

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular. Bursa Securities has not, prior to its issuance, perused the independent advice letter ("**IAL**") as set out in Part B of this Circular for the Proposed Exemption (as defined herein).

The Securities Commission Malaysia ("**SC**") had on 17 November 2022 notified that it has no further comments to the contents of this Circular and the IAL as set out in Part B of this Circular for the Proposed Exemption (as defined herein). However, such notification shall not be taken to suggest that the SC agrees with the recommendation of the independent adviser or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this Circular and the IAL for the Proposed Exemption (as defined herein).



REACH ENERGY BERHAD

(Registration No. 201301004557 (1034400-D))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PART A

- (I) **PROPOSED SETTLEMENT OF DEBT AMOUNTING TO USD49,562,125.54 OR RM206,508,856.40 (RM1.00:USD0.24) VIA THE ISSUANCE OF 1,032,544,282 NEW ORDINARY SHARES IN REACH ENERGY BERHAD ("REB") ("REB SHARES" OR "SHARES") TO SUPER RACER LIMITED ("SRL" OR "OFFEROR") AT AN ISSUE PRICE OF RM0.20 PER REB SHARE ("PROPOSED DEBT SETTLEMENT"); AND**
- (II) **PROPOSED EXEMPTION FOR SRL AND MR. CHEUNG SIU FAI, BEING THE PERSON ACTING IN CONCERT WITH SRL ("PAC") UNDER SUBPARAGRAPH 4.08(1)(B) OF THE RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS FROM THE OBLIGATION TO UNDERTAKE A MANDATORY TAKE-OVER OFFER FOR THE REMAINING REB SHARES NOT ALREADY HELD BY THEM UPON COMPLETION OF THE PROPOSED DEBT SETTLEMENT ("PROPOSED EXEMPTION")**

(COLLECTIVELY, REFERRED TO AS THE "PROPOSALS")

PART B

INDEPENDENT ADVICE LETTER FROM TA SECURITIES HOLDINGS BERHAD IN RELATION TO THE PROPOSED EXEMPTION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A



Hong Leong Investment Bank Berhad
(Registration No. 197001000928 (10209-W))

(A Participating Organisation of Bursa Malaysia Securities Berhad)
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

Independent Adviser for Part B



AN UNWAVERING COMMITMENT

TA SECURITIES HOLDINGS BERHAD

(Registration No. 197301001467 (14948-M))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("**EGM**") of Reach Energy Berhad together with the Form of Proxy are enclosed in this Circular. The EGM will be conducted on a virtual basis through live streaming from the broadcast venue located at Level 12, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia via Remote Participation and Electronic Voting ("**RPEV**") through the online meeting platform at <https://meeting.boardroomlimited.my> provided by Boardroom Share Registrars Sdn. Bhd. in Malaysia or at any adjournment thereof. Please follow the procedures provided in the Administrative Guide in order to register, participate and vote remotely via RPEV facilities.

If you decide to appoint a proxy(ies) to attend and vote on your behalf at the EGM, the Form of Proxy should be completed and deposited at the office of the Share Registrar at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya Selangor Darul Ehsan or via electronic means through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> not less than 48 hours before the time and date of the EGM as indicated below or any adjournment thereof. Please refer to the "Administrative Guide" for the EGM for the steps of the eProxy Lodgement.

Last date and time for lodging the Form of Proxy	: Tuesday, 13 December 2022 at 10.00 a.m.
Date and time of the EGM	: Thursday, 15 December 2022 at 10.00 a.m.
Broadcast venue of the EGM	: Level 12, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

This Circular is dated 25 November 2022

DEFINITIONS

Except where the context otherwise requires, the following definitions will apply throughout this Circular:

“Acquisition”	: The acquisition by our Company of 60% interest in PBV pursuant to the SPA 1
“Act”	: Companies Act, 2016
“BNM”	: Bank Negara Malaysia
“Board”	: Board of Directors of our Company
“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd
“Bursa Securities”	: Bursa Malaysia Securities Berhad
“Circular”	: This circular dated 25 November 2022 comprising Part A – Letter to Shareholders of REB in relation to the Proposals, Part B – IAL from the Independent Adviser to the non-interested shareholders of REB in relation to the Proposed Exemption, and the Appendices
“CMSA”	: Capital Markets and Services Act, 2007
“Completion Date of the Acquisition”	: 25 November 2016, the completion date of the acquisition of 60% interest in Palaeontol B.V. which owns Emir-Oil at a purchase consideration of USD175,856,539 pursuant to SPA 1
“Completion Payment”	: The actual payment paid at completion of the Acquisition
“COVID-19”	: Coronavirus disease 2019
“Debt”	: The outstanding amount owing by our Company to SRL amounted to USD65,486,675 or RM299,573,079 as at the LPD
“Deferred Consideration”	: 15% of the Purchase Consideration which was deferred subject to the terms of SPA 1
“Director(s)”	: Director(s) of our Company as defined in Section 2(1) of the CMSA
“EGM”	: Extraordinary General Meeting
“Emir-Oil”	: Emir-Oil LLP, a limited liability partnership registered in Kazakhstan which holds the entire subsoil use rights (100% working interest) in the Emir-Oil Concession Block, a 850.3 km ² onshore contracted area located in the Mangystau Oblast in the southwestern region of Kazakhstan which Emir-Oil has been granted a concession for the exploration and production of hydrocarbons
“EPS”	: Earnings per share
“FPE”	: Financial period ended
“FYE”	: Financial year ended 31 December
“HCA”	: Hammer Capital Asia Limited
“Hong Kong”	: The Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Stock Exchange”	: The Stock Exchange of Hong Kong Limited

DEFINITIONS (CONT'D)

“IAL”	:	Independent advice letter issued by our Independent Adviser
“Independent Adviser” or “TA Securities”	:	TA Securities Holdings Berhad (Registration No. 197301001467 (14948-M))
“Kazakhstan”	:	The Republic of Kazakhstan
“KZT”	:	Kazakhstan Tenge
“LAT”	:	Loss after tax
“Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities
“LPD”	:	21 November 2022, being the latest practicable date prior to the printing of this Circular
“LPS”	:	Loss per Share
“LTD”	:	Last trading day
“Mandatory Offer”	:	The obligation of SRL and its PAC to undertake a mandatory take-over offer to acquire the remaining REB Shares not already held by them upon completion of the Proposed Debt Settlement
“Market Day”	:	A day when Bursa Securities is open for trading in securities
“MIEH”	:	MIE Holdings Corporation, a company incorporated in the Cayman Islands and listed on the Main Board of the Hong Kong Stock Exchange
“MIE Maple”	:	MIE Maple Investments Limited, a wholly-owned subsidiary of MIEH
“MOE”	:	Ministry of Energy of Kazakhstan
“Mr. Cheung”	:	Mr. Cheung Siu Fai
“NA”	:	Net assets
“PAC”	:	Person acting in concert with SRL in accordance with subsections 216(2) and 216(3) of the CMSA
“Palaeontol B.V.” or “PBV”	:	Palaeontol B.V., a company incorporated in the Netherlands and is a 60% owned subsidiary of REV and 40% owned by Palaeontol COOP
“Palaeontol COOP” or “PUA”	:	Palaeontol Coöperatief U.A., a cooperative organised and existing under the laws of the Netherlands and is an indirect wholly-owned subsidiary of MIEH
“Proposals”	:	Proposed Debt Settlement and Proposed Exemption, collectively
“Proposed Debt Settlement”	:	Proposed settlement of debt amounting to USD49,562,125.54 or RM206,508,856.40* via the issuance of 1,032,544,282 new REB Shares to SRL at an issue price of RM0.20 per Settlement Share

** Converted at RM1.00:USD0.2400, being the conversion rate agreed between our Company and SRL for the purpose of converting the value of the Debt in USD to MYR in the Subscription Agreement.*

DEFINITIONS (CONT'D)

“Proposed Exemption”	: Proposed exemption for SRL and Mr. Cheung, being the person acting in concert with SRL under subparagraph 4.08(1)(b) of the Rules from the obligation to undertake a mandatory take-over offer for the remaining ordinary shares in REB not already held by them after the Proposed Debt Settlement
“Prospectus”	: Prospectus dated 24 July 2014 issued by our Company in relation to the initial public offering of REB Shares
“Purchase Consideration”	: Purchase consideration of USD175,856,539 for the purchase of 60% interest in Palaeontol B.V. pursuant to the SPA 1
“REB” or “Company”	: Reach Energy Berhad (Registration No. 201301004557 (1034400-D))
“REB Group” or “Group”	: REB and its subsidiaries, collectively
“Reach Energy Ventures” or “REV”	: Reach Energy Ventures Sdn Bhd (Registration No. 201601010464 (1181394-V)), a company incorporated in Malaysia which is our wholly-owned subsidiary
“Principal Adviser” or “HLIB”	: Hong Leong Investment Bank Berhad (Registration No. 197001000928 (10209-W))
“REB Shares” or “Shares”	: Ordinary shares in REB
“Record of Depositors”	: A record of securities holders established by Bursa Depository under the rules of Bursa Depository
“Remaining Completion Amount”	: The difference between the Upfront Consideration and Completion Payment which was deferred pursuant to the SPA 1
“Remaining Debt”	: The remaining debt amounting to USD15,924,549 or RM72,847,891 owing to SRL as at the LPD following completion of the Proposed Debt Settlement, which shall be subject to a revised interest rate of 5% per annum
“RM” and “sen”	: Ringgit Malaysia and sen, respectively
“Rules”	: Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC
“SC”	: Securities Commission Malaysia
“Settlement Shares”	: 1,032,544,282 REB Shares to be issued by our Company to the Offeror
“SPA 1”	: The tripartite conditional sale and purchase agreement dated 5 March 2016 between our Company, Palaeontol COOP and MIEH in relation to the purchase of 60% interest in Palaeontol B.V. which owns Emir-Oil at a purchase consideration of USD175,856,539
“SPA 2”	: A sale and purchase agreement dated 20 January 2022 between MIEH, MIE Maple, PUA and HCA, to sell, assign and transfer the Debt, 40% interest in Palaeontol B.V. and 40% PBV Shareholder Loans at the total consideration of USD55.0 million to HCA
“SPAC”	: Special Purpose Acquisition Company

DEFINITIONS (CONT'D)

“Subscription Agreement”	:	The subscription agreement entered into between our Company and SRL dated 30 June 2022 to offset USD49,562,125.54 or RM206,508,856.40 (RM1.00:USD0.2400) against the debt owing to SRL via the issuance of 1,032,544,282 Settlement Shares at an issue price of RM0.20 for each Settlement Share
“SRL” or “Offeror”	:	Super Racer Limited
“Upfront Consideration”	:	85% of the Purchase Consideration to be paid upon completion of the Acquisition pursuant to SPA 1
“USD”	:	United States Dollar
“VWAP”	:	Volume weighted average market price

Exchange Rates

In this Circular, translation of certain foreign currency amounts to RM amounts or other foreign currency amounts or vice versa were made as follows, unless otherwise indicated:

RM1.00	:	USD0.2186 (based on the middle rate as published/made available by BNM at 5.00 p.m. on the LPD)
RM1.00	:	KZT101.23 (based on the exchange rate as published/made available by Bloomberg L.P. on the LPD)

All references to the time of day in this Circular are references to Malaysian time, unless otherwise stated.

All references to **“our Company”** or **“REB”** in this Circular are to Reach Energy Berhad and references to **“our Group”** or **“REB Group”** are to our Company and our subsidiary collectively. All references to **“we”, “us”, “our”** and **“ourselves”** are to our Company, and save where the context requires, will include our subsidiary.

All references to **“you”** or **“your”** in this Circular are to the shareholders of our Company.

Words importing the singular only will include the plural and vice versa and words importing the masculine gender will, where applicable, include the feminine and neuter genders and vice versa. References to persons will include corporations, limited liability partnerships and other entities having legal personality.

Any reference to any act, written law, ordinance, enactment or guideline (whatever the jurisdiction) in this Circular is a reference to that act, written law, ordinance, enactment or guideline (whatever the jurisdiction) as amended or re-enacted from time to time.

Certain amounts and percentage figures included in this Circular have been subject to rounding adjustments. Any discrepancy between the figures shown and figures published by our Company such as half-yearly results and annual reports, are due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our Group’s plans and objectives will be achieved.

TABLE OF CONTENTS

	Page
<u>PART A</u>	
EXECUTIVE SUMMARY	
LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSALS	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSALS	2
3. RATIONALE AND JUSTIFICATIONS OF THE PROPOSALS	14
4. UTILISATION OF PROCEEDS	21
5. EFFECTS OF THE PROPOSALS	22
6. COMMENTARY ON THE FINANCIAL PERFORMANCE AND FINANCIAL POSITION OF OUR GROUP	25
7. INDUSTRY OUTLOOK AND FUTURE PROSPECT OF OUR GROUP	28
8. RISK FACTORS	30
9. APPROVALS REQUIRED AND CONDITIONALITY	31
10. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED	32
11. DIRECTORS' STATEMENT AND RECOMMENDATION	32
12. TENTATIVE TIMETABLE FOR IMPLEMENTATION OF THE PROPOSALS	32
13. OTHER CORPORATE PROPOSALS ANNOUNCED BUT NOT YET COMPLETED	32
14. ADVISERS	32
15. HISTORICAL SHARE PRICES	33
16. EGM	33
17. PAST FUND RAISING EXERCISE IN THE LAST 36 MONTHS	33
18. FURTHER INFORMATION	34
<u>PART B</u>	
IAL FROM TA SECURITIES IN RELATION TO THE PROPOSED EXEMPTION	35
APPENDICES	
I SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT	92
II INFORMATION ON SRL, MR. CHEUNG AND HCA	96
III FURTHER INFORMATION	98
NOTICE OF EGM	ENCLOSED
FORM OF PROXY	ENCLOSED

PART A

**LETTER TO OUR SHAREHOLDERS IN RELATION TO THE
PROPOSALS**

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE PROPOSALS. YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE ENTIRE CONTENTS OF THIS CIRCULAR WITHOUT RELYING SOLELY ON THIS EXECUTIVE SUMMARY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS AT THE FORTHCOMING EGM OF OUR COMPANY.

