



REACH ENERGY BERHAD

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

Report
on
Unaudited
Quarterly Financial Results
for the Period
1 April 2022
to
30 June 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 30 Jun 22 RM'000	Unaudited for the quarter ended 30 Jun 21 RM'000	Unaudited for the year ended 30 Jun 22 RM'000	Unaudited for the year ended 30 Jun 21 RM'000
	Note				
Revenue		23,654	31,101	74,872	54,159
Operating expenses					
Taxes other than income taxes		(16,016)	(11,370)	(30,455)	(17,432)
Purchase, services and other direct costs		(7,305)	(6,164)	(13,807)	(10,434)
Depreciation, depletion and amortisation		(21,100)	(15,251)	(41,172)	(25,092)
Distribution expenses		(2,050)	(3,073)	(4,929)	(5,361)
Employee compensation costs		(3,160)	(2,554)	(6,426)	(4,823)
General and administration expenses		(14,305)	(1,128)	(15,702)	(2,334)
Other operating income/(expenses) – net		1,793	1,220	1,867	(219)
Total operating expenses		<u>(62,143)</u>	<u>(38,320)</u>	<u>(110,624)</u>	<u>(65,695)</u>
Loss from operations		(38,489)	(7,219)	(35,752)	(11,536)
Finance income		32,138	777	42,942	15,747
Finance cost		(23,292)	(12,320)	(41,895)	(24,896)
Finance income/(cost) – net		<u>8,846</u>	<u>(11,543)</u>	<u>1,047</u>	<u>(9,149)</u>
Loss before taxation	B13	(29,643)	(18,762)	(34,705)	(20,685)
Income tax benefit	B14	10,150	1,614	18,145	6,588
Loss for the financial period		<u>(19,493)</u>	<u>(17,148)</u>	<u>(16,560)</u>	<u>(14,097)</u>
(Loss)/Profit attributable to:					
Owners of the Company		(6,009)	(9,058)	(5,644)	11,187
Non-controlling interests		(13,484)	(8,090)	(10,916)	(25,284)
Loss for the financial period		<u>(19,493)</u>	<u>(17,148)</u>	<u>(16,560)</u>	<u>(14,097)</u>
Loss per share attributable to owners of the Company	B12				
Basic (loss)/earnings per ordinary share (RM):		(0.005)	(0.008)	(0.005)	0.01
Diluted (loss)/earnings per ordinary share (RM):		(0.005)	(0.008)	(0.005)	0.01
Loss for the financial period		(19,493)	(17,148)	(16,560)	(14,097)
Other comprehensive (expense)/income net of tax					
Items that will be reclassified subsequently to (loss) or profit:					
- Foreign currency translation differences		(8,590)	564	(7,980)	(2,172)
Total comprehensive expense for the financial period		<u>(28,083)</u>	<u>(16,584)</u>	<u>(24,540)</u>	<u>(16,269)</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 30 Jun 22	Unaudited for the quarter ended 30 Jun 21	Unaudited for the year ended 30 Jun 22	Unaudited for the year ended 30 Jun 21
Note	RM'000	RM'000	RM'000	RM'000
Total comprehensive (expense)/income for the period attributable to:				
Owners of the Company	(11,163)	(8,721)	(10,432)	9,884
Non-controlling interests	(16,920)	(7,863)	(14,108)	(26,153)
Total comprehensive expense for the financial period	(28,083)	(16,584)	(24,540)	(16,269)

