



REACH ENERGY BERHAD

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

Report
on
Unaudited
Quarterly Financial Results
for the Period
1 July 2022
to
30 September 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 Sep 22 RM'000	Unaudited for the quarter ended 30 Sep 21 RM'000	Unaudited for the year ended 30 Sep 22 RM'000	Unaudited for the year ended 30 Sep 21 RM'000
	Note				
Revenue		39,276	41,974	114,149	96,132
Operating expenses					
Taxes other than income taxes		(5,136)	(14,815)	(35,591)	(32,246)
Purchase, services and other direct costs		(9,647)	(6,388)	(23,454)	(16,822)
Depreciation, depletion and amortisation		(18,416)	(18,998)	(59,588)	(44,090)
Distribution expenses		(2,929)	(3,925)	(7,858)	(9,286)
Employee compensation costs		(3,073)	(2,397)	(9,499)	(7,220)
General and administration expenses		(1,536)	4,845	(17,238)	2,511
Other operating income/(expenses) – net		295	(166)	2,161	(385)
Total operating expenses		<u>(40,442)</u>	<u>(41,844)</u>	<u>(151,067)</u>	<u>(107,538)</u>
(Loss)/profit from operations		(1,166)	130	(36,918)	(11,406)
Finance income		30,879	2,584	73,821	18,331
Finance cost		(16,801)	(12,954)	(58,695)	(37,850)
Finance income/(cost) – net		<u>14,078</u>	<u>(10,370)</u>	<u>15,126</u>	<u>(19,519)</u>
Profit/(loss) before taxation	B13	12,912	(10,240)	(21,792)	(30,925)
Income tax benefit	B14	3,459	4,001	21,604	10,589
Profit/(loss) for the financial period		<u>16,371</u>	<u>(6,239)</u>	<u>(188)</u>	<u>(20,336)</u>
Profit/(loss) attributable to:					
Owners of the Company		16,919	(916)	11,275	10,272
Non-controlling interests		(548)	(5,323)	(11,463)	(30,608)
Profit/(loss) for the financial period		<u>16,371</u>	<u>(6,239)</u>	<u>(188)</u>	<u>(20,336)</u>
Profit/(loss) per share attributable to owners of the Company	B12				
Basic earnings/(loss) per ordinary share (RM):		0.02	(0.001)	0.01	0.01
Diluted earnings/(loss) per ordinary share (RM):		0.02	(0.001)	0.01	0.01
Profit/(loss) for the financial period		16,371	(6,239)	(188)	(20,336)
Other comprehensive (expense)/income net of tax					
Items that will be reclassified subsequently to (loss) or profit:					
- Foreign currency translation differences		(11,758)	1,492	(19,738)	(680)
Total comprehensive income/(expense) for the financial period		<u>4,613</u>	<u>(4,747)</u>	<u>(19,926)</u>	<u>(21,016)</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
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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 Sep 22	Unaudited for the quarter ended 30 Sep 21	Unaudited for the year ended 30 Sep 22	Unaudited for the year ended 30 Sep 21
Note	RM'000	RM'000	RM'000	RM'000
Total comprehensive income/(expense) for the period attributable to:				
Owners of the Company	9,864	(21)	(568)	9,863
Non-controlling interests	(5,251)	(4,726)	(19,358)	(30,879)
Total comprehensive income/(expense) for the financial period	4,613	(4,747)	(19,926)	(21,016)