Key Information	Description
<p>Summary of the Proposals</p>	<p><u>Proposed Debt Settlement</u></p> <p>The Proposed Debt Settlement entails the offset of USD49,562,125.54 or RM206,508,856.40 (RM1.00:USD0.2400) debt owing to SRL via the issuance of 1,032,544,282 Settlement Shares to SRL at an issue price of RM0.20 per Settlement Share.</p> <p>Upon completion of the Proposed Debt Settlement, SRL will hold 1,032,544,282 REB Shares, representing approximately 48.5% of the enlarged issued share capital of our Company immediately after the completion of the Proposed Debt Settlement.</p> <p>The Settlement Shares, upon allotment and issue, will rank equally in all respects with the then existing REB Shares.</p> <p><u>Proposed Exemption</u></p> <p>SRL will hold 1,032,544,282 REB Shares, representing approximately 48.5% of the enlarged issued share capital of our Company immediately after the completion of the Proposed Debt Settlement.</p> <p>As a result, SRL and its PAC will be obliged to extend the Mandatory Offer pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules.</p> <p>As SRL has no intention of undertaking the Mandatory Offer, SRL and its PAC will make an application to the SC pursuant to subparagraph 4.08(1)(b) of the Rules from the obligation to undertake the Mandatory Offer.</p>
<p>Rationale</p>	<p><u>Proposed Debt Settlement</u></p> <p>The Proposed Debt Settlement is essential to assist our Company in fulfilling its obligation to repay the deferred Purchase Consideration which has been outstanding since the Completion Date of the Acquisition. The Proposed Debt Settlement will enable our Company to partially address its debt obligations by offsetting USD49,562,125.54 or RM206,508,856.40 (RM1.00:USD0.2400) or approximately 76% from the Debt, without incurring any immediate cash outflows and will allow our Group to preserve its cash for its immediate operational needs. This will also reduce the financial strain of the debt repayments on our Company's cashflow.</p> <p>The Remaining Debt shall be subject to an interest rate of 5% per annum reduced from the current interest rate of 14% per annum.</p> <p>In view of the above, our Company is expected to benefit from saving in interest payments of approximately USD4,628,401 or RM21,172,923 annually and subsequently alleviate the financial burden of our Group.</p> <p>Further, the Proposed Debt Settlement will also enable our Group to reduce its debts to a more manageable level as evidenced by the reduction of our Group's gearing from 2.52 times to 1.08 times, and thus, improving our Company's ability to secure funding arrangements for its existing business. The Proposed Debt Settlement is also expected to strengthen the capital base as the Proposed Debt Settlement will increase our issued share capital which in turn will result in a higher</p>

EXECUTIVE SUMMARY (CONT'D)

	<p>equity attributable to owners of our Company as illustrated in Section 5.2 of Part A of this Circular. Together with a reduction in our Group's gearing from 2.52 times to 1.08 times, the Proposed Debt Settlement is expected to enhance the overall financial position of our Group.</p> <p><u>Proposed Exemption</u></p> <p>The Proposed Exemption will relieve SRL and its PAC from the obligation to undertake the Mandatory Offer due to the increase of their interests in our Company to more than 33% (i.e. approximately 48.5%), as a result of the Proposed Debt Settlement.</p>
<p>Approvals required and conditionality</p>	<p>The Proposals are subject to the approvals from the following:</p> <ul style="list-style-type: none"> (i) Bursa Securities, which was obtained vide its letter dated 19 October 2022 for the listing of and quotation for the Settlement Shares on the Main Market of Bursa Securities subject to the conditions as disclosed in Section 9 of Part A of this Circular; (ii) the shareholders of our Company at the forthcoming EGM for the Proposals; (iii) SC for the Proposed Exemption; (iv) approval from the MOE for the transfer of the subsoil use rights resulting from the issuance of the Settlement Shares contemplated under the Proposed Debt Settlement; and (v) any other relevant authorities, if required. <p>The Proposed Debt Settlement and Proposed Exemption are inter-conditional upon each other. The Proposals are not conditional upon any other corporate proposals undertaken or to be undertaken by our Company.</p>
<p>Interest of directors, major shareholders, chief executives and/ or persons connected to them</p>	<p>None of the Directors, major shareholders, chief executive of our Company and/or persons connected to them have any interest, direct and/or indirect, in the Proposals.</p>
<p>Directors' statement and recommendation</p>	<p>After having considered all aspects of the Proposals including the rationale, justification and effects of the abovementioned, our Board is of the opinion that the Proposals are in the best interest of our Company. As such, our Board recommends that you VOTE IN FAVOUR of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of our Company.</p>



REACH ENERGY BERHAD

(Registration No. 201301004557 (1034400-D))
(Incorporated in Malaysia)

Registered Office

12th Floor, Menara Symphony
No. 5 Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
25 November 2022

Board of Directors

Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	<i>(Non-Independent Non-Executive Chairman)</i>
Izlan Bin Izhab	<i>(Senior Independent Non-Executive Director)</i>
Nik Din Bin Nik Sulaiman	<i>(Independent Non-Executive Director)</i>
Dato' Jasmy Bin Ismail	<i>(Independent Non-Executive Director)</i>
Dato' Berikkazy Seksenbayev	<i>(Independent Non-Executive Director)</i>
Yerlan Issekeshv	<i>(Independent Non-Executive Director)</i>
Datin Noor Lily Zuriati Binti Abdullah	<i>(Independent Non-Executive Director)</i>
Yusoff Bin Hassan	<i>(Independent Non-Executive Director)</i>
Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin	<i>(Executive Director)</i>

To: Our Shareholders

Dear Sir/Madam,

- (I) PROPOSED DEBT SETTLEMENT; AND**
- (II) PROPOSED EXEMPTION**

1. INTRODUCTION

On 30 June 2022, HLIB announced, on behalf of our Board, that our Company has on even date entered into the Subscription Agreement with SRL for the Proposed Debt Settlement. Pursuant to the Subscription Agreement, our Company and SRL agree to offset USD49,562,125.54 or RM206,508,856.40 (RM1.00:USD0.2400) debt owing to SRL via the issuance of 1,032,544,282 Settlement Shares at an issue price of RM0.20 for each Settlement Share to SRL.

In conjunction with the Proposed Debt Settlement, SRL and its PAC intend to seek an exemption from the SC under subparagraph 4.08(1)(b) of the Rules from the obligation to undertake the Mandatory Offer for the remaining REB Shares not already held by them upon completion of the Proposed Debt Settlement.

On 30 June 2022, our Board had appointed TA Securities Holdings Berhad as the Independent Adviser pursuant to subparagraph 4.08(3) of the Rules to advise the non-interested shareholders of our Company on the Proposed Exemption.

On 19 October 2022, HLIB announced, on behalf of our Board, that Bursa Securities, vide its letter dated 19 October 2022, had resolved to approve the listing of and quotation for the 1,032,544,282 Settlement Shares to be issued pursuant to the Proposed Debt Settlement subject to the conditions as disclosed in Section 9 of Part A of this Circular.

On 10 November 2022, HLIB announced, on behalf of our Board, that Bursa Securities had vide its letter dated 10 November 2022, resolved to grant our Company 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 the IAL for the Proposals.

The SC had on 17 November 2022 notified that it has no further comments to the contents of this Circular and the IAL as set out in Part B of this Circular for the Proposed Exemption.

Further details of the Proposals are set out in the ensuing sections in this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH RELEVANT INFORMATION ON THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR INCLUDING THE IAL AS SET OUT IN PART B OF THIS CIRCULAR, TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Details of the Proposed Debt Settlement

On 30 June 2022, our Company entered into the Subscription Agreement with SRL to offset USD49,562,125.54 or RM206,508,856.40 (RM1.00:USD0.2400) against the Debt via the issuance of 1,032,544,282 Settlement Shares at an issue price of RM0.20 for each Settlement Share to SRL.

As at the LPD, the outstanding amount owing by our Company to SRL, being the Debt, amounted to USD65,486,675 or RM299,573,079. After the Proposed Debt Settlement, the Remaining Debt of USD15,924,549 or RM72,847,891 will continue to be owed by our Company to SRL and be subjected to a revised interest rate of 5% per annum from the current interest rate of 14% per annum as per the terms of the Subscription Agreement. The revised interest rate of 5% per annum is based on the commercial terms agreed upon between our Company and SRL.

In addition, upon completion of the Proposed Debt Settlement, SRL will enter into a shareholder loan facility agreement or procure that Mr. Cheung enter into a shareholder loan facility agreement (either by himself or jointly with SRL), to make available a shareholder loan facility of up to USD5.0 million or RM22.87 million to our Company at an interest rate equivalent to the BNM overnight policy rate as at the date of each period in which interest is payable (the BNM overnight policy rate is at 2.75% as at the date of this Circular).

2.1.1 Background of the Proposed Debt Settlement

On 15 August 2014, our Company was listed on the Main Market of Bursa Securities as a SPAC. As a SPAC, our Company is required to undertake an acquisition of any business which has an aggregate fair market value equal to at least 80% of the aggregate amount in the trust account and is in line with the business strategy disclosed in the Prospectus within 3 years from the date of listing. On 5 March 2016, our Company entered into the SPA 1 with Palaeontol COOP and MIEH, pursuant to which MIEH agreed to sell (by procuring Palaeontol COOP to sell) and our Company, together with its subsidiaries agreed to purchase 60% interest in Palaeontol B.V. which owns Emir-Oil for the Purchase Consideration of USD175,856,539.

Prior to the Acquisition, MIEH had been funding Emir-Oil through shareholder loans to Palaeontol B.V. ("**PBV Shareholder Loans**"). On the Completion Date of the Acquisition USD173.39 million or 60% of the PBV Shareholder Loans with interest accrued thereon is payable to our Group ("**60% PBV Shareholder Loans**"), instead of MIEH.

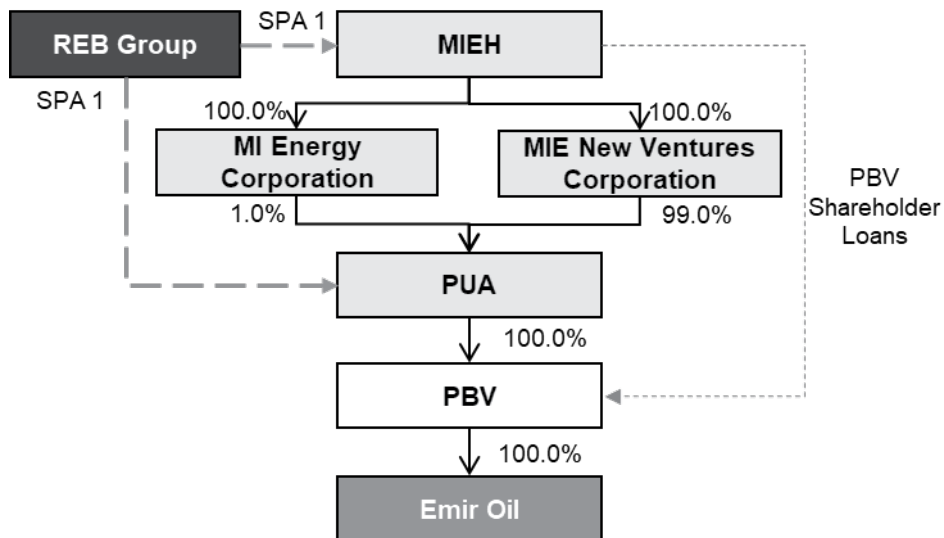
As at the LPD, the 60% PBV Shareholder Loans payable to our Group amounted to USD242.8 million or RM1,110.6 million and is calculated as follows:

	USD'000	RM'000
60% PBV Shareholder Loans as at Completion		
Date of the Acquisition:		
- Principal	173,393	793,198
- Interest	29,325	134,149
	202,718	927,347
Add:		
Additional loan provided after the Completion	834	3,815
Date of the Acquisition		
Accrued interest up to the LPD	46,356	212,059
Less:		
Principal repayment on:		
- 27 December 2018	(600)	(2,745)
- 08 November 2019	(3,000)	(13,724)
- 30 December 2019	(3,000)	(13,724)
- 19 February 2021	(360)	(1,647)
- 25 January 2022	(165)	(755)
	(7,125)	(32,595)
Interest repayment on:		
- 27 December 2018	(6)	(27)
60% PBV Shareholder Loans as at the LPD:		
- Principal	167,102	764,418
- Interest	75,675	346,181
	242,777	1,110,599

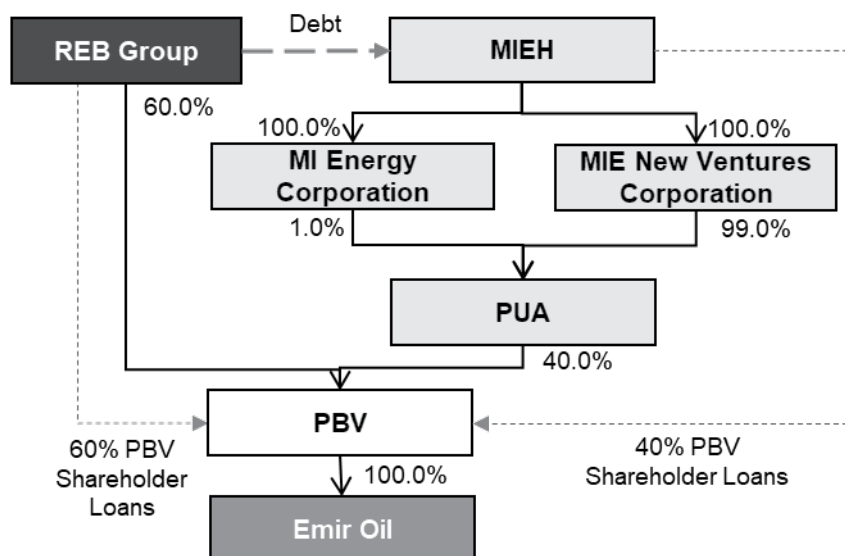
On 1 January 2020, the remaining 40% of the PBV Shareholder Loans due to MIEH were assigned to MIE Maple ("**40% PBV Shareholder Loans**").