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 30 Jun 22 RM'000	Audited As at 31 Dec 21 RM'000
Assets			
Non-current assets			
Property, plant and equipment		1,327,060	1,284,517
Intangible assets		1,405	1,299
Right use of assets		2,313	2,339
Prepayment and other receivables		3,743	3,469
Restricted cash		9,119	8,480
Total non-current assets		1,343,640	1,300,104
Current assets			
Inventories		4,216	1,677
Trade receivables		811	849
Prepayment and other receivables		17,184	18,427
Amount due from corporate shareholder in a subsidiary		4,064	4,064
Deposits, cash and bank balances		13,676	44,452
Total current assets		39,951	69,469
Total assets		1,383,591	1,369,573
Liabilities			
Current liabilities			
Trade payables		71,961	69,536
Accruals and other payables		29,702	29,191
Lease liabilities		456	538
Amounts due to related parties	A7	388,332	361,695
Tax payable		3,116	2,877
Borrowings	A7	4,338	15,097
Provisions		14,847	17,730
Total current liabilities		512,752	496,664
Net current liabilities		(472,801)	(427,195)
Total assets less current liabilities		870,839	872,909
Non-current liabilities			
Deferred tax liabilities		52,576	69,170
Amounts due to related parties	A7	399,812	362,465
Trade payables		9,463	9,048
Lease liabilities		1,621	1,654
Borrowings	A7	25,045	23,740
Provisions		3,960	3,930
		492,477	470,007
Net assets		378,362	402,902
Equity			
Capital		488,975	488,975
Other reserves		175,643	180,431
Accumulated losses		(371,850)	(366,206)
Equity attributable to owners of the Company		292,768	303,200
Non-controlling interest		85,594	99,702
Total Equity		378,362	402,902
Net assets per share (RM)		0.35	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 -----→					Total RM'000	Non- controlling interest RM'000	Total Equity RM'000
	←----- Non-distributable -----→		Share- based payment reserves RM'000	Foreign exchange reserve RM'000	Accumulated losses RM'000			
	Capital RM'000	Warrants reserve RM'000						
As at 1 January 2022	488,975	198,914	821	(19,304)	(366,206)	303,200	99,702	402,902
Loss for the financial year	-	-	-	-	(5,644)	(5,644)	(10,916)	(16,560)
Other comprehensive expense, net of tax - Foreign currency translation	-	-	-	(4,788)	-	(4,788)	(3,192)	(7,980)
Total comprehensive expense for the financial year	-	-	-	(4,788)	(5,644)	(10,432)	(14,108)	(24,540)
As at 30 June 2022	488,975	198,914	821	(24,092)	(371,850)	292,768	85,594	378,362

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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Company no. 201301004557 (1034400-D)
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←----- Attributable to Equity Holders of the Company ----->					Total RM'000	Non- controlling interest RM'000	Total Equity RM'000
	←----- Non-distributable ----->		Share- based payment reserves RM'000	Foreign exchange reserve RM'000	Accumulated losses RM'000			
	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 6 months 30 Jun 22 RM'000	Unaudited 6 months 30 Jun 21 RM'000
Cash flows from operating activities		
Loss before tax	(34,705)	(20,685)
Adjustments for:-		
Depreciation of property, plant and equipment	41,172	25,092
Unrealised foreign exchange loss/(gain), net	17,325	490
Finance cost	24,570	24,405
Finance income	(42,942)	(15,747)
Change in estimate of asset retirement obligations	3	-
Loss in disposal of assets	-	6
Write off of inventory	113	84
Impairment charge/(reversal) of:		
- trade receivables	2	(23)
- cash and bank balances	42	-
- other receivables	149	-
Net reversal for inventory obsolescence	(1,636)	(157)
	<u>4,093</u>	<u>13,465</u>
Changes in working capital:		
Inventories	(684)	(210)
Trade receivables	(85)	3,699
Prepayment and other receivables	(2,052)	(519)
Trade payables	(2,062)	(3,731)
Other payables and accruals	3,566	28,057
Amount due from corporate shareholder in a subsidiary	-	(27,715)
Cash flows generated from operating activities	<u><u>2,776</u></u>	<u><u>13,046</u></u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(21,548)	(2,705)
Finance income received	283	304
Movement in restricted cash	(169)	1,985
Net cash used in from investing activities	<u><u>(21,434)</u></u>	<u><u>(416)</u></u>
Cash flows from financing activities		
Repayment of borrowing	(14,298)	-
Payment of lease interest	(33)	(12)
Payment of lease principal	(217)	(447)
Net cash used in financing activities	<u><u>(14,548)</u></u>	<u><u>(459)</u></u>
Net (decrease)/increase in cash and cash equivalents	(33,206)	12,171
Cash and cash equivalents at the beginning of the year	44,452	10,163
Exchange difference on cash and cash equivalents	2,430	(10,741)
Cash and cash equivalents at end of the year	<u><u>13,676</u></u>	<u><u>11,593</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 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 30 Jun 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	90,753	399,812	88,147	388,332	178,900	788,144
External Borrowings	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000
Secured	5,685	25,045	985	4,338	6,670	29,383
Total	96,438	424,857	89,132	392,670	185,570	817,527
	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 4.406 (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 6 months financial period ended 30 June 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		
170,701	-	14%	No fixed repayment period
108,372	-	Interest free	No fixed repayment period
-	252,846	5%	Due in 2023
-	125,527	Interest free	Due in 2023
64,766	-	4.86%	Due in 2036
53,112	-	Interest free	Due in 2036
-	9,959	Interest free	Repayable on demand
1,712	-	5%	Due in 2023
1,149	-	Interest free	Due in 2023
399,812	388,332		

