27 May 2022.

(II) COMPARING WITH IMMEDIATE PRECEDING QUARTER RESULTS

	CURRENT QUARTER	IMMEDIATE PRECEDING QUARTER
	Unaudited for the period ended 31 Mar 22 RM'000	Audited for the period ended 31 Dec 21 RM'000
Revenue	51,219	54,559
Operating expenses	(48,480)	(84,005)
EBITDA	22,810	3,038
Loss before tax	(5,061)	(43,975)
Profit/(loss) after tax	2,934	(61,923)

The Group recorded revenue of RM 51.2 million for the current quarter under review as compared to RM 54.6 million in the preceding quarter. The lower revenue for the quarter under reviewed as compare to preceding quarter was attributed by the lower production.

The average production for the first quarter of 2022 was 1,965 bopd as compared to 2,248 bopd for the fourth quarter of 2021.

Operating expenses for the first quarter of 2022 showed a decrease of RM 35.5 million as compared to the preceding quarter. The higher operating expenses in the fourth quarter of 2021 was due to the additional provision of the potential fines for non-fulfilment of contractual obligations in general and administration expenses.

The Group recorded higher Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 22.8 million for the current quarter under review as compared to the EBITDA of RM 3.0 million in the fourth quarter of 2021 was mainly due to the higher operating expenses in the fourth quarter of 2021 as explained above.

For the current quarter under review, the Group has recorded Loss before Tax of RM 5.1 million and Profit after Tax of RM 2.9 million as compared to the fourth quarter of 2021 of Loss before Tax of RM 44.0 million and Loss after Tax of RM 62.0 million.

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B3. MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group recorded a Loss before Tax of RM 5.1 million in the current three months period ended 31 March 2022 while in the corresponding three months period ended 31 March 2021, the Group recorded a Loss before Tax of RM 1.9 million.

B4. PROSPECT

Moving into 2022, we continue to expect the path towards sustained demand recovery to remain fragile and uncertain as the oil market adjusts to both short-term and long-term landscapes, driven by the resumption of economic activities amidst the ongoing COVID-19 pandemic. Not only that, the industry is also facing headwinds from the geopolitical conflict between Russia and Ukraine which resulted in a price inflation and goods distribution disruption. Nevertheless, we are well-positioned to face the uncertainties with the implementation of robust risk and internal control management as well as to continue with the implementation of our prudent turnaround plan to improve its performance both near term and long term.

For a start, we will place emphasis on our efforts to sustain and further enhance our current production level through our well workover programs which will involve the replacement of electrical submersible pumps ("ESPs") for the artificial lifting of oil to the surface. At the same time, we will also perform maintenance works such as facilities debottlenecking, re-perforation and reactivation of idle wells to further this objective along.

The Board of Directors of Reach Energy Berhad will continue to take measures to improve its financial positions and increase the shareholder value.

Emir-Oil has about 59 million barrels of oil equivalent ("MMboe") remaining estimated 2P oil and gas reserves at the beginning of 2022. To capture these reserves, 28 new development wells are required to be drilled. One of the strategies to increase production immediately is to drill new development wells in prolific locations first, and conduct the remaining program in stages in accordance with the Group's financial capability. The drilling program has commenced in the third quarter of 2021, and as of first quarter of 2022, three wells have been drilled and additional three more wells will be drilled by end of 2022.

We also intend to continue the drilling of infill wells and implementing a gas injection program which will improve our reserves recovery as well as to manage our gas emission and to ensure the sustainability of our resources. The gas injection initiative will be divided into two phases with Phase 1 involving the injection of the gas into one of the Kariman's wells which is expected to commence in the second half of 2022. Meanwhile, the commencement of Phase 2 will ensue later by end of 2022.

On the cost optimisation efforts, we have been keeping the unit production cost down to a more sustainable level. In addition to this, we will also reactivate idle wells to improve additional recovery of condensate as well as improving efficiency of the ESPs to minimise downtime. The execution of these initiatives is also in preparation of the anticipated rise in cost of oil and gas industry services. In further efforts to mitigate this issue, we intend to re-energise our technical workforce capabilities by focusing on production enhancement. Focus will also be placed on well interventions which will result in quick incremental gains as post-pandemic oil demand recovers in the long run.

Emir-Oil will continue to resolve all the safety non-compliance or violation issues. This rectification project will be conducted in two phases. The Phase 1 is considering the basic enhancement of the facilities to enable it to operate within the guidelines, while Phase 2 will assess the entire facilities in a more comprehensive manner.

Emir-Oil is also progressing well in keeping the unit production cost down to a more sustainable level. We managed to keep the unit production cost at below USD10/barrel in the first quarter of 2022.

Emir-Oil is in the process of submitting an application to the State Authorities for prolongation of the 482 Exploration Contract for another three years. The submission also consists of Exploration Project Approval for Appraisal Activities ("EP").

Emir-Oil has commenced a 3D seismic reinterpretation study of the whole contract area of Emir-Oil concessions. The objectives of the study are to assess the resource potentials and identifying locations of the planned exploration wells.