The corporate structure before and after the Acquisition is as illustrated below:

Prior to the Acquisition



After the Acquisition



In accordance with the SPA 1, the Purchase Consideration was to be satisfied entirely in cash in the following manner:

- (i) 85% of the Purchase Consideration to be paid upon completion of the Acquisition, being the Upfront Consideration. However, if there are Dissenting Shareholders (defined below), our Company has the right to defer the payment of part of the Upfront Consideration; and
- (ii) payment of the remaining 15% of the Purchase Consideration was to be deferred subject to the terms of SPA 1, being the Deferred Consideration.

On 4 November 2016, our Company sought the approval of its shareholders for the Acquisition, at an EGM of our Company. Pursuant to Paragraph 6.25 of Part I of the Equity Guidelines, all the shareholders of our Company that had voted against the Acquisition ("**Dissenting Shareholders**") had the right to require our Company to repurchase the REB Shares held by them.

A total of 181,409,650 REB Shares were repurchased from the Dissenting Shareholders at RM0.76351 per REB Share, which amounted to approximately RM138.51 million or USD31.05* million. As a result of the obligation to repurchase these REB Shares from the Dissenting Shareholders, our Company had exercised its right to defer payment of part of the Upfront Consideration in accordance with the terms and conditions of SPA 1. Following this, the revised payment paid at completion of the Acquisition amounted to USD131.81 million, being the Completion Payment, which represents approximately 74.95% of the Purchase Consideration. The Remaining Completion Amount, being the difference between the Upfront Consideration and Completion Payment was deferred.

The Completion Payment had been paid at completion of the Acquisition and calculated as follows:

$$\begin{aligned}
 \text{Completion Payment} &= \text{USD120 million} + (25\% \text{ of the amount in the Islamic Trust Account net of taxes}^{(i)} - \text{amount payable to the Dissenting Shareholders}^{(ii)}) \\
 &= \text{USD120 million} + (25\% \times \text{USD171.44 million} - \text{USD31.05* million}) \\
 &= \text{USD131.81 million}
 \end{aligned}$$

Notes:

(i) As at the Completion Date of the Acquisition, there was approximately RM762.93 million or USD171.44^ million in the Islamic Trust Account net of taxes.

^ The exchange rate used to convert USD to MYR is RM1.00:USD0.2247 as at 25 November 2016.

(ii) There were 181,409,650 dissenting shares repurchased at RM0.76351 per REB Share. The total value of the dissenting shares that was repurchased by our Company was approximately RM138.51 million or USD31.05* million.

* The exchange rate used to convert USD to MYR is RM1.00:USD0.2242 as at 24 November 2016

As at the Completion Date of the Acquisition, the total amount of the Remaining Completion Amount and Deferred Consideration were as follows:

	USD
Deferred Consideration	26,378,481
Remaining Completion Amount	17,666,678
Total deferred Purchase Consideration	<u><u>44,045,159</u></u>

The Deferred Consideration of USD26,378,481 is subjected to interest to be accrued at the following interest rates:

Tenure	Interest rate (p.a.) charged on the outstanding Deferred Consideration
Deferred Consideration outstanding within 12 months after the Completion Date of the Acquisition (25 November 2016 to 24 November 2017)	Nil
Deferred Consideration outstanding between 12 months after the Completion Date of the Acquisition but before 24 months after the Completion Date of the Acquisition (25 November 2017 to 24 November 2018)	10% (commencing from 13 th month)
Deferred Consideration outstanding more than 24 months after the Completion Date of the Acquisition (on and after 25 November 2018)	14% (commencing from 25 th month and in addition to interest accrued from preceding period)

In accordance with the SPA 1, currently, the interest rate charged on the outstanding Deferred Consideration is at 14% p.a. as the Deferred Consideration has been outstanding for more than 24 months after the Completion Date of the Acquisition.

The Remaining Completion Amount of USD17,666,678 is subjected to interest to be accrued at the following interest rates:

Tenure	Interest rate (p.a.) charged on the outstanding Remaining Completion Amount
Remaining Completion Amount outstanding within 6 months of the Completion Date of the Acquisition (25 November 2016 to 24 May 2017)	Nil
Remaining Completion Amount outstanding between 6 months after the Completion Date of the Acquisition but before 18 months after the Completion Date of the Acquisition (25 May 2017 to 24 May 2018)	10% (commencing from 6 th month)
Remaining Completion Amount outstanding more than 18 months after the Completion Date of the Acquisition (on and after 25 May 2018)	14% (commencing from 19 th month and in addition to interest accrued from preceding period)

In accordance with the SPA 1, currently, the interest rate charged on the outstanding Remaining Completion Amount is at 14% p.a. as the Remaining Completion Amount has been outstanding for more than 18 months after the Completion Date of the Acquisition.

The difference in tenure of the Deferred Consideration and Remaining Completion Amount in relation to the interest rate (p.a.) charged above and other terms of the SPA 1 was mutually agreed upon commercial negotiations between our Company, PUA and MIEH.

As at the LPD, the Debt amounted to USD65,486,675 or RM299,573,079, which consisted of the outstanding deferred Purchase Consideration (comprising the outstanding Deferred Consideration and Remaining Completion Amount) and interest accrued thereon of USD38,747,346 and USD26,739,329, respectively, the breakdown of which is as follows:

	USD
Deferred Purchase Consideration as at Completion Date of the Acquisition	44,045,159
Less principal repayment on:	
- 12 November 2019	(2,297,813)
- 2 January 2020	(3,000,000)
Outstanding deferred Purchase Consideration as at LPD	<u>38,747,346</u>
Accrued interest up to LPD:	
- From the Completion Date of the Acquisition up to 31 December 2016	-
- From 1 January 2017 to 31 December 2017	1,325,012
- From 1 January 2018 to 31 December 2018	4,934,521
- From 1 January 2019 to 31 December 2019	6,123,136
- From 1 January 2020 to 31 December 2020	5,428,072
- From 1 January 2021 to 31 December 2021	5,424,628
- From 1 January 2022 up to the LPD	4,830,148
Less interest repayment on:	
- 31 December 2018	(624,000)
- 8 November 2019	(702,188)
Outstanding interest as at LPD	<u>26,739,329</u>
Debt as at LPD	<u>65,486,675</u>

On 20 January 2022, MIEH announced on the Hong Kong Stock Exchange that MIEH, Palaeontol COOP and MIE Maple, as vendors, entered into the SPA 2 with HCA, to sell, assign and transfer the Debt, 40% interest in Palaeontol B.V. and 40% PBV Shareholder Loans ("**SPA 2 Assets**") at the total consideration of USD55.0 million to HCA. HCA is a company incorporated in the British Virgin Islands. Further details of HCA is set out in Appendix II.

On 27 April 2022, MIEH announced on the Hong Kong Stock Exchange that MIEH, Palaeontol COOP and MIE Maple entered into a side letter with HCA, pursuant to which it has been agreed that SPA 2 shall be completed in two stages:

- (i) MIEH shall assign and transfer to HCA the Debt, which is the subject matter under the Proposed Debt Settlement ("**Stage 1 of the SPA 2**"); and
- (ii) MIEH shall sell, assign and transfer to HCA the 40% interest in Palaeontol B.V. and 40% PBV Shareholder Loans ("**Stage 2 of the SPA 2**").

For the avoidance of doubt, the completion of Stage 2 of the SPA 2 is conditional upon the completion of Stage 1 of the SPA 2 but not vice versa.

Pursuant to the SPA 2, HCA has the right to designate one or more parties as the holders of the SPA 2 Assets.

On 20 May 2022, a letter of agreement was entered into between HCA and SRL pursuant to which HCA agrees to designate SRL as the designated party, in accordance with the terms of the SPA 2, to acquire the Debt at a consideration of USD15,116,317, which is the same consideration as per the SPA 2, on or before the completion date of Stage 1 of the SPA 2 ("**Designation**"). On the same date, HCA issued a letter of designation to MIEH formally designating SRL as the party which the Debt shall be assigned to pursuant to SPA 2.

The Designation serves to streamline the transaction of the SPA 2 Assets between MIEH and SRL in view that SRL has expressed its interest in acquiring the SPA 2 Assets. The terms of the Designation were mutually agreed upon commercial negotiations between MIEH, HCA and SRL.

On 8 July 2022, MIEH announced on the Hong Kong Stock Exchange that Stage 1 of the SPA 2 has been completed on even date. Accordingly, the Debt has been transferred and assigned from MIEH to SRL on even date.

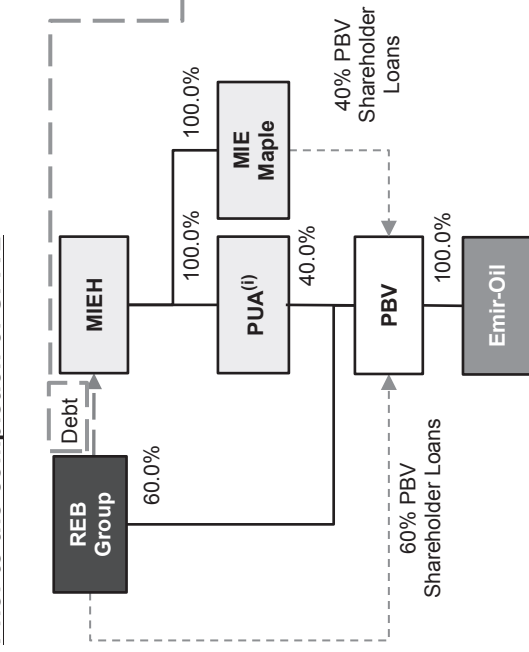
On 20 September 2022, MIEH announced on the Hong Kong Stock Exchange that on 20 September 2022, MIEH, Palaeontol COOP and MIE Maple entered into an agreement with HCA to extend the long stop date for completion of Stage 2 of the SPA 2 from 20 September 2022 to 20 December 2022.

SRL is a private company incorporated in Hong Kong. As at the LPD, Mr. Cheung is the sole shareholder and the sole director of SRL. Further details of SRL and Mr. Cheung is set out in Appendix II.

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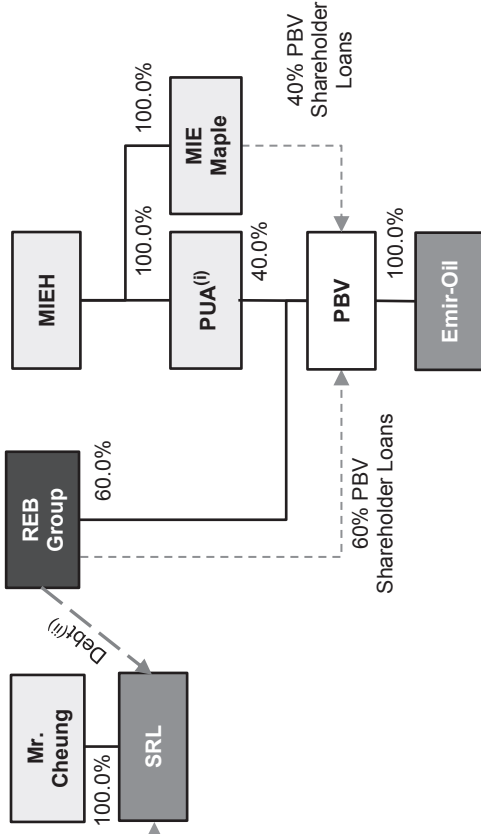
The corporate structure before and after the completion of Stage 1 of the SPA 2, Designation and the Proposed Debt Settlement is as illustrated below:

Prior to the completion of SPA 2



MIEH had assigned and transferred to SRL as the designated holder of the Debt on 8 July 2022, upon the completion of Stage 1 of the SPA 2.