(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 30 June 2022.

A9. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE YEAR

On 30 June 2022, the Group announced on the proposed debt settlement and proposed exemption ("the Proposals") to undertake an offset of USD49,562,125.54 or RM206,508,856.40 (RM1.00:USD0.2400) debt to be owed to Super Racer Limited ("SRL" or "Offeror") (subject to the completion of the transfer and assignment of the outstanding amount owing by the Company, Reach Energy Berhad ("REB") to MIE Holdings Corporation ("MIEH") amounted to USD63,197,929 or RM278,159,899 as at 20 June 2022 ("Debt") from MIEH to SRL) via the issuance of 1,032,544,282 new ordinary shares in REB ("REB Shares" or "Shares") to SRL at an issue price of RM0.20 per REB Share (collectively the "Settlement Shares" and each a "Settlement Share") ("Proposed Debt Settlement").

In conjunction with the Proposed Debt Settlement, SRL and Mr. Cheung Siu Fai ("Mr. Cheung"), being the person acting in concert with SRL ("PAC") intend to seek an exemption from the Securities Commission Malaysia ("SC") under Paragraph 4.08(1)(b) of the Rules on Take-Overs, Mergers and Compulsory Acquisitions ("Rules") from the obligation to undertake a mandatory take-over offer ("Mandatory Offer") for the remaining REB Shares and the outstanding warrants 2014/2022 issued by REB which are expiring on 15 August 2022 ("Warrants") not already held by them upon completion of the Proposed Debt Settlement ("Proposed Exemption").

Further details of the Proposals are set out in the announcement dated 30 June 2022.

A10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current financial period ended 30 June 2022.

A11. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets as at 30 June 2022.

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A12. COMMITMENT

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

	Unaudited As at 30 Jun 22 RM'000	Audited As at 31 Dec 21 RM'000
Authorised but not contracted for	74,932	20,040
Contracted but not provided for	5,797	406
	80,729	20,446

(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 30 Jun 22 RM'000	Audited As at 31 Dec 21 RM'000
< 1 year	246,167	282,350
1 – 2 years	426,972	488,248
2 – 5 years	486,989	534,553
> 5 years	1,038,624	1,205,761
	2,198,752	2,510,912

The minimum work program includes capital expenditure of RM 712 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 30 Jun 22		Unaudited for the quarter ended 30 Jun 21		Unaudited for the year ended 30 Jun 22		Unaudited for the year ended 30 Jun 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	23,654	-	31,101	-	74,872	-	54,159	-
<u>Results</u>								
Operating expenses	(61,111)	(1,032)	(36,969)	(1,351)	(108,830)	(1,794)	(63,455)	(2,240)
Finance (cost)/ income, net	(6,400)	15,246	(5,601)	(5,942)	(11,476)	12,523	(12,604)	3,455
(Loss)/profit before taxation	(43,857)	14,214	(11,469)	(7,293)	(45,434)	10,729	(21,900)	1,215
Income tax benefit	10,150	-	1,614	-	18,145	-	6,588	-
(Loss)/profit for the financial period	(33,707)	14,214	(9,855)	(7,293)	(27,289)	10,729	(15,312)	1,215

The amounts are denominated in United States Dollars ("USD") and translated at an average rate of 4.289 (2021: 4.110).