On the corporate financing, Emir-Oil had obtained a loan from Kazakhstan Bank amounting to USD 9.3 million in January 2021 to finance its CAPEX investment. The Group and Emir-Oil plan to obtain additional loan of USD 25 million to USD 30 million in next few years to further finance its CAPEX investment and expansion plan as mentioned above.

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

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B4. PROSPECT (CONT'D)

With the current situation in Ukraine, which may impact the Kazakhstan's oil and gas industry and material cost, Emir-Oil initiated to explore new routes for oil export and supplies with other countries.

Barring any unforeseen circumstances, the Board of Directors believe with our well positioned strategies to continue developing the plans, the Group will generate an improved performance.

B5. RESERVES

As part of our responsibilities as a public-listed E&P Company, we provide transparency of our core assets to shareholders and the public. Our appointed Independent Reserves Assessor, GCA, had completed an independent reserves and economic evaluation of oil and gas properties in the Emir-Oil Concession Block, as at the effective date of 31 December 2021.

As at 31 December 2021, 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	12.39	42.95	71.32
Dolinnoe	1.64	3.34	5.49
Aksaz	0.35	0.59	0.94
Yessen	0.35	0.41	0.48
Emir	0.03	0.07	0.14
Total	14.76	47.36	78.37

(II) GAS

FIELD	GAS RESERVES (BSCF)		
	1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
Kariman	13.10	50.90	79.02
Dolinnoe	7.86	15.56	24.42
Aksaz	2.11	3.61	5.78
Yessen	0.01	0.02	0.02
Emir	0.00	0.01	0.01
Total	23.08	70.10	109.25

(III) OIL, LPG AND GAS

FIELD	OIL AND GAS RESERVES (MMBOE)		
	1P (PROVED RESERVES)	2P (PROVED + PROBABLE RESERVES)	3P (PROVED + PROBABLE + POSSIBLE RESERVES)
Kariman	14.57	51.43	84.49
Dolinnoe	2.95	5.93	9.56
Aksaz	0.70	1.19	1.90
Yessen	0.35	0.41	0.48
Emir	0.03	0.07	0.14
Total	18.60	59.03	96.57

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B6. STATUS OF UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSAL

<u>Purpose of Utilisation</u>	<u>Proposed Utilisation</u>	<u>Actual Utilisation</u>
	RM'000	RM'000
Acquisition of the target company/asset	710,625	580,528
Working capital		
- Remuneration of the management team	15,459	17,385
- Pre-IPO office and corporate expenses	611	25,646
- Others	26,475	35,920
Estimated listing expenses	26,000	26,795

B7. PROFIT FORECAST AND GUARANTEE

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

B8. PURCHASE OR DISPOSAL OF QUOTED SECURITIES

There were no purchases or disposal of quoted securities during the financial period ended 31 March 2022.

B9. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sale of unquoted investment and /or properties during the financial period ended 31 March 2022.

B10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

There were no financial instruments with material off-balance sheet risk as at 31 March 2022.

B11. MATERIAL LITIGATION

(I) LITIGATION INVOLVING EMIR-OIL LLP AND MINISTRY OF ENERGY IN KAZAKHSTAN IN CONNECTION WITH GAS DISPERSION VIOLATIONS FROM OPEN TANKS AT EMIR-OIL

Emir-Oil LLP ("EO"), the Company's sub-subsidiary had received a Statement of Claim from Ministry of Energy ("MOE") in Kazakhstan in connection with the inspection carried out by MOE.

During the inspection carried out by MOE for the periods from January 2018 up to September 2019, MOE observed some substance of gas dispersion violations from open tanks at Emir-Oil. In general, gas dispersion is not permitted pursuant to the Subsoil Use Codes in Kazakhstan.

The Court in Kazakhstan ("the Court") had on 13 November 2020 ruled that EO had lost the court case and shall pay for the damages amounting to RM 7,292,000 (KZT 760,000,000). The court also indicated that the EO may submit appeal within one month from the date of receipt of the ruling in writing.

The company filed an appeal with the Supreme Court of the Republic of Kazakhstan on 15 December 2020.

The Court in Kazakhstan ("the Court") had on 10 November 2021 ruled that the penalty amount had been decreased from RM 7,292,000 (KZT 760,000,000) to RM 3,733,000 (KZT 385,556,487) to be recovered from EO.

The Company had paid the fine on 22 November 2021.

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B11. MATERIAL LITIGATION (CONT'D)

(II) LITIGATION INVOLVING EMIR-OIL LLP AND MINISTRY OF ENERGY IN KAZAKHSTAN IN CONNECTION WITH GAS DISPERSION VIOLATIONS FROM EMIR-OIL'S OPERATING FACILITIES

Emir-Oil LLP ("EO"), the Company's sub-subsiary had received a Statement of Claim from Ministry of Energy ("MOE") in Kazakhstan in connection with the inspection carried out by MOE.

During the inspection carried out by MOE for the periods from January 2018 up to September 2019, MOE observed some substance of gas dispersion violations from EO's operating facilities. In general, gas dispersion is not permitted pursuant to the Subsoil Use Codes in Kazakhstan.