After the completion of Stage 1 of the SPA 2 and Designation

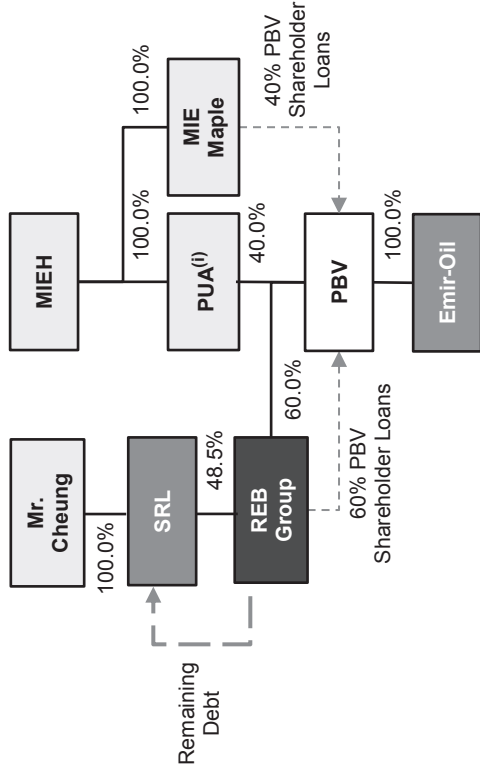


Notes:

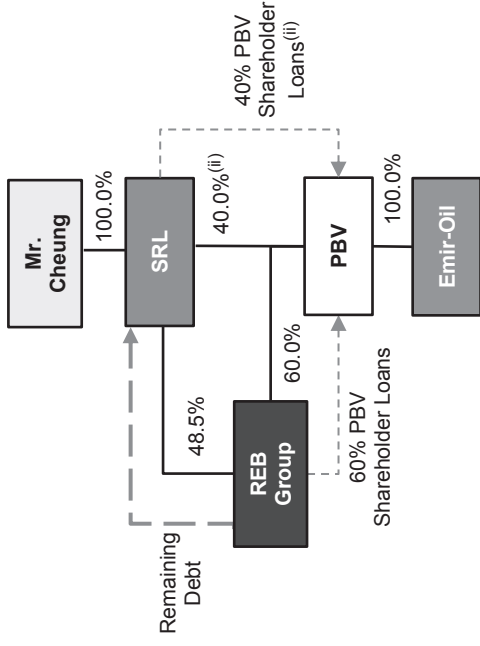
- (i) MI Energy Corporation owns 1.0% direct interest in PUA and MIE New Ventures Corporation owns 99.0% direct interest in PUA, MI Energy Corporation and MIE New Ventures Corporation are wholly-owned subsidiaries of MIEH.
- (ii) Pursuant to the SPA 2, HCA has the right to designate one or more parties as the holders of the SPA 2 Assets. HCA had on 20 May 2022, designated SRL as the designated party to acquire the Debt. Hence, upon the completion of Stage 1 of the SPA 2 on 8 July 2022, the Debt has been directly assigned and transferred from MIEH to SRL.

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After the completion of Stage 1 of the SPA 2, Designation and the Proposed Debt Settlement



After the completion of Stage 1 & 2 of the SPA 2, Designation and the Proposed Debt Settlement



Notes:

- (i) MI Energy Corporation owns 1.0% direct interest in PUA and MIE New Ventures Corporation owns 99.0% direct interest in PUA, MI Energy Corporation and MIE New Ventures Corporation are wholly-owned subsidiaries of MIEH.
- (ii) Based on the assumption that the Stage 2 of the SPA 2 and the Designation of the SPA 2 Assets have been completed. In the event that HCA does not designate any party to acquire 40% interest in PBV and the 40% PBV Shareholder Loans, HCA will hold the 40% interest in PBV and the 40% PBV Shareholder Loans upon the completion of Stage 2 of the SPA 2.

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2.1.2 Details of the Settlement Shares to be issued

The Proposed Debt Settlement will entail the issuance of 1,032,544,282 Settlement Shares, which are new ordinary shares of our Company, at an issue price of RM0.20 for each Settlement Share to SRL. There will be no cash payment in consideration of the issuance of Settlement Shares to SRL given that the issuance of Settlement Shares is to offset the USD49,562,125.54 or RM206,508,856.40 (RM1.00:USD0.2400) debt owing to SRL.

Upon completion of the Proposed Debt Settlement, SRL will hold 1,032,544,282 REB Shares, representing approximately 48.5% of the enlarged issued share capital of our Company immediately after the completion of the Proposed Debt Settlement.

The Proposed Debt Settlement and the Proposed Exemption are inter-conditional upon each other however the Proposed Debt Settlement will be implemented only after the Proposed Exemption has been obtained.

2.1.3 Basis and justification for the issue price of Settlement Shares

The issue price of RM0.20 for each Settlement Share was arrived at after taking into consideration of the following:

- (i) The VWAP of REB Shares for the following periods:

Up to and including 29 June 2022, prior to the date of the Subscription Agreement	VWAP	Issue price	Premium	
	RM	RM	RM	%
5-day VWAP	0.0750	RM0.20	0.1250	166.67
1-month VWAP	0.0744	RM0.20	0.1256	168.82
3-months VWAP	0.0707	RM0.20	0.1293	182.89
6-months VWAP	0.0704	RM0.20	0.1296	184.09
1-year VWAP	0.0736	RM0.20	0.1264	171.74

Up to and including the LPD	VWAP	Issue price	Premium	
	RM	RM	RM	%
5-day VWAP	0.0351	RM0.20	0.1649	469.80
1-month VWAP	0.0365	RM0.20	0.1635	447.95
3-months VWAP	0.0356	RM0.20	0.1644	461.80
6-months VWAP	0.0561	RM0.20	0.1439	256.51
1-year VWAP	0.0577	RM0.20	0.1423	246.62

(Source: Bloomberg LP)

The issue price represents a premium of more than 100% for all the periods covered above. The issue price of RM0.20 was mutually agreed between our Company and SRL so as to arrive at a significant premium to the VWAP of REB Shares as a means to assist our Company in fulfilling its obligation to repay the Debt and to rationalise the financial position of our Company to reduce the Debt to a more manageable level.

- (ii) The audited NA per REB Share of RM0.28 as at 31 December 2021 and unaudited NA per REB Share of RM0.27 as at 30 June 2022.

The issue price of RM0.20 per Settlement Share represents a discount of 28.57% and 25.93% to the audited NA per REB Share of RM0.28 as at 31 December 2021 and unaudited NA per REB Share of RM0.27 as at 30 June 2022, respectively. The discount of the issue price to the NA per REB Share is mutually agreed between our Company and SRL. Our Board is of the view that the said discount is reasonable and justifiable after taking into consideration of the following:

- (a) Our Company had registered a loss after tax of RM180.11 million, RM196.84 million and RM82.26 million in the FYE 2019, FYE 2020 and FYE 2021, respectively;
- (b) The NA of our Company includes amongst others, the net book value of our oil and gas properties (i.e., Emir-Oil's oil reserves) of approximately RM959 million or RM0.87 per REB Share as at 31 December 2021 and approximately RM1,020 million or RM0.93 per REB Share as at 30 June 2022.

In order to realise the value of the Emir-Oil's oil reserve, our Company would require a significant funding commitment towards the development of the Emir-Oil's oil reserves. However, Emir-Oil has been experiencing severe cashflow constraints due to the poor oil production rate owing to the insufficient investment in enhanced oil recovery measures to address the falling reservoir pressure.

Our Company has used electrical submersible pumps to mitigate against failing reservoir pressure and production levels. Nevertheless, in order for Emir-Oil production output to achieve its potential, gas injection is required to increase reservoir pressure together with the drilling of additional wells, both of which require substantial capital expenditure to be implemented. However, due to the lack of available working capital, our Company has not been able to invest in enhanced oil recovery measures to realise the value of the Emir-Oil's oil reserve.

Further, Emir-Oil will be required to settle a major portion of the capital expenditures and taxes which will be due in the near term (i.e. FYE 2023) which had strained our Company's cashflow and further prevented our Company from funding the enhanced oil recovery measures to address the falling reservoir pressure. Please refer to Section 3.1 of Part A of this Circular for further details;

- (c) If our Company is to undertake a fund raising exercise, such as a private placement, it will result in a discount significantly greater than 28.57% to the audited NA per REB Share as at 31 December 2021 as it entails the issuance of new REB Shares at an issue price based on current REB Share's price.

For illustration purposes, assuming our Company undertakes a private placement which entails issuance of new REB Shares at the 5-day VWAP up to and including the LPD of RM0.0351 per share, this will result in a discount of 87.00% and 87.46% to the audited NA per REB Share as at 31 December 2021 and unaudited NA per REB Share as at 30 June 2022, respectively; and

- (d) In the event that funding commitment and indulgence are not obtained from SRL in relation to the amount due to related parties, our Company may be required to, amongst others, write down assets to their immediate realisable value and reclassify all long term assets as current as it does not have sufficient cash to repay the Debt and other borrowings. In such an event, the NA per REB Share may be reduced and as a result, the discount of the issue price of the Settlement Shares to the NA per REB Share would be reduced. For illustration purposes, assuming the net book value of Emir-Oil's oil and gas properties (i.e., Emir-Oil's oil reserves) is written down to zero*, the proforma NA of REB Share as at 31 December 2021 will be reduced to an estimated net liability of RM(0.50) per REB Share.

* *For information, this is assuming the worst case scenario where Emir-Oil is only able to realise a minimal value or may not be able to realise any value from its oil and gas properties at all.*

Taking into consideration of the above, our Board is of the view that the issue price of RM0.20 for the Settlement Share is justifiable.

2.1.4 Ranking of the Settlement Shares

The Settlement Shares, upon allotment and issue, will rank equally in all respects with the then existing issued REB Shares. However, the Settlement Shares will not be entitled to any dividends, rights, allotments and/or any other distributions which may be declared, made or paid to our Company's shareholders unless such Settlement Shares were allotted and issued on or before the entitlement date of such rights, allotments and/ or other distributions.

2.1.5 Listing of and quotation for the Settlement Shares

The Settlement Shares will be listed and quoted on the Main Market of Bursa Securities.

2.1.6 Pre-emptive rights to new REB Shares

Section 85(1) of the Act and Clause 47(1) of the Constitution of our Company are extracted as follows:

Section 85(1) of the Act

"Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders."

Clause 47(1) of the Constitution of our Company

"Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, or renounced will be deemed to be declined, and after the expiration of such time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may, subject to this Constitution, dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any such new shares or securities which (by reason of the ratio which the new shares or securities bear to the shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Article."

Approval is thereby sought from our shareholders in the ordinary resolution for the Proposed Debt Settlement at our forthcoming EGM to irrevocably waive their pre-emptive rights to be offered new shares ranking equally to the existing issued REB Shares, arising from the proposed issuance of the Settlement Shares.

OUR BOARD WISHES TO HIGHLIGHT THAT BY VOTING IN FAVOUR OF THE ORDINARY RESOLUTION FOR THE PROPOSED DEBT SETTLEMENT, YOU HAVE GIVEN YOUR APPROVAL AND HEREBY AGREED TO IRREVOCABLY WAIVE YOUR PRE-EMPTIVE RIGHTS TO BE OFFERED NEW SHARES RANKING EQUALLY TO THE EXISTING ISSUED REB SHARES, ARISING FROM THE PROPOSED ISSUANCE OF THE SETTLEMENT SHARES. SHOULD THE ORDINARY RESOLUTION FOR THE PROPOSED DEBT SETTLEMENT BE PASSED BY YOU, THE RESOLUTION SHALL CONSTITUTE A “DIRECTION TO THE CONTRARY” AS STATED IN CLAUSE 47(1) OF OUR CONSTITUTION, GIVEN BY YOU.

2.2 Details of the Proposed Exemption

Upon completion of the Proposed Debt Settlement, SRL will hold 1,032,544,282 REB Shares, representing approximately 48.5% of the enlarged issued share capital of our Company immediately after the completion of the Proposed Debt Settlement.

As a result, SRL and its PAC will be obliged to extend the Mandatory Offer pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules.

As SRL has no intention of undertaking the Mandatory Offer, SRL and its PAC propose to seek an exemption from the SC under subparagraph 4.08(1)(b) of the Rules from the obligation to undertake the Mandatory Offer prior to the completion of the Proposed Debt Settlement.

3. RATIONALE AND JUSTIFICATIONS OF THE PROPOSALS

3.1 Proposed Debt Settlement

To address the Debt

Our Company is cognisant of the high interest rates that were applicable to the Remaining Completion Amount and Deferred Consideration and had previously attempted to address the Debt. Our Company had on 23 May 2016 announced that it proposes to undertake a private placement of new REB Shares to raise gross proceeds of up to RM180.0 million of which RM118.3 million and RM37.7 million were to be allocated for the payment of the Remaining Completion Amount and partial payment of the Deferred Consideration, respectively.