(II) SUMMARISED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30 Jun 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	1,343,614	26	1,300,006	98
Current assets	35,315	4,636	64,997	4,472
Current liabilities	(506,750)	(6,002)	(492,218)	(4,446)
Non-current liabilities	(213,404)	(279,073)	(216,705)	(253,302)
Net assets/(liabilities)	658,775	(280,413)	656,080	(253,178)
Accumulated non-controlling interest		85,594		99,702

The amounts are denominated in United States Dollars ("USD") and translated at the closing rate of 4.406 (2021: 4.154).

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 30 Jun 22	Unaudited for the quarter ended 30 Jun 21	Unaudited for the year ended 30 Jun 22	Unaudited for the year ended 30 Jun 21
	RM'000	RM'000	RM'000	RM'000
Revenue	23,654	31,101	74,872	54,159
Operating expenses	(62,143)	(38,320)	(110,624)	(65,695)
EBITDA	(17,389)	8,032	5,420	13,556
Loss before tax	(29,643)	(18,762)	(34,705)	(20,685)
Loss after tax	(19,493)	(17,148)	(16,560)	(14,097)

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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 23.7 million for the current quarter under review as compared to RM 31.1 million in the corresponding quarter of the preceding year.

The average production for the second quarter of 2022 was 1,891 bopd as compared to 1,901 bopd for the second quarter of 2021.

The Group recorded a lower revenue for the current quarter under review as compared to the corresponding quarter of the preceding year. The lower revenue was attributed by lower production volume and lower average selling price in the current quarter as compared to the corresponding quarter of the preceding year.

With the mounting tensions of the Russian-Ukraine war, high differential has been demanded for crude oil export in Kazakhstan. As a result, the revenue from the export sale has been impacted significantly. Due to the lower profitability of exporting, the entire production volume have been sold to the domestic market of Kazakhstan in the month of May 2022.

The Russian-Ukraine war is severely disrupting shipping. KazTransOil JSC has been facing a lot of challenges with the timely supply of oil tankers. Some logistics firms are suspending services and tanker rates has increased. The pipelines that ship the crude oil from Kazakhstan to global markets have been caught in Russian sanctions problems. As Reach Energy recognises revenue from crude oil exports on a Free on Board ("FOB") basis, the revenue from the export sale of the crude oil volumes in the month of June 2022 will only be recognised in the following quarter in which the crude oil is shipped.

Operating expenses for the current quarter showed an increase of RM 23.8 million as compared to the corresponding quarter of the preceding year. The increase in the operating expenses was due to the increase in the Depreciation, Depletion and Amortisation, General and Administration expenses ("G&A Expenses") and Taxes other than Income Taxes. The Kazakhstan's government imposes concession tax based on Brent oil price, hence, the tax on the sale of oil is based on a significantly higher price than Emir-Oil's export sale price and resulted in the increase of the concession taxes. The higher G&A Expenses in the second quarter of 2022 was mainly due to the additional provision of the potential fines for non-fulfilment of contractual obligations.

The Group recorded negative Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 17.4 million in the second quarter of 2022 as compared to the positive EBITDA of RM 8.0 million in the second quarter of 2021. The lower EBITDA in the second quarter of 2022 was attributed by the lower revenue and higher G&A Expenses as explained above.

The Finance Cost of RM 23.3 million in the second quarter of 2022 mainly consists of interest payable to corporate shareholder.