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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited As at 30 Sep 22 RM'000	Audited As at 31 Dec 21 RM'000
Assets			
Non-current assets			
Property, plant and equipment		1,387,112	1,284,517
Intangible assets		1,537	1,299
Right use of assets		2,530	2,339
Prepayment and other receivables		4,024	3,469
Restricted cash		9,238	8,480
Total non-current assets		1,404,441	1,300,104
Current assets			
Inventories		4,913	1,677
Trade receivables		8,039	849
Prepayment and other receivables		19,340	18,427
Amount due from corporate shareholder in a subsidiary		4,064	4,064
Deposits, cash and bank balances		13,121	44,452
Total current assets		49,477	69,469
Total assets		1,453,918	1,369,573
Liabilities			
Current liabilities			
Trade payables		84,672	69,536
Accruals and other payables		41,399	29,191
Lease liabilities		602	538
Amounts due to related parties	A7	412,589	361,695
Tax payable		220	2,877
Borrowings	A7	1,298	15,097
Provisions		773	17,730
Total current liabilities		541,553	496,664
Net current liabilities		(492,076)	(427,195)
Total assets less current liabilities		912,365	872,909
Non-current liabilities			
Deferred tax liabilities		53,828	69,170
Amounts due to related parties	A7	430,471	362,465
Trade payables		9,890	9,048
Lease liabilities		1,665	1,654
Borrowings	A7	29,408	23,740
Provisions		4,127	3,930
		529,389	470,007
Net assets		382,976	402,902
Equity			
Capital		488,975	488,975
Other reserves		(30,326)	180,431
Accumulated losses		(156,017)	(366,206)
Equity attributable to owners of the Company		302,632	303,200
Non-controlling interest		80,344	99,702
Total Equity		382,976	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.

REACH ENERGY BERHAD
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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 -----→							
	Capital RM'000	Warrants reserve RM'000	Share- based payment reserves RM'000	Foreign exchange reserve RM'000	Accumulated losses RM'000			
As at 1 January 2022	488,975	198,914	821	(19,304)	(366,206)	303,200	99,702	402,902
Unexercised Warrants lapsed	-	(198,914)	-	-	198,914	-	-	-
Transfer of reserve upon expiry of Warrants		(198,914)	-	-	198,914	-	-	-
Loss for the financial year	-	-	-	-	11,275	11,275	(11,463)	(188)
Other comprehensive expense, net of tax - Foreign currency translation	-	-	-	(11,843)	-	(11,843)	(7,895)	(19,738)
Total comprehensive expense for the financial year	-	-	-	(11,843)	11,275	(568)	(19,358)	(19,926)
As at 30 September 2022	488,975	-	821	(31,147)	(156,017)	302,632	80,344	382,976

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 CHANGES IN EQUITY

	←----- Attributable to Equity Holders of the Company ----->					Total RM'000	Non- controlling interest RM'000	Total Equity RM'000
	Capital RM'000	Warrants reserve RM'000	Share- based payment reserves RM'000	Foreign exchange reserve RM'000	Accumulated losses 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.

REACH ENERGY BERHAD
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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 9 months 30 Sep 22 RM'000	Unaudited 9 months 30 Sep 21 RM'000
Cash flows from operating activities		
Loss before tax	(21,792)	(30,925)
Adjustments for:-		
Depreciation of property, plant and equipment	59,588	44,090
Unrealised foreign exchange loss/(gain), net	21,132	286
Finance cost	37,563	37,564
Finance income	(73,821)	(18,331)
Change in estimate of asset retirement obligations	3	-
Loss in disposal of assets	-	132
Write off of inventory	200	85
Write off of property, plant and equipment	-	(33)
Impairment charge/(reversal) of:		
- trade receivables	2	(23)
- cash and bank balances	84	-
- other receivables	302	-
Net reversal for inventory obsolescence	(1,666)	(158)
	<u>21,595</u>	<u>32,687</u>
Changes in working capital:		
Inventories	(1,476)	(1,621)
Trade receivables	7,095	(337)
Prepayment and other receivables	(769)	4,265
Trade payables	10,479	8,750
Other payables and accruals	(22,006)	34,083
Amount due from corporate shareholder in a subsidiary	-	(30,337)
Cash flows generated from operating activities	<u>14,918</u>	<u>47,490</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(36,413)	(15,564)
Finance income received	478	459
Movement in restricted cash	(293)	(1,360)
Net cash used in from investing activities	<u>(36,228)</u>	<u>(16,465)</u>
Cash flows from financing activities		
Repayment of borrowing	(14,560)	-
Payment of lease interest	(53)	(27)
Payment of lease principal	(329)	(358)
Net cash used in financing activities	<u>(14,942)</u>	<u>(385)</u>
Net (decrease)/increase in cash and cash equivalents	(36,252)	30,640
Cash and cash equivalents at the beginning of the year	44,452	10,163
Exchange difference on cash and cash equivalents	4,921	(7,813)
Cash and cash equivalents at end of the year	<u>13,121</u>	<u>32,990</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 Sep 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	92,754	430,471	88,901	412,589	181,655	843,060
External Borrowings	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000	*Foreign denomination '000	RM denomination '000
Secured	6,337	29,408	280	1,298	6,617	30,706
Total	99,091	459,879	89,181	413,887	188,272	873,766
	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 4.641 (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 9 months financial period ended 30 September 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		
179,827	-	14%	No fixed repayment period
120,511	-	Interest free	No fixed repayment period
-	266,362	5%	Due in 2023
-	135,735	Interest free	Due in 2023
68,228	-	4.86%	Due in 2036
58,818	-	Interest free	Due in 2036
-	10,492	Interest free	Repayable on demand
1,803	-	5%	Due in 2023
1,284	-	Interest free	Due in 2023
430,471	412,589		