However, on 9 August 2017, our Company announced that it had decided to abort the private placement due to the prevailing market conditions where it was challenging for our Company to implement the private placement at an issue price that is in the best interest of our Company and our shareholders. Since then, our Company had explored various other options to address the Debt such as fund raising exercises. However, due to the continuous low share price of REB Shares over the years, our Company was not able to raise any funds to address the Debt.

Therefore, the Proposed Debt Settlement is essential to assist our Company in fulfilling its obligation to repay the deferred Purchase Consideration which has been outstanding since the Completion Date of the Acquisition. The Proposed Debt Settlement will enable our Company to partially address its debt obligations by offsetting USD49,562,125.54 or RM206,508,856.40 (RM1.00:USD0.2400) or approximately 76% from the Debt owing to SRL without incurring any immediate cash outflows and allow our Group to preserve its cash for its immediate operational needs. This will also reduce the financial strain of the debt repayments on our Group's cashflow.

The repayment of approximately 76% of the Debt is mutually agreed between our Company and SRL after taking into consideration of the following:

- (i) the dilution to our existing shareholders' shareholdings, the effects on the issued share capital, NA, gearing and earnings of our Group and the impact to our Company's public shareholding spread. Please refer to Sections 3.3.4 and 5 of Part A of this Circular for further details; and
- (ii) the ability of our Company to repay the Remaining Debt. As set out in Sections 7.1. and 7.2 of Part A of this Circular, the outlook and prospect of the oil and gas industry and our Group is expected to be positive. With the shareholder loan facility of up to USD5.0 million made available for our Group's working capital requirements to help turnaround our business performance, our Company intends to repay the Remaining Debt and any drawdown of shareholder loan facility via our Group's internally generated funds once it turns profitable.

Therefore, our Company and SRL is of the view that it is not necessary to fully capitalise the entire Debt.

The Remaining Debt shall be subject to a revised interest rate of 5% per annum as per the terms of the Subscription Agreement. As at the LPD, the interest charged on the Debt is at a rate of 14% per annum.

In view of the above, our Company is expected to benefit from an annual saving in interest payment liability of approximately USD4,628,401 or RM21,172,923 which is illustrated below:

Amount (USD)	Current interest rate (%)	Revised interest rate (%)	Estimated interest savings per annum	
			(USD)	(RM)
Debt - Principal to be offset⁽¹⁾				
22,822,797	14	-	3,195,192	14,616,615
Debt - Interest to be offset⁽¹⁾				
26,739,329	-	-	-	-
Remaining Debt				
15,924,549	14	5	1,433,209	6,556,308
		Total	4,628,401	21,172,923

Note:

- (1) Pursuant to SPA 1, our Company shall make repayment for the accrued unpaid interest followed by the remainder principal amount of the Deferred Consideration and Remaining Completion Amount. The above terms have also been mutually agreed between our Company and SRL.

Hence, the Proposed Debt Settlement is expected to substantially reduce our Company's interest servicing obligation and subsequently to alleviate the financial burden of our Group.

Further, the Proposed Debt Settlement will also enable our Group to reduce its debts to a more manageable level as evidenced by the reduction of our Group's gearing from 2.52 times to 1.08 times as a result of the increase in issued share capital and decrease in total borrowings, and thus, improving our Company's ability to negotiate and secure funding arrangements for its existing business operations, should the need arise. The Proposed Debt Settlement is also expected to strengthen the capital base as the Proposed Debt Settlement will increase our issued share capital which in turn will result in a higher equity attributable to owners of our Company as illustrated in Section 5.2 of Part A of this Circular. Further, with a reduction in our Group's gearing from 2.52 times to 1.08 times, the Proposed Debt Settlement is expected to enhance the overall financial position of our Company.

In addition, the shareholder loan facility of up to USD5.0 million to be provided by SRL and/or Mr. Cheung has been agreed to be subjected to an interest rate equivalent to the BNM overnight policy rate as at the date of each period in which interest is payable (BNM overnight policy rate is at 2.75% as at the date of this Circular), which is substantially more favourable than the average effective borrowing cost of our Group of approximately 6.75% as of 31 December 2021, will further alleviate the financial strain on our Company's cashflow without incurring high interest costs. The shareholder loan facility of up to USD5.0 million to our Company is intended to be utilised for our Group's working capital requirements and help turnaround our business performance.

Performance in Emir-Oil

Emir-Oil has been facing challenges arising from the operational issues which have affected its ability to meet the production targets owing to the lack of financial resources to invest in additional enhance oil recovery measures to address falling reservoir pressure. The actual oil production level for the past few years has not been able to meet the forecasted oil production, this had led to a significant increase in the production cost per barrel and negatively impacted the revenue, cashflow and financials of Emir-Oil. Hence, Emir-Oil has deferred its plan to drill more wells to monetise the reserves. Whilst Emir-Oil has undertaken some measures to increase production such as workovers, reperforation, acid stimulation and having installed electrical submersible pumps to sustain the reservoir pressure, these measures are not sufficient to address the falling reservoir pressure. More capital intensive measures such as gas injection and the drilling of additional wells are necessary to allow Emir-Oil to operate its assets to their full potential.

In addition, 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. However, our Company has not been able to benefit from the higher global oil prices as the war rages on as the pipelines that ship the crude oil from Kazakhstan to global markets have been caught in Russian sanctions problems. Presently, Emir-Oil's crude oil production is exported via pipeline which runs from western Kazakhstan to the Russian coast before being transported to buyers via tankers which are loaded at Russian ports. Despite Emir-Oil's crude oil originating from Kazakhstan, due to the load port being within Russian territory, the international market regards such cargos as having originated from Russia resulting in a sharp discount being imposed on Emir-Oil's crude oil. The sanctions had caused a price differential between Emir-Oil's export sale price and the global benchmark Brent oil price of approximately USD30 to USD40 per barrel. The price differential had significantly undermined Emir-Oil's profitability from the export sales as Emir-Oil's export sale price is at a discount of approximately USD30 to USD40 per barrel to the global benchmark Brent oil price.

The aforesaid price differential caused another unexpected adverse impact on operating cashflow resulted from tax payments. The Kazakhstan government imposes concession tax on exported crude oil based on global benchmark Brent oil price instead of the Emir-Oil export sale price. Hence, the tax on the export sale of oil is assessed based on a significantly higher price than the actual price Emir-Oil receives from its customers. As a result, the monthly net cashflow from the export sales has been reduced by between 49% and 88% as compared to if the crude oil was exported at global benchmark Brent oil price. Emir-Oil is in the process of exploring new export route which enables Emir-Oil to export its oil at a price closer to international oil price to reduce the price differential amid the Russian-Ukraine War. As at the LPD, Emir-Oil has identified several alternative export routes and is in the midst of negotiating the terms with several potential buyers.

Further, Emir-Oil will be required to settle a major portion of the capital expenditures contracted for (such as capital expenditures for the drilling of additional oil wells) amounting to an estimated USD43 million or RM197 million, and taxes amounting to an estimated USD25 million or RM114 million which will be due in the near term (i.e. FYE 2023). Hence, this will divert the available cashflow from further monetising the oil reserve.

Please refer to Section 6 of Part A of this Circular for the commentary on the financial performance and financial position of our Group. In view that Emir-Oil is the only operating subsidiary of our Group, the financial performance of our Group mainly reflects the performance of Emir-Oil.

Therefore, after taking into consideration of the above, our Company is not in the position to service the Debt hence, the Proposed Debt Settlement will be instrumental in alleviating the financial strain on our Company's cashflow and financials. In addition, the shareholder loan facility from SRL provides our Company with an accessible source of capital and a low-cost financing alternative to enhance our Company's financial position.

Further, other avenues of fund raising exercises to raise sufficient funds to repay the Debt such as a rights issue may not be suitable for our Group considering its loss-making position for the past 3 years. Moreover, it will also require our Company to identify shareholders with the ability and willingness to provide irrevocable undertakings to subscribe for a minimum number of rights shares to raise the desired amount of proceeds to repay its debts or, alternatively, procure an underwriter in order to achieve a minimum subscription level in which the latter would incur additional costs to our Group. Furthermore, a rights issue exercise will likely take significantly more time to implement in comparison with the Proposed Debt Settlement.

After due consideration of other options, our Board is of the view that the Proposed Debt Settlement is the most appropriate avenue to assist our Company in fulfilling the obligation to repay the deferred Purchase Consideration as our Board is of the view that it will be challenging for our Group to raise funds expeditiously via other avenues of fund raising exercises as mentioned above. Furthermore, the issue price of RM0.20 per Settlement Share is at a significant premium of 469.80% to the 5-day VWAP of REB Shares of RM0.0351 as at the LPD.

In summary, a significant fund raising exercise for purposes of fulfilling our Company's obligation to repay the deferred Purchase Consideration would involve the issuance of greater numbers of REB Shares than the Settlement Shares given that the Shares would be issued at an issue price based on the current market price of REB Shares, being the 5-day VWAP of REB Shares of RM0.0351 as at the LPD. Hence, such a fund raising exercise would potentially result in an even greater dilution to our existing shareholders' shareholdings than the Proposed Debt Settlement. In reaching this conclusion, our Board has also taken into consideration the fact that despite our Company's efforts, our Company has not been successful in securing bank borrowings at the present time given our high gearing ratio of 2.52 times and our Group's overall financial position.

(Source: Our management)

3.2 Proposed Exemption

The Proposed Exemption will relieve SRL and its PAC from the obligation to undertake the Mandatory Offer under the Rules due to the increase of their interests in our Company to more than 33% (i.e. approximately 48.5%), as a result of the Proposed Debt Settlement.

3.3 Impact of the Proposals and value creation of the Proposals to our Group and our shareholders

3.3.1 Change in board composition of REB

Pursuant to the Subscription Agreement, upon completion of the Proposed Debt Settlement:

- (i) one (1) executive director of our Company will resign as Director;
- (ii) six (6) independent directors of our Company will resign as Directors;
- (iii) Tan Sri Dr. Azmil Khalili Bin Dato' Khalid will resign as a director of Palaeontol B.V.; and
- (iv) Tan Siew Chaing, Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin and Yusoff Bin Hassan will resign as a member of the executive committee of Emir-Oil.

The proposed Directors to be nominated by SRL to replace the above Directors have yet to be determined at this juncture.

3.3.2 Change in controlling shareholder of our Company

As at the LPD, our Company does not have any controlling shareholder. Upon completion of the Proposed Debt Settlement, SRL will hold 1,032,544,282 REB Shares, representing approximately 48.5% of the enlarged issued share capital of our Company immediately after the completion of the Proposed Debt Settlement. Hence, upon completion of the Proposed Debt Settlement, SRL will emerge as a new controlling shareholder of our Company.

3.3.3 Effects on the public shareholding spread

As at the LPD, the existing public shareholding spread of our Company is at 79.1%. Upon the completion of the Proposed Debt Settlement, the public shareholding spread is expected to decrease to approximately 40.7%.

3.3.4 Dilution to our existing shareholders' shareholdings

The issuance of Settlement Shares pursuant to the Proposed Debt Settlement will result in a dilution in the shareholdings of our existing shareholders. For illustration purposes, based on a shareholding of 10,000,000 REB Shares, the effect of the Proposed Debt Settlement are as follows:

	As at LPD	After the Proposed Debt Settlement
No. of REB Shares	10,000,000	10,000,000
Shareholding (%)	0.91%	0.47%

3.3.5 Value creation of the Proposals to our Group and our shareholders

The Proposed Debt Settlement will enable our Company to partially address the Debt without incurring any immediate cash outflows and will allow our Group to preserve cash for our immediate operational needs, as detailed in Section 2 of Part A of this Circular.

The Proposed Debt Settlement will also reduce the financial strain of the principal repayments and interest payments on our Company's cashflow and enable our Group to reduce its gearing from 2.52 times to 1.08 times. The Remaining Debt shall be subject to a revised interest rate of 5% from 14% per annum. The annual saving in interest payment liability will reduce our interest expenses, thereby minimising cash flows commitment in respect of interest servicing which will preserve our Group's cash flows.

In addition, the shareholder loan facility of up to USD5.0 million at a substantially more favourable interest rate will further alleviate the financial strain on our Company's cashflow without incurring high interest costs.

The preserved cash from both the principal repayments and interest payments could be utilised by our Group to fund ongoing operations and the drilling of oil wells in order to monetise our oil reserves, and in turn generate value for our shareholders.

Notwithstanding the above, the consolidated EPS / LPS of our Group is expected to be diluted as a result of the increased number of REB Shares in issue following the issuance of the Settlement Shares. The effects of the Proposals on the NA and gearing as well as the earnings and EPS / LPS of our Group are set out in Section 5 of Part A of this Circular.

3.4 Adequacy of the Proposals in addressing our Group's financial condition

Premised on Sections 3.1 and 3.3 above, our management is of the view that the Proposals are adequate to address our Group's financial condition for the next 24 months. The Proposed Debt Settlement is expected to substantially reduce our Company's principal and interest servicing obligations and subsequently to alleviate the financial burden of our Group. The shareholder loan facility of up to USD5.0 million is intended for our Group's working capital requirements and is expected to help turnaround our business performance.

Notwithstanding the above, our management is cognisant of the fact that the Proposed Debt Settlement will not fully address our Group's existing financial condition as the issuance of Settlement Shares will not fully offset the Debt. Hence, our management continues to undertake other measures as set out in Section 3.5 below with the intention to improve our Group's financial performance and condition.