The Court in Kazakhstan ("the Court") had on 19 November 2020 ruled that EO had lost the court case and shall pay for the damages amounting to RM 3,181,000 (KZT 332,271,208). The court also indicated that the EO may submit appeal within one month from the date of receipt of the ruling in writing.

The company filed an appeal with the Supreme Court of the Republic of Kazakhstan on 22 December 2020.

The Court in Kazakhstan ("the Court") had on 12 November 2021 ruled that the penalty amount had been decreased from RM 3,181,000 (KZT 332,271,208) to RM 619,000 (KZT 64,012,814) to be recovered from EO.

The Company had paid the fine on 22 November 2021.

(III) LITIGATION INVOLVING EMIR-OIL LLP AND MINISTRY OF ENERGY IN KAZAKHSTAN IN CONNECTION WITH GAS DISPERSION VIOLATIONS AT EMIR OIL FACILITIES DURING OIL OPERATIONS

Emir-Oil LLP ("EO"), the Company's sub-subsiary had received a Statement of Claim from Ministry of Energy ("MOE") in Kazakhstan in connection with the inspection carried out by MOE.

The Mangystau Regional Court in Kazakhstan ("the Court") had on 12 February 2021 ruled that EO had lost the appeal and was ordered to suspend its operation for two (2) months effective from the ruling date on 12 February 2021. The financial and operational impact to the Company associated with the two (2) months suspension of operations is estimated to contribute 13% to 15% reduction in the total annual revenue for the financial year ended 31 December 2021.

Emir Oil LLP had resumed its operation on 13 April 2021 after the expiry of suspension period of 2 months from Mangystau Regional Court in Kazakhstan ("the Court") order date.

(IV) LITIGATION INVOLVING EMIR-OIL LLP AND DEPARTMENT OF INDUSTRIAL SAFETY OF MANGISTAU REGION IN KAZAKHSTAN IN CONNECTION WITH THE VIOLATIONS OF INDUSTRY SAFETY IN THE OPERATION OF HAZARDOUS FACILITIES AND TECHNICAL EQUIPMENT AT EMIR-OIL

Emir-Oil LLP ("EO"), the Company's sub-subsiary had received a Statement of Claim in connection with the inspection carried out by the Department of Industrial Safety of Mangistau region of the Republic of Kazakhstan.

During an audit conducted for the period from 14 October 2021 to 27 October 2021, the Department of Industrial Safety of Mangistau region had discovered the violation of industrial safety in some of the EO facilities. In accordance with the legislation on civil protection, the operation of hazardous facilities and equipment in the field of industrial safety is prohibited.

The Court hearing took place on 8 December 2021 and the judge had deferred the decision to the next day on 9 December 2021. Subsequently on 9 December 2021, the Court had ruled in favour of EO and dismissed the Industrial Safety Department's lawsuit, and thus, suspension of EO's facilities and technical equipment is not necessary.

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B12. EARNINGS PER SHARE

(I) BASIC EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share as at 31 March 2022 was based on the profit 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 22 RM'000	Unaudited for the quarter ended 31 Mar 21 RM'000	Unaudited for the year ended 31 Mar 22 RM'000	Unaudited for the year ended 31 Mar 21 RM'000
Profit after taxation attributable to owner of the Company	366	20,245	366	20,245
Weighted average number of ordinary shares	1,096,413	1,096,413	1,096,413	1,096,413
Basic earnings per ordinary share (RM)	0.0003	0.02	0.0003	0.02
Diluted earnings per ordinary share (RM)	0.0003	0.02	0.0003	0.02

(II) DILUTED EARNINGS PER ORDINARY SHARE

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

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 22 RM'000	Unaudited for the quarter ended 31 Mar 21 RM'000	Unaudited for the year ended 31 Mar 22 RM'000	Unaudited for the year ended 31 Mar 21 RM'000
Loss before taxation is arrived after charging/(crediting):				
Interest income from deposits with licensed banks	-	168	-	168
Other finance income	123	-	123	-
Foreign exchange gain/(loss), net	10,680	14,802	10,680	14,802
Interest expenses on loan from corporate shareholder in a subsidiary	(5,751)	(6,728)	(5,751)	(6,728)
Interest expenses on deferred consideration	(5,608)	(5,437)	(5,608)	(5,437)
Other finance cost	(7,244)	(411)	(7,244)	(411)

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B14. INCOME TAX BENEFITS

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 31 Mar 22 RM'000	Unaudited for the quarter ended 31 Mar 21 RM'000	Unaudited for the year ended 31 Mar 22 RM'000	Unaudited for the year ended 31 Mar 21 RM'000
Current income tax				
Foreign income tax:				
- Current year	69	99	69	99
Deferred income tax:				
- Origination and reversal of temporary difference	7,926	4,875	7,926	4,875
	<u>7,995</u>	<u>4,974</u>	<u>7,995</u>	<u>4,974</u>

In the current year, the income tax is calculated at the statutory tax rate of 24% (2021: 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 MAY 2022