(II) EQUITY

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

(III) WARRANTS 2014/2022

The Warrants had expired on 15 August 2022. Please note that upon the expiry, the Warrants have since been de-listed from the Official List of Bursa Malaysia Securities Berhad on 15 August 2022.

A8. DIVIDEND PAID

There was no dividend declared or paid during the current financial period ended 30 September 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").

Reference is made to the announcement made on 30 June 2022 in relation to the Proposals, the additional listing application in relation to the Proposals has been submitted to Bursa Securities on 29 August 2022.

Bursa Securities had vide its letter dated 19 October 2022 resolved to approve the listing and quotation of 1,032,544,282 new REB Shares to be issued pursuant to the Proposed Debt Settlement.

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A9. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE YEAR (CONT'D)

The approval by Bursa Securities for the above is subject to the following conditions:

- (I) REB and HLIB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals;
- (II) REB is required to furnish Bursa Securities with certified true copy of the resolution passed by the shareholders at the extraordinary general meeting approving the Proposals;
- (III) REB and HLIB are required to inform Bursa Securities upon completion of the Proposals;
- (IV) REB is required to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the proposal is completed; and
- (V) REB must comply with the public shareholding spread requirements pursuant to paragraph 8.02(1) of the Listing Requirements upon the listing and quotation of the new shares.

Bursa Securities had vide its letter dated 10 November 2022, resolved to grant REB an extension of time of up to 30 November 2022 to comply with Paragraph 9.33(1)(b) of the Listing Requirements in relation to the issuance of the Circular and IAL for the Proposals.

REB has announced on the issuance of Circular to Shareholders on 25 November 2022.

Further details of the Proposals are set out in the announcement dated 30 June 2022, 29 August 2022, 19 October 2022, 10 November 2022 and 25 November 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 September 2022.

A11. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

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

A12. COMMITMENT

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

	Unaudited As at 30 Sep 22 RM'000	Audited As at 31 Dec 21 RM'000
Authorised but not contracted for	34,233	20,040
Contracted but not provided for	26,540	406
	60,773	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 Sep 22 RM'000	Audited As at 31 Dec 21 RM'000
< 1 year	254,466	282,350
1 – 2 years	441,368	488,248
2 – 5 years	503,408	534,553
> 5 years	1,073,562	1,205,761
	2,272,804	2,510,912

The minimum work program includes capital expenditure of RM 750 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.

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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.

(I) SUMMARISED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		INDIVIDUAL QUARTER		CUMULATIVE QUARTER		CUMULATIVE QUARTER	
	Unaudited for the quarter ended 30 Sep 22		Unaudited for the quarter ended 30 Sep 21		Unaudited for the year ended 30 Sep 22		Unaudited for the year ended 30 Sep 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	39,276	-	41,974	-	114,149	-	96,132	-
Results								
Operating expenses	(39,400)	(1,042)	(41,082)	(762)	(148,231)	(2,836)	(104,537)	(3,001)
Finance (cost)/ income, net	(4,704)	18,782	(8,067)	(2,303)	(16,180)	31,306	(20,671)	1,152
(Loss)/profit before taxation	(4,828)	17,740	(7,175)	(3,065)	(50,262)	28,470	(29,076)	(1,849)
Income tax benefit	3,459	-	4,001	-	21,604	-	10,589	-
(Loss)/profit for the financial period	(1,369)	17,740	(3,174)	(3,065)	(28,658)	28,470	(18,487)	(1,849)

The amounts are denominated in United States Dollars ("USD") and translated at an average rate of 4.368 (2021: 4.139).