3.5 Steps taken by our Group to improve its financial performance and condition

To address the Debt and improve our Group's financial performance and condition, our Group has developed the Emir-Oil Turnaround Plan ("**EOTP**") aimed at steering our Group back to profitability. The EOTP comprises four phases which are rebuilding, transformation, growth and expansion. The first two phases, namely rebuilding and transformation have been implemented since 2021, whereas the third and last phases, namely growth and expansion, will be implemented upon the completion of the first two stages. Barring any unforeseen circumstances, the first two phases are expected to be completed by end of 2024.

The rebuilding phase involves an organisational restructuring to streamline the key functions which will embolden our operational performance in the long run. For this purpose, our Group has also implemented process improvement to eliminate weak points and improve operational efficiency.

The transformation phase of the EOTP involves several initiatives such as the drilling of new wells as well as the management of idle wells since 2021 as part of our enhanced oil recovery initiative. Our Group prioritises prolific locations to drill new oil wells to increase production immediately.

In addition, our Group emphasise on sustaining and enhancing our current production level through our well workover programs which involves the replacement of electrical submersible pumps for the artificial extraction of oil while the maintenance works to restore the reservoir pressure are being conducted. Our Group performs gas injection as well for supplementing the pressure in the reservoir to improve extractions.

To increase the profitability of our export sales, our Group is in the process of exploring new export route which enables Emir-Oil to export its oil at a price closer to international oil price to reduce the price differential amid the Russian-Ukraine War. As at the LPD, Emir-Oil has identified several alternative export routes and is in the midst of negotiating the terms with several potential buyers.

Barring any unforeseen circumstances, our Board believes our well-positioned strategies to continue developing the EOTP will improve our performance and growth moving forward. The EOTP is also expected to improve Emir-Oil's cash flow to eventually repay the 60% PBV Shareholder Loan.

(Source: Our management)

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4. UTILISATION OF PROCEEDS

There will be no proceeds raised from the issuance of the Settlement Shares pursuant to the Proposed Debt Settlement as the issue price will be satisfied by offsetting a portion of the Debt owing to SRL.

Upon completion of the Proposed Debt Settlement, SRL will enter into a shareholder loan facility agreement or procure that Mr. Cheung enter into a shareholder loan facility agreement (either by himself or jointly with SRL), to make available a shareholder loan facility of up to USD5.0 million or RM22.87 million to our Company.

Our Company intends to utilise the proceeds from the shareholder loan facility in the following manner:

Description of use of proceeds	Amount	Estimated timeframe for use of proceeds from the date of completion of the Proposals
	RM'000	
Working capital ⁽ⁱ⁾	20,373	Within 24 months
Estimated expenses in relation to the Proposals ⁽ⁱⁱ⁾	2,500	Within 1 month
Total	22,873	

Notes:

- (i) *The working capital is to finance the daily operations of our Company which include day-to-day administrative, operational and financing expenditure, as well as for general corporate purposes in conducting the businesses of our Company. The breakdown of such proceeds has not been determined at this juncture and will be dependent on the operating and funding requirements at the time of utilisation.*
- (ii) *Comprise mainly of professional fees, fees payable to the relevant authorities, printing and despatch cost and cost of convening the forthcoming EGM. If the actual expenses in relation to the Proposals are lower/ higher than the estimated amount, the excess will be allocated to/ from working capital. The breakdown is as follows:*

Description of use of proceeds	Amount	Estimated timeframe for use of proceeds from the date of completion of the Proposals
	RM'000	
Professional fees	2,295	Within 1 month
Fees to authorities	62	Within 1 month
Printing and despatch cost	100	Within 1 month
Miscellaneous expenses	43	Within 1 month
Total	2,500	

Upon drawdown of the shareholder loan facility and pending utilisation of proceeds for the purposes as set out above, the proceeds will be placed in interest-bearing deposits with financial institution and/or short-term money market instruments as our Board deems fit. The interest derived from the deposits with financial institutions and/or any gains arising from the short-term money market instruments will be used as additional working capital of our Group.

5. EFFECTS OF THE PROPOSALS

The Proposed Exemption will not have any effect on the issued share capital, substantial shareholders' shareholdings, NA, gearing and earnings of our Group.

The effects of the Proposed Debt Settlement are illustrated in the ensuing sections.

5.1 Issued share capital

	No. of REB Shares	RM
Share capital as at the LPD	1,096,412,775	678,968,000
To be issued pursuant to the Proposed Debt Settlement	1,032,544,282	206,971,438 ⁽ⁱ⁾⁽ⁱⁱ⁾
Enlarged share capital	2,128,957,057	885,939,438

Notes:

- (i) Based on the issue price of RM0.20 per Settlement Share.
- (ii) Comprises the following:
- (a) RM206,508,856 from the issuance of Settlement Shares; and
- (b) RM462,582 difference arising from the offsetting of Debt translated at the exchange rate as at 31 December 2021 (USD49,562,126 translated at RM1.00:USD0.2395), RM206,971,438, and the Settlement Shares issued of RM206,508,856.

5.2 NA per Share and gearing

	(Audited) As at 31 December 2021 (RM'000)	After Proposed Debt Settlement (RM'000)
Share capital	678,968	885,940 ⁽ⁱ⁾⁽ⁱⁱ⁾
Proceeds of shares allocated to warrant reserve	(189,993)	(189,993)
Other reserves	180,431	180,431
Accumulated losses	(366,206)	(364,472) ⁽ⁱⁱⁱ⁾
Equity attributable to owners of our Company	303,200	511,906
Non-controlling interest	99,702	99,702
Total Equity	402,902	611,608
No. of REB Shares ('000)	1,096,413	2,128,957 ⁽ⁱ⁾
NA per REB Share (RM)	0.28	0.24
Total borrowings	765,189	553,983
Gearing (times)	2.52	1.08

Notes:

- (i) Includes the 1,032,544,282 Settlement Shares issued at RM0.20 each.
- (ii) Inclusive of:
- (a) RM206,508,856 from the issuance of Settlement Shares; and
- (b) RM462,582 from the difference arising from the offsetting of Debt translated using the exchange rate as at 31 December 2021 (USD49,562,126 translated at RM1: USD0.2395), RM206,971,438, and the Settlement Shares issued of RM206,508,856.
- (iii) After taking into consideration the deduction for estimated expenses of RM2.5 million in relation to the Proposals and offset with RM4.2 million difference arising from modification of the terms of the Remaining Debt (i.e. interest rate of the Remaining Debt to be revised to 5% per annum from the current interest rate of 14% per annum).

5.3 Substantial shareholder shareholdings

The pro forma effects of the Proposed Debt Settlement on the shareholdings of the substantial shareholders of our Company based on the Record of Depositors as at the LPD are set out below:

Shareholders	As at the LPD			
	Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%
Reach Energy Holdings Sdn Bhd	127,800	11.66	-	-
Ir. Shahul Hamid Bin Mohd Ismail	981	0.09	127,800 ⁽ⁱ⁾	11.66
Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	56,643	5.17	43,150 ⁽ⁱⁱ⁾	3.94
Puan Sri Nik Fuziah Binti Tan Sri Dr. Nik Hussein	40,000	3.65	59,793 ⁽ⁱⁱⁱ⁾	5.45
Super Racer Limited ^(iv)	-	-	-	-
Mr. Cheung ^(v)	-	-	-	-

Shareholders	After Proposed Debt Settlement			
	Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%
Reach Energy Holdings Sdn Bhd	127,800	6.00	-	-
Ir. Shahul Hamid Bin Mohd Ismail	981	0.05	127,800 ⁽ⁱ⁾	6.00
Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	56,643	2.66	43,150 ⁽ⁱⁱ⁾	2.03
Puan Sri Nik Fuziah Binti Tan Sri Dr. Nik Hussein	40,000	1.88	59,793 ⁽ⁱⁱⁱ⁾	2.81
Super Racer Limited ^(iv)	1,032,544	48.50	-	-
Mr. Cheung ^(v)	-	-	1,032,544	48.50

Notes:

- (i) Deemed interested through his direct interests of Reach Energy Holdings Sdn Bhd.
- (ii) Deemed interested through his spouse, Puan Sri Nik Fuziah Binti Tan Sri Dr. Nik Hussein and his direct interests of Azimah Properties Sdn Bhd.
- (iii) Deemed interested through her spouse, Tan Sri Dr. Azmil Khalili Bin Dato' Khalid and her direct interests of Azimah Properties Sdn Bhd.
- (iv) Super Racer Limited will emerge as a substantial shareholder of our Company upon completion of the Proposed Debt Settlement.
- (v) Deemed interested through his direct interests of Super Racer Limited.

5.4 Earnings and EPS

The Proposed Debt Settlement is not expected to have an immediate material impact on the earnings of our Group for the financial year ending 31 December 2022. However, consequent to the increase in the number of REB Shares in issue arising from the Proposed Debt Settlement, the EPS / LPS of our Company will be diluted accordingly.

For illustrative purposes, the EPS or LPS of our Company will be diluted as follows:

	Profit/ (loss) attributable to ordinary shareholders (RM'000)	No. of REB Shares	EPS/ (LPS) (RM)
As at 31 December 2021	(53,410)	1,096,412,775	(0.05)
Subsequent to the Proposed Debt Settlement	(53,410)	2,128,957,057	(0.03)

5.5 Convertible securities

As at the LPD, our Company does not have any convertible securities.

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6. COMMENTARY ON THE FINANCIAL PERFORMANCE AND FINANCIAL POSITION OF OUR GROUP

The summary financial information of our Group for the past 3 audited FYE 2019 to 2021 and the unaudited 6-month FPE 30 June 2021 and 2022 is as follows:

	Audited			Unaudited	
	FYE 2019	FYE 2020	FYE 2021	6-month FPE 30 June 2021	6-month FPE 30 June 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	170,812	79,542	150,691	54,159	74,872
LAT	(180,114)	(196,836)	(82,259)	(14,097)	(16,560)
No. of REB Shares in issue ('000)	1,096,413	1,096,413	1,096,413	1,096,413	1,096,413
Profit/(Loss) attributable to owners of our Company	(128,403)	(128,690)	(53,410)	11,187	(5,644)
Profit/(Loss) per REB Share attributable to owners of our Company ⁽ⁱ⁾	(0.12)	(0.12)	(0.05)	0.01	(0.005)
NA attributable to owners of our Company	480,977	358,021	303,200	367,905	292,768
NA per REB Share attributable to owners of our Company ⁽ⁱⁱ⁾	0.44	0.33	0.28	0.34	0.27
Total borrowings	631,051	651,049	765,189	698,779	819,604
Gearing (times) ⁽ⁱⁱⁱ⁾	1.31	1.82	2.52	1.9	2.8
Current assets	59,787	32,228	69,469	31,608	39,951
Current liabilities	72,998	421,275	496,664	419,910	512,752
Current ratio (times) ^(iv)	0.82	0.08	0.14	0.08	0.08

Notes:

- (i) Calculated based on profit or loss attributable to owners of our Company divided by number of REB Shares in issue.
- (ii) Calculated based on NA divided by number of REB Shares in issue.
- (iii) Calculated based on total borrowings divided by the NA attributable to owners of our Company.
- (iv) Calculated based on current asset divided by current liability.

Commentaries:

(a) FYE 2019

Our Group recorded a revenue of RM170.8 million for FYE 2019 from our oil and gas activities, which is our sole operating segment. Our oil and gas activities consist of the exploration, development, production and sales of oil and other petroleum products in the Republic of Kazakhstan. In FYE 2019, our Group produced an average of 2,332 barrel of oil per day.

Our Group recorded a LAT of RM180.1 million for the FYE 2019 mainly due to the following:

- (i) depreciation expenses in relation to the oil and gas assets which amounted to RM90.7 million;
- (ii) impairment of oil and gas assets and construction in progress which amounted to RM79.2 million;
- (iii) finance costs in relation to the deferred Purchase Consideration and the shareholder loans owed to MIEH and MIE Maple which amounted to RM69.4 million; and
- (iv) taxes other than income taxes from the oil and gas activities which amounted to RM55.6 million.

(b) FYE 2020 vs FYE 2019

Our Group's revenue decreased by RM91.3 million or 53.43% from RM170.8 million for FYE 2019 to RM79.5 million for FYE 2020. The decrease in revenue was mainly due to the outbreak of the COVID-19 pandemic and unprecedented drop in the demand for oil which leads to the collapse in oil price. Consequently, our average production for FYE 2020 reduced to 1,743 barrel of oil per day as compared to 2,332 barrel of oil per day for the FYE 2019.

Our Group's LAT increased by RM16.7 million or 9.28% from RM180.1 million for FYE 2019 to RM196.8 million for FYE 2020. The increase in LAT was mainly due to the following:

- (i) lower revenue recorded for FYE 2020; and
- (ii) additional impairment of the exploration and evaluation assets and oil and gas assets of RM109.9 million for FYE 2020,

which was partly offset by the following:

- (i) decrease in depreciation expenses by RM28.3 million to RM62.4 million for FYE 2020 due to lower production of oil;
- (ii) decrease in taxes other than income taxes by RM33.4 million to RM22.2 million for FYE 2020 due to lower export sales volume; and
- (iii) increase in income tax benefit by RM37.2 million from RM13.0 million for the FYE 2019 to RM50.2 million for the FYE 2020 which was mainly due to the origination and reversal of temporary differences due to unabsorbed tax losses and unabsorbed capital allowances.