The Group has recorded Loss before Tax of RM 29.6 million in the second quarter of 2022, as compared to Loss before Tax of RM 18.8 million in the second quarter of 2021.

Currently, the Group's net asset per share stands at RM 0.35 as compared to the closing market price of RM 0.04 per share on 24 Aug 2022.

(II) COMPARING WITH IMMEDIATE PRECEDING QUARTER RESULTS

	CURRENT QUARTER	IMMEDIATE PRECEDING QUARTER
	Unaudited for the period ended	Unaudited for the period ended
	30 Jun 22	31 Mar 22
	RM'000	RM'000
Revenue	23,654	51,219
Operating expenses	(62,143)	(48,480)
EBITDA	(17,389)	22,810
Loss before tax	(29,643)	(5,061)
(Loss)/profit after tax	<u>(19,493)</u>	<u>2,934</u>

The Group recorded revenue of RM 23.7 million for the current quarter under review as compared to RM 51.2 million in the preceding quarter. The lower revenue for the quarter under review as compare to preceding quarter was attributed by the lower production volume and lower average selling price of export crude. Even though the Brent price surged past US\$100 per barrel following Russia's invasion of Ukraine in late February 2022, but not all producers are benefiting equally from the sustained high crude prices as the war rages on. The price differential demanded for the export crude price have hit Emir Oil's revenue from the export sale of the crude oil significantly.

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

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

The average production for the second quarter of 2022 was 1,891 bopd as compared to 1,965 bopd for the first quarter of 2022. The lower production was mainly due to unavailability of the rig for the workover programme.

The Group recorded a higher operating expenses of RM 62.1 million in the second quarter of 2022 as compared to RM 48.5 million in the preceding quarter. The higher operating expenses in the second quarter of 2022 was mainly due to the increase in the provision of the potential fines for non-fulfilment of contractual obligations in G&A Expenses.

The Group recorded negative Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 17.4 million for the current quarter under review as compared to the positive EBITDA of RM 22.8 million in the first quarter of 2022 was mainly due to the lower revenue and higher G&A Expenses in the second quarter of 2022 as explained above.

For the current quarter under review, the Group has recorded Loss before Tax of RM 29.6 million and Loss after Tax of RM 19.5 million as compared to the first quarter of 2022 of Loss before Tax of RM 5.1 million and Profit after Tax of RM 2.9 million.

B3. MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group recorded a Loss before Tax of RM 34.7 million in the current six months period ended 30 June 2022 while in the corresponding six months period ended 30 June 2021, the Group recorded a Loss before Tax of RM 20.7 million.

B4. PROSPECT

Moving forward, 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.

For delivering of our production target, we will continue to place emphasis on efforts to sustain and further enhance current production level through extensive-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 to improve facilities uptime, facilities debottlenecking, re-perforation, acid stimulation and reactivation of idle wells to further this objective along. The drilling program has commenced in the third quarter of 2021. The remaining drilling program will be completed in stages in accordance with the Group's financial capability. 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.

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").

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.

The oil sanctions imposed on Russia resulting from the Russian-Ukraine War had caused oil prices to increase substantially in a short period of time. This had caused a price differential between Emir Oil's export sale price and the global benchmark Brent price. As a result, the net back from the export sale has been reduced significantly which has given pressure to the revenue and cash flow risk on Emir-Oil.

Emir Oil is in the process to explore new route and suppliers to mitigate these risk amid the war rages on.

In summary, Emir-Oil needs to drill more development wells, perform well workovers and 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.

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 and growth moving forward.

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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> RM'000	<u>Actual Utilisation</u> RM'000
Acquisition of the target company/asset	710,625	580,528
Working capital		
- Remuneration of the management team	15,459	17,553
- Pre-IPO office and corporate expenses	611	25,646
- Others	26,475	35,752
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 30 June 2022.

B9. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sale of unquoted investment and /or properties during the financial period ended 30 June 2022.

B10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

There were no financial instruments with material off-balance sheet risk as at 30 June 2022.