(II) SUMMARISED STATEMENT OF FINANCIAL POSITION

	Unaudited as at 30 Sep 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	1,404,279	162	1,300,006	98
Current assets	44,385	5,092	64,997	4,472
Current liabilities	(536,744)	(4,809)	(492,218)	(4,446)
Non-current liabilities	(226,030)	(303,359)	(216,705)	(253,302)
Net assets/(liabilities)	685,890	(302,914)	656,080	(253,178)

Accumulated non-controlling interest 80,344 99,702

The amounts are denominated in United States Dollars ("USD") and translated at the closing rate of 4.641 (2021: 4.176).

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B2. OVERALL REVIEW OF GROUP'S FINANCIAL PERFORMANCE

(I) COMPARING WITH PRECEDING YEAR QUARTER RESULTS

	INDIVIDUAL QUARTER Unaudited for the quarter ended 30 Sep 22 RM'000	INDIVIDUAL QUARTER Unaudited for the quarter ended 30 Sep 21 RM'000	CUMULATIVE QUARTER Unaudited for the year ended 30 Sep 22 RM'000	CUMULATIVE QUARTER Unaudited for the year ended 30 Sep 21 RM'000
Revenue	39,276	41,974	114,149	96,132
Operating expenses	(40,442)	(41,844)	(151,067)	(107,538)
EBITDA	17,250	19,128	22,670	32,684
Profit/(loss) before tax	12,912	(10,240)	(21,792)	(30,925)
Profit/(loss) after tax	16,371	(6,239)	(188)	(20,336)

Individual Quarter

The Group recorded revenue of RM 39.3 million for the current quarter under review as compared to RM 42.0 million in the corresponding quarter of the preceding year.

The average production for the third quarter of 2022 was 1,830 bopd as compared to 2,321 bopd for the third 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 in the current quarter as compared to the corresponding quarter of the preceding year.

Operating expenses for the current quarter showed a decrease of RM 1.4 million as compared to the corresponding quarter of the preceding year. The decrease in the operating expenses was due to the decrease in the Depreciation, Depletion and Amortisation, Distribution Expenses and Taxes other than Income Taxes. The reversal of excess provision of penalty to reflect the Court ruling in reduction of the penalty amount for litigation involving Emir-Oil LLP in the General and Administration expenses ("G&A Expenses") resulted an income position in the G&A Expenses in the third quarter of 2021.

The Group recorded Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 17.3 million in the third quarter of 2022 as compared to the EBITDA of RM 19.1 million in the third quarter of 2021. The lower EBITDA in the third quarter of 2022 was attributed by the lower revenue as explained above.

The Finance Cost of RM 16.8 million in the third quarter of 2022 mainly consists of interest payable to corporate shareholder.

The Group has recorded Profit before Tax of RM 12.9 million in the third quarter of 2022, as compared to Loss before Tax of RM 10.2 million in the third quarter of 2021. The Profit before Tax for the current quarter under review was attributed by the unrealised foreign exchange gain arising from the strengthening of US dollars against Ringgit Malaysia.

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 29 November 2022.

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

(II) COMPARING WITH IMMEDIATE PRECEDING QUARTER RESULTS

	CURRENT QUARTER	IMMEDIATE PRECEDING QUARTER
	Unaudited for the period ended 30 Sep 22 RM'000	Unaudited for the period ended 30 Jun 22 RM'000
Revenue	39,276	23,654
Operating expenses	(40,442)	(62,143)
EBITDA	17,250	(17,389)
Profit/(Loss) before tax	12,912	(29,643)
Profit/(Loss) after tax	16,371	(19,493)

The Group recorded revenue of RM 39.3 million for the current quarter under review as compared to RM 23.7 million in the preceding quarter. The higher revenue for the current quarter under review was contributed by the higher average selling price arising from the improvement in the price differential for export sales as compared to the preceding quarter. As a result of the improved price differential, ie., lower discounts from the global benchmark Brent oil price, higher sales volume have been allocated for export sales which has attributed to the improvement in the revenue.

The average production for the third quarter of 2022 was close to the second quarter of 2022. The average production was 1,830 bopd for the third quarter of 2022 as compared to 1,891 bopd for the second quarter of 2022.