(c) FYE 2021 vs FYE 2020

Our Group's revenue increased by RM71.2 million or 89.45% from RM79.5 million for FYE 2020 to RM150.7 million for FYE 2021. The increase in revenue was mainly due to higher oil prices and our production volume. In response to the recovery of oil demand, our average production for the FYE 2021 climbed to 1,911 barrel of oil per day as compared to 1,743 barrel of oil per day for the FYE 2020.

Our Group's LAT decreased by RM114.6 million or 58.21% from RM196.8 million for FYE 2020 to RM82.3 million for FYE 2021. The decrease in LAT was mainly due to the following:

- (i) higher revenue recorded for FYE 2021; and

- (ii) no impairment was recorded for FYE 2021 as a result of the higher oil prices as compared to the impairment loss which amounted to RM109.9 million recorded for FYE 2020,

which was partly offset by the following:

- (i) increase in depreciation expenses by RM14.2 million to RM76.6 million for FYE 2021 due to higher production of oil; and
- (ii) increase in taxes other than income taxes by RM27.2 million to RM49.4 million due to higher production volume and higher export sales price.

Our Group's total borrowings increased by RM114.1 million or 17.53% from RM651.1 million for FYE 2020 to RM765.2 million for FYE 2021. The increase in total borrowings is mainly due to the following:

- (i) the increase in amount due to MIEH by RM31.7 million arising from accrued interest from Deferred Consideration;
- (ii) the increase in amount due to MIE Maple by RM43.9 million arising from the interests accrued on the 40% PBV Shareholder Loans; and
- (iii) the drawdown of term loan amounting to RM26.3 million, which was mainly utilised for capital expenditures for the drilling of additional oil wells.

(d) 6-month FPE 30 June 2022 vs 6-month FPE 30 June 2021

Our Group's revenue increased by RM20.7 million or 38.24% from RM54.2 million for 6-month FPE 30 June 2021 to RM74.9 million for 6-month FPE 30 June 2022. The increase in revenue was mainly due to higher oil prices and higher production volume. Our average production for the 6-month FPE 30 June 2022 climbed to 1,928 barrels of oil per day as compared to 1,529 barrels of oil per day for the 6-month FPE 30 June 2021.

Our Group's LAT increased by RM2.5 million or 17.47% from RM14.1 million for 6-month FPE 30 June 2021 to RM16.6 million for 6-month FPE 30 June 2022. The increase in LAT was mainly due to the following:

- (i) increase in depreciation expenses by RM16.1 million to RM41.2 million for 6-month FPE 30 June 2022 due to higher production of oil;
- (ii) increase in taxes other than income taxes by RM13.0 million to RM30.5 million for 6-month FPE 30 June 2022 due to higher production volume and higher export sales prices; and
- (iii) increase in general and administration expenses by RM13.4 million to RM15.7 million for 6-month FPE 30 June 2022 mainly due to the additional provision of the potential fines for non-fulfilment of contractual obligations as set out in Section 5 of the Appendix III,

which was partly offset by the following:

- (i) higher revenue recorded for 6-month FPE 30 June 2022;
- (ii) net increase in finance income by RM10.2 million to RM1.1 million for 6-month FPE 30 June 2022 mainly due to the unrealised foreign exchange gain. Our Group recorded a net finance cost of RM9.1 million for 6-month FPE 30 June 2021; and

- (iii) increase in income tax benefit by RM11.6 million to RM18.1 million for 6-month FPE 30 June 2022 mainly arising from the origination and reversal of temporary differences due to unabsorbed tax losses and unabsorbed capital allowances.

Our Group's total borrowings increased by RM120.8 million or 17.29% from RM698.8 million for 6-month FPE 30 June 2021 to RM819.6 million for FPE 30 June 2022. The increase in total borrowings is mainly due to the following:

- (i) the increase in amount due to MIEH by RM38.4 million arising from accrued interest from Deferred Consideration;
- (ii) the increase in amount due to MIE Maple by RM53.3 million arising from the interests accrued on the 40% PBV Shareholder Loans; and
- (iii) the drawdown of term loan amounting to RM29.4 million, which was mainly utilised for capital expenditures for the drilling of additional oil wells.

7. INDUSTRY OUTLOOK AND FUTURE PROSPECT OF OUR GROUP

7.1 Outlook and prospect of the oil and gas industry

The Organisation of the Petroleum Exporting Countries (“OPEC”) forecasted the oil demand in the Organisation for Economic Cooperation and Development (“OECD”) countries to increase by approximately 1.3 million barrel per day. However, oil demand in fourth quarter of 2022 is revised lower due to the zero-COVID-19 policy in China, ongoing geopolitical uncertainties and weaker economic activities. For 2023, the global oil demand growth forecast is revised down by 0.1 million barrel per day from the previous assessment to stand at 2.2 million barrel per day. The OECD is expected to grow by 0.3 million barrel per day and the non-OECD by 1.9 million barrel per day. Oil demand growth is anticipated to be challenged by uncertainties related to economic activities, COVID-19 containment measures and geopolitical developments.

The oil supply from Non-OPEC countries is forecasted to grow by 1.9 million barrel per day in 2022, following a slight downward revision of 0.03 million barrel per day compared with the previous assessment. An upward revision to Latin America and Russia oil production was more than offset by downward revisions to Other Eurasia, OECD Europe and Other Asia. The main drivers of oil supply growth for 2022 are expected to be the United States (“US”), Canada, Guyana, China and Brazil, while Norway and Thailand are set to contribute the largest declines. For 2023, the forecast for non-OPEC oil supply growth remains broadly unchanged at 1.5 million barrel per day. The main drivers are expected to be the US, Norway, Brazil, Canada, Kazakhstan and Guyana, whereas oil production is forecast to decline primarily in Russia and Mexico. Nevertheless, considerable uncertainties persist regarding the potential for US shale production and the geopolitical situation in Eastern Europe, including the looming European Union sanctions on imports of Russian oil.

The US Energy Information Administration (“EIA”) forecasts Brent crude oil price will average around USD93 per barrel through the first half of 2023. Weakening global economic conditions, which could limit oil demand growth, create the potential for oil prices to end up lower than the forecast. Higher-than-forecast oil prices could stem from supply disruptions resulting from the European Union’s impending bans on the seaborne import of crude oil and petroleum products from Russia. Despite increasing concerns around weakening global economic conditions, the EIA forecast that global oil consumption will outpace global oil production in 2023, which will contribute to increasing oil prices in the second half of 2023.

(Source: OPEC Monthly Oil Market Report – November 2022 and US EIA Independent Statistics and Analysis – Short Term Outlook, November 2022)

7.2 Prospect of our Group

Our Group is principally involved in the exploration, development, production and sale of crude oil and other petroleum products. With crude oil as our primary product, the financial performance of our Group is dependent on, amongst others, the global oil price, production volume and our Group's operating expenses.

Notwithstanding the positive outlook of the oil & gas industry as mentioned in Section 7.1 above, our Group has been adversely impacted by the price differential between Emir-Oil's export sale price and the global benchmark Brent oil price caused by the sanctions on Russia. As our Group's oil products are exported through Russia's port, customers view the oil as originating from Russia and they have demanded for discounts of approximately USD30 to USD40 per barrel of our oil products.

Further, the Kazakhstan government imposes concession tax on exported oil based on global benchmark Brent oil price instead of the Emir-Oil export sale price. Hence, the tax on the export sale of oil is based on a significantly higher price than Emir-Oil's export sale price and this has further decreased the margins of our export sales.

Our Group continue to explore and where appropriate, undertake initiatives to improve productivity and efficiency such as:

- (i) the implementation of EOTP which aims at steering our Group back to profitability by focusing on rebuilding, transformation, growth and expansion;
- (ii) installing and replacing electrical submersible pumps to mitigate against falling reservoir pressure and production levels; and
- (iii) gas injection measures to improve reservoir pressure and enhancing existing acid stimulation program.

To address the price differential issues currently being experienced by Emir-Oil, our Company is exploring new export routes in an effort to enable Emir-Oil to export its oil at a price closer to international oil price. As at the LPD, Emir-Oil has identified several alternative export routes and is in the midst of negotiating the terms with several potential buyers.

Premised on the successful implementation of the above initiatives, our Board is of the view that the prospect of our Group is positive.

(Source: Our management)

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8. RISK FACTORS

8.1 Completion risk

If any conditions precedent in the Subscription Agreement is not fulfilled or waived, the Proposed Debt Settlement may be terminated. Pursuant thereto, our Group will not be able to complete the Proposed Debt Settlement and the potential benefits expected to arise from the Proposed Debt Settlement will not materialise.

Our Company will take all reasonable steps towards the fulfilment of the conditions precedent set out in the Subscription Agreement to enable the completion of the Proposed Debt Settlement.

8.2 Change in the future business operations of our Group

Upon the completion of the Proposed Debt Settlement, SRL will immediately hold 48.5% of the issued Shares in our Company and will emerge as the controlling shareholder of our Company. Moreover, pursuant to the Subscription Agreement, upon completion of the Proposed Debt Settlement there will be changes to the management of our Group as below:

- (i) one (1) executive director of our Company will resign as Director;
- (ii) six (6) independent directors of our Company will resign as Directors;
- (iii) Tan Sri Dr. Azmil Khalili Bin Dato' Khalid will resign as a director of Palaeontol B.V.; and
- (iv) Tan Siew Chaing, Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin and Yusoff Bin Hassan will resign as a member of the executive committee of Emir-Oil.

The emergence of a new controlling shareholder and a new Board and management may result in a potential change in the future business direction of our Group.

The proposed Directors to be nominated by SRL to replace the above Directors have yet to be determined at this juncture.

Notwithstanding the above, SRL has confirmed that as at the LPD, it does not intend to effect any major change to the following:

- (i) continuation of the business of our Group;
- (ii) the business of our Group, including any plans to liquidate our Group, sell any material assets or re-deploy the fixed assets or effect any other major change in the structure of our Group; and
- (iii) the continued employment of the employees of our Group,

except where such changes are in the ordinary course of our Group's business or are necessary to rationalise or improve our Group's operations and/or financial performance. SRL shall retain the flexibility at any time to consider any options which are in the best interests of our Group that may present themselves including but not limited to any strategic acquisitions and/or disposals of assets or businesses.

8.3 Dilution risk of the existing shareholders' shareholdings in REB

The existing shareholders' shareholding in REB will be diluted upon the issuance of the Settlement Shares pursuant to the Proposed Debt Settlement. The extent of the dilution arising from the issuance of the Settlement Shares are as illustrated in Section 3.3.4 of Part A of this Circular.

9. APPROVALS REQUIRED AND CONDITIONALITY

The Proposals are subject to the following being obtained:

- (i) approval from Bursa Securities, which was obtained vide its letter dated 19 October 2022, for the listing of and quotation for the Settlement Shares on the Main Market of Bursa Securities subject to the following conditions:

No.	Conditions	Status of compliance
1.	REB and HLIB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals.	To be complied
2.	REB is required to furnish Bursa Securities with certified true copy of the resolution passed by the shareholders at the forthcoming EGM approving the Proposals.	To be complied
3.	REB and HLIB are required to inform Bursa Securities upon completion of the Proposals.	To be complied
4.	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 Proposals is completed.	To be complied
5.	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.	To be complied

- (ii) approval from the shareholders of our Company at the forthcoming EGM for the Proposals;
- (iii) approval from SC for the Proposed Exemption. The application to the SC for the Proposed Exemption will be made after the Proposals have been approved by the shareholders of our Company at the forthcoming EGM;
- (iv) approval from the MOE for the transfer of the subsoil use rights resulting from the issuance of the Settlement Shares contemplated under the Proposed Debt Settlement; and
- (v) any other relevant authorities, if required.

The Proposed Debt Settlement and Proposed Exemption are inter-conditional upon each other. The Proposals are not conditional upon any other corporate proposals undertaken or to be undertaken by our Company.

10. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED

None of the Directors, major shareholders, chief executive of our Company and/or persons connected to them have any interest, direct and/or indirect, in the Proposals.

11. DIRECTORS' STATEMENT AND RECOMMENDATION

After having considered all aspects of the Proposals including the rationale, justification and effects of the abovementioned, our Board is of the opinion that the Proposals are in the best interest of our Company. As such, our Board recommends that you **VOTE IN FAVOUR** of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of our Company.

12. TENTATIVE TIMETABLE FOR IMPLEMENTATION OF THE PROPOSALS

Barring any unforeseen circumstances and subject to all requisite approvals being obtained, the Proposals are expected to be completed in the 1st quarter of 2023.

Tentative timeline	Event
15 December 2022	EGM for the Proposals
1 st quarter of 2023	Issuance of Settlement Shares
1 st quarter of 2023	Completion of the Proposals

13. OTHER CORPORATE PROPOSALS ANNOUNCED BUT NOT YET COMPLETED

Save for the Proposals, there is no other corporate proposal which has been announced by our Company but has yet to be completed prior to the printing of this Circular.

14. ADVISERS

HLIB has been appointed as the Principal Adviser to our Company for the Proposals.