B11. MATERIAL LITIGATION

(I) LITIGATION INVOLVING EMIR-OIL LLP AND MINISTRY OF ENERGY IN KAZAKHSTAN IN CONNECTION WITH THE APPLICATION ON THE DEFERRAL OF CONTRACTUAL OBLIGATIONS OF DOLINNOE'S OIL FIELD

Emir-Oil LLP ("EO"), the Company's sub-subsidiary had filed a claim to Ministry of Energy of the Republic of Kazakhstan ("MOE") at Economic Court of Nur-Sultan ("The Court") on 15 July 2022 relating to the approval of the Amendment No. 4 on the deferral of the contractual obligations of Dolinnoe's oil field in 2020 and 2021 to a later period.

During the period from 2020-2022, Emir-Oil had submitted several applications to the MOE for the postponement of obligations for 2020 and 2021 to a later period. The Ministry, however, had rejected Emir-Oil's application on the transfer of obligations to a later period.

On 15 July 2022, Emir-Oil had decided to submit the claim to the Economic Court of Nur-Sultan to establish the rejection of the MOE as unjustifiable and oblige the MOE to postpone the obligations to a later period.

The preliminary hearing had been held on 8 August 2022 and the second hearing had been held on 22 August 2022. The Court on 22 August 2022 had rejected the claim of Emir-Oil.

Emir-Oil intends to appeal the decision of the Court of first instance to the Supreme Court of the Republic of Kazakhstan within one month from 22 Aug 2022.

In the event that the suit is not in favour of the Company, the financial and operation impact to the Company shall be limited to fulfil the contractual obligations and pay a fine of RM 24,761,000 (KZT 2,632,000,000).

Currently, the Company is seeking necessary legal advice to resolve and /or to defend the legal suit.

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B12. (LOSS)/EARNINGS PER SHARE

(I) BASIC (LOSS)/EARNINGS PER ORDINARY SHARE

The calculation of basic (loss)/earnings per ordinary share as at 30 June 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 30 Jun 22 RM'000	Unaudited for the quarter ended 30 Jun 21 RM'000	Unaudited for the year ended 30 Jun 22 RM'000	Unaudited for the year ended 30 Jun 21 RM'000
(Loss)/profit after taxation attributable to owner of the Company	(6,009)	(9,058)	(5,644)	11,187
Weighted average number of ordinary shares	1,096,413	1,096,413	1,096,413	1,096,413
Basic (loss)/earnings per ordinary share (RM)	(0.005)	(0.008)	(0.005)	0.01
Diluted (loss)/earnings per ordinary share (RM)	(0.005)	(0.008)	(0.005)	0.01

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

Diluted (loss)/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 30 Jun 22 RM'000	Unaudited for the quarter ended 30 Jun 21 RM'000	Unaudited for the year ended 30 Jun 22 RM'000	Unaudited for the year ended 30 Jun 21 RM'000
Loss before taxation is arrived after charging/(crediting):				
Interest income from deposits with licensed banks	1	135	1	304
Other finance income	159	-	282	-
Foreign exchange gain/(loss), net	31,978	642	42,659	15,443
Interest expenses on loan from corporate shareholder in a subsidiary	(6,038)	(6,912)	(11,789)	(13,640)
Interest expenses on deferred consideration	(5,885)	(5,584)	(11,493)	(11,021)
Other finance cost	(11,369)	176	(18,613)	(235)

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B14. INCOME TAX BENEFITS

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 30 Jun 22 RM'000	Unaudited for the quarter ended 30 Jun 21 RM'000	Unaudited for the year ended 30 Jun 22 RM'000	Unaudited for the year ended 30 Jun 21 RM'000
Current income tax				
Foreign income tax:				
- Current year	701	200	770	299
Deferred income tax:				
- Origination and reversal of temporary difference	9,449	1,414	17,375	6,289
	<u>10,150</u>	<u>1,614</u>	<u>18,145</u>	<u>6,588</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
25 AUG 2022