The Group recorded a lower operating expenses of RM 40.4 million in the third quarter of 2022 as compared to RM 62.1 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 positive Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) of RM 17.3 million for the current quarter under review as compared to the negative EBITDA of RM 17.4 million in the second quarter of 2022 was mainly due to the higher revenue and lower G&A Expenses in the third quarter of 2022 as explained above.

For the current quarter under review, the Group has recorded Profit before Tax of RM 12.9 million and Profit after Tax of RM 16.4 million as compared to the second quarter of 2022 of Loss before Tax of RM 29.6 million and Loss after Tax of RM 19.5 million.

B3. MATERIAL CHANGE IN PROFIT BEFORE TAXATION

The Group recorded a Loss before Tax of RM 21.8 million in the current nine months period ended 30 September 2022 while in the corresponding nine months period ended 30 September 2021, the Group recorded a Loss before Tax of RM 30.9 million.

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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 gas into one of the Kariman wells which is expected to commence before end 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 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 put pressure on the revenue and cash flow risk of Emir-Oil.

Emir Oil is in the process to explore new routes and suppliers to mitigate these risks while 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	2P	3P
	(PROVED RESERVES)	(PROVED + PROBABLE RESERVES)	(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	2P	3P
	(PROVED RESERVES)	(PROVED + PROBABLE RESERVES)	(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	2P	3P
	(PROVED RESERVES)	(PROVED + PROBABLE RESERVES)	(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	17,721
- Pre-IPO office and corporate expenses	611	25,646
- Others	26,475	35,583
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 September 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 September 2022.

B10. FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

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

EO had filed its appeal with the Court of the City of Astana ("the Court") on 23 September 2022. The Court on 28 October 2022 had supported the position of the MOE and rejected the claim of Emir-Oil.

Emir-Oil intends to appeal the decision of the Court of second instance to the Supreme Court of the Republic of Kazakhstan within six months from 28 October 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. EARNINGS/(LOSS) PER SHARE

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

The calculation of basic earnings/(loss) per ordinary share as at 30 September 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 Sep 22 RM'000	Unaudited for the quarter ended 30 Sep 21 RM'000	Unaudited for the year ended 30 Sep 22 RM'000	Unaudited for the year ended 30 Sep 21 RM'000
Profit/(loss) after taxation attributable to owner of the Company	16,919	(916)	11,275	10,272
Weighted average number of ordinary shares	1,096,413	1,096,413	1,096,413	1,096,413
Basic earnings/(loss) per ordinary share (RM)	0.02	(0.001)	0.01	0.01
Diluted earnings/(loss) per ordinary share (RM)	0.02	(0.001)	0.01	0.01

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

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

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

B13. LOSS BEFORE TAXATION

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 30 Sep 22 RM'000	Unaudited for the quarter ended 30 Sep 21 RM'000	Unaudited for the year ended 30 Sep 22 RM'000	Unaudited for the year ended 30 Sep 21 RM'000
Loss before taxation is arrived after charging/(crediting):				
Interest income from deposits with licensed banks	-	155	1	459
Other finance income	195	-	477	-
Foreign exchange gain/(loss), net	30,684	2,429	73,343	17,872
Interest expenses on loan from corporate shareholder in a subsidiary	(6,275)	(6,756)	(18,064)	(20,397)
Interest expenses on deferred consideration	(6,130)	(5,737)	(17,623)	(16,758)
Other finance cost	(4,396)	(461)	(23,008)	(695)

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B14. INCOME TAX BENEFITS

	INDIVIDUAL QUARTER	INDIVIDUAL QUARTER	CUMULATIVE QUARTER	CUMULATIVE QUARTER
	Unaudited for the quarter ended 30 Sep 22 RM'000	Unaudited for the quarter ended 30 Sep 21 RM'000	Unaudited for the year ended 30 Sep 22 RM'000	Unaudited for the year ended 30 Sep 21 RM'000
Current income tax				
Foreign income tax:				
- Current year	213	173	983	472
Deferred income tax:				
- Origination and reversal of temporary difference	3,246	3,828	20,621	10,117
	<u>3,459</u>	<u>4,001</u>	<u>21,604</u>	<u>10,589</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 NOVEMBER 2022