Pursuant to subparagraph 4.08(3) of the Rules, TA Securities has been appointed by our Company as the Independent Adviser to the non-interested shareholders of our Company on the Proposed Exemption.

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15. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of REB Shares as traded on Bursa Securities for the past 12 months up to and including the LPD are as follows:

	Highest (RM)	Lowest (RM)
2021		
November	0.095	0.060
December	0.070	0.060
2022		
January	0.075	0.060
February	0.090	0.060
March	0.070	0.050
April	0.065	0.050
May	0.055	0.040
June	0.100	0.045
July	0.060	0.030
August	0.045	0.035
September	0.040	0.030
October	0.040	0.030

Last transacted market price on 29 June 2022 (being the last trading date prior to the Announcement) was RM0.055 per REB Share.

Last transacted market price as at the LPD was RM0.035 per REB Share.

(Source: Bloomberg L.P.)

16. EGM

An EGM, the notice of which is set out in this Circular, will be conducted on a virtual basis via RPEV through online meeting platform at <https://meeting.boardroomlimited.my>, provided by Boardroom Share Registrars Sdn. Bhd. in Malaysia on Thursday, 15 December 2022, at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the resolutions to give effect to the Proposals. Please follow the procedures as set out in the Administrative Guide in order to register, participate and vote remotely via RPEV facilities.

If you are unable to attend, speak and vote in person at the EGM, you may appoint proxy(ies) to attend and vote on your behalf by completing, signing and returning the enclosed Form of Proxy in accordance with the instructions contained therein, so as to reach the office of Boardroom Share Registrars Sdn. Bhd. and may be either be in the following manner:-

- (i) either by hand or post, at 11th Floor, Menara Symphony, No.5 Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia; or
- (ii) electronically through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>

not less than 48 hours before the stipulated time for holding the EGM or any adjournment thereof.

17. PAST FUND RAISING EXERCISE IN THE LAST 36 MONTHS

Our Company has not undertaken any fund raising exercise in the last 36 months prior to the printing of this Circular.

18. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of our Board of
REACH ENERGY BERHAD

IZLAN BIN IZHAB
Senior Independent Non-Executive Director

PART B

**INDEPENDENT ADVICE LETTER FROM TA SECURITIES
HOLDINGS BERHAD IN RELATION TO THE PROPOSED
EXEMPTION**

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to “we”, “us” or “our” in this IAL are references to TA Securities, being the Independent Adviser for the Proposed Exemption.

This Executive Summary summarises this IAL. You are advised to read and understand this IAL in its entirety, together with the letter from the Board to the shareholders of REB in relation to the Proposals in Part A of the Circular and the accompanying appendices for other relevant information and not to rely solely on this Executive Summary in forming an opinion on the Proposed Exemption.

You are also advised to carefully consider the recommendations contained in both the letters before voting on the ordinary resolution in respect of the Proposed Exemption to be tabled at the forthcoming EGM.

If you are in doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

1. INTRODUCTION

On 30 June 2022, HLIB, on behalf of the Board, announced that REB had on even date entered into the Subscription Agreement with SRL for the Proposed Debt Settlement. Pursuant to the Subscription Agreement, the Company and SRL agree to offset USD49,562,125.54 or RM206,508,856.40 debt to be owed to SRL (subject to the completion of the transfer and assignment of the Debt from MIEH to SRL) via the issuance of 1,032,544,282 Settlement Shares at an issue price of RM0.20 for each Settlement Share to SRL. The transfer and assignment of the Debt from MIEH to SRL was subsequently completed on 8 July 2022.

Upon completion of the Proposed Debt Settlement, SRL will hold 1,032,544,282 REB Shares, representing approximately 48.5% of the enlarged number of issued REB Shares. Following this, SRL and its PAC will collectively obtain control in REB (i.e. collective shareholding of more than 33%).

As such, SRL and its PAC will be obliged to extend the Mandatory Offer pursuant to subsection 218(2) of the CMSA and subparagraph 4.01(a) of the Rules. As SRL and its PAC have no intention of undertaking the Mandatory Offer, SRL and its PAC propose to seek an exemption from the SC under the Rules from the obligation to undertake the Mandatory Offer prior to completion of the Proposed Debt Settlement.

On 30 June 2022, TA Securities was appointed by REB pursuant to the Rules to act as the Independent Adviser to the Directors and shareholders of REB on the Proposed Exemption. TA Securities subsequently declared its independence from any conflict of interest or potential conflict of interest to the SC in relation to its role as the Independent Adviser for the Proposed Exemption.

Pursuant to subparagraph 4.08(3)(g) of the Rules, the SC had on 17 November 2022 notified that it has no further comments to the contents of this IAL. However, such notification shall not be taken to suggest that the SC agrees with the recommendation of the Independent Adviser or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAL.

The Proposed Debt Settlement and Proposed Exemption are inter-conditional upon each other. However, the Proposed Debt Settlement will be implemented only after the Proposed Exemption has been obtained. Hence, in the event that shareholders of REB or the SC does not approve the Proposed Debt Settlement and/or the Proposed Exemption, the Proposals will not be implemented.

EXECUTIVE SUMMARY (CONT'D)

The purpose of this IAL is to provide the shareholders of REB with an independent evaluation on the Proposed Exemption on a holistic basis together with our recommendation on whether the shareholders of REB should vote in favour of or against the Proposed Exemption.

Please refer to Section 1 of this IAL for further details.

2. EVALUATION OF THE PROPOSED EXEMPTION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Exemption on a holistic basis in accordance with Schedule 2: Part III of the Rules.

In our evaluation of the Proposed Exemption, we have considered the following factors (see Section 5 of this IAL for further details):

Consideration factors	Section	Our evaluation
Rationale for the Proposals	5.1	<p><u>Proposed Debt Settlement</u></p> <p>The Proposed Debt Settlement represents an opportunity for REB to partially settle the outstanding Debt along with the following benefits:</p> <ul style="list-style-type: none">(i) as the partial settlement of the outstanding Debt is solely via the issuance of Settlement Shares, it would allow the Group to preserve its cash flows. In this relation, the cash flows can be utilised for other operational needs including amongst others, exploring new development wells, maintenance works of existing wells as well as other working capital requirements;(ii) the Settlement Shares are issued at a premium to the historical market prices of the REB Shares (further details are set out in Section 5.2 of this IAL). This will prevent excessive dilution to the shareholdings of the existing shareholders of REB as compared to issuing the Settlement Shares at a lower issue price (i.e. issuing a higher number of settlement shares);(iii) the Proposed Debt Settlement is expected to improve the financial position of the Group by lowering its gearing level. In view of the capital-intensive nature of the Group's business, this will provide the Group with further headroom to raise debt for financing its other business needs;(iv) the Proposed Debt Settlement represents an opportunity for the Group to partially relieve itself from interest service obligations arising from the outstanding Debt.

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EXECUTIVE SUMMARY (CONT'D)

Consideration factors	Section	Our evaluation
Rationale for the Proposals (cont'd)	5.1	<p>(v) with the emergence of SRL as the controlling shareholder of REB upon completion of the Proposed Debt Settlement, SRL agrees to provide a shareholder's loan facility of up to USD5.0 million to the Group at the BNM overnight policy rate as at the date of each period in which interest is payable (on a quarterly basis in arrears). This is expected to provide the Group with additional funding for working capital purposes without the need to incur high interest costs.</p> <p>Based on the BNM overnight policy rate of 2.75% per annum as at 3 November 2022 as extracted from Bank Negara Malaysia's website, the rate for the said shareholder's loan facility is lower than the:</p> <p>(a) interest rate of 7% from the existing borrowings of the Group; and</p> <p>(b) interest rate of 14% currently accruing on the deferred Purchase Consideration.</p> <p>(vi) the Proposed Debt Settlement provides certainty on the partial settlement of the outstanding Debt as compared to alternative means of raising funds such as equity fund-raising exercises (e.g. private placement / rights issue) and bank borrowings.</p> <p>In this regard, the successful implementation of equity fund-raising exercises such as private placement and/or rights issue would depend on whether placees can be secured and/or undertaking / underwriting arrangements can be secured. These equity fund-raising exercises typically take a longer time to complete which would then result in higher interest accrued over the deferred Purchase Consideration. Further, these exercises will not have the benefit of reducing the interest rate on the Remaining Debt from 14% to 5%.</p> <p>On the other hand, obtaining bank borrowings to settle the outstanding Debt may not be a good option as the Group will still be required to service the principal repayment / interest costs from these borrowings. Further, with the current gearing level of the Group (2.80 times as at 30 June 2022) and increasing interest rate environment where future interest servicing obligation is expected to be higher, it is also uncertain whether the Group will be able to secure any such borrowings from any financial institutions given the Group's overall financial position.</p>

EXECUTIVE SUMMARY (CONT'D)

Consideration factors	Section	Our evaluation
Rationale for the Proposals (cont'd)	5.1	<p><u>Proposed Exemption</u></p> <p>Without the Proposed Exemption, the Proposed Debt Settlement will not be able to proceed as the Proposals are inter-conditional upon each other. Accordingly, the potential benefits arising from the Proposed Debt Settlement as detailed in Section 5.1.1 of this IAL will not materialise.</p>
Basis and justification for the issue price of the Settlement Shares	5.2	<p>The basis and justification for the issue price is justifiable after taking into consideration the following factors:</p> <ul style="list-style-type: none">(i) the issue price had been higher than the daily VWAPs of the REB Shares for the past 12 months prior to the announcement of the Proposals and up to the LPD; and(ii) the issue price represents a premium of between RM0.1250 (166.7%) and RM0.1296 (184.1%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of REB Shares up to the LTD. <p>We note that the issue price represents a discount of RM0.08 (28.6%) and RM0.07 (25.9%) to the audited consolidated NA of RM0.28 per REB Share as at 31 December 2021 and unaudited consolidated NA of RM0.27 per REB Share as at 30 June 2022 respectively. However, there is no assurance that the Company could realise the NA per REB Share at its full value, after taking into consideration that majority of the Group's assets comprise mainly of property, plant and equipment, which may not be readily converted to cash or cash equivalent.</p>
Salient terms of the Subscription Agreement	5.3	<p>The salient terms of the Subscription Agreement are appropriate and not detrimental to the interests of the shareholders of REB.</p>

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EXECUTIVE SUMMARY (CONT'D)

Consideration factors	Section	Our evaluation
Effects of the Proposals	5.4	<p>On a standalone basis, the Proposed Exemption will not have any effect on the share capital, substantial shareholders' shareholdings, NA per REB Share, gearing and EPS of the REB Group. Nonetheless, the Proposed Exemption is necessary to facilitate the implementation of the Proposed Debt Settlement.</p> <p>The pro forma effects of the Proposed Debt Settlement are summarised as follows:</p> <p>(i) the Proposed Debt Settlement will result in an increase in the issued share capital of REB by approximately RM207.0 million due to the issuance of Settlement Shares to SRL to partially settle the amount owed to SRL. Upon completion of the Proposed Debt Settlement, SRL will increase its direct interest in the Company from nil to approximately 48.5%. Further, as Mr. Cheung (being the PAC of SRL) is the sole shareholder of SRL, his indirect interest in the Company will increase from nil to approximately 48.5% accordingly. As at the LPD, Mr. Cheung does not have any direct interest in the Company and the Proposed Debt Settlement will not result in him having a direct interest in the Company;</p> <p>(ii) the Proposed Debt Settlement will result in a decrease in the pro forma consolidated NA per REB Share by RM0.04 from RM0.28 as at 31 December 2021 to RM0.24 upon completion of the Proposed Debt Settlement.</p> <p>Notwithstanding the above, the issuance of Settlement Shares will enlarge the Group's equity base, leading to a decrease in its gearing from 2.52 times as at 31 December 2021 to 1.08 times upon completion of the Proposed Debt Settlement;</p> <p>(iii) the Proposed Debt Settlement is not expected to have an immediate material impact on the earnings of the Group but the EPS of REB will be diluted consequent to the increase in number of shares.</p> <p>Notwithstanding the above, we wish to highlight that the Proposed Debt Settlement will reduce the interest-bearing debts of the Group. This is expected to result in an estimated interest savings of approximately RM21.2 million per annum (as set out in Section 3.1, Part A of the Circular) which will in turn improve the future earnings of the Group.</p>

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EXECUTIVE SUMMARY (CONT'D)

Consideration factors	Section	Our evaluation
Risk factors in relation to the Proposals	5.5	<p>We wish to highlight that the completion of the Proposed Debt Settlement is subject to, amongst others, the fulfilment of the conditions precedent as stipulated in the Subscription Agreement. If any one of the conditions precedent are not fulfilled or waived, the Subscription Agreement may be terminated.</p> <p>Pursuant thereto, the Group will not be able to complete the Proposed Debt Settlement and the potential benefits arising from the Proposed Debt Settlement as detailed in Section 5.1.1 of this IAL will not materialise. Further, the outstanding balance of the Remaining Debt will increase as interest will continue to accrue at the existing rate of 14% per annum. As such, the cash flows of the Group may be further constrained by such financial burden.</p> <p>Notwithstanding this, the Group will take all reasonable steps to ensure the fulfilment of the conditions precedent, including obtaining the necessary approvals / consents required which are within its control, for the purpose of completing the Proposed Debt Settlement (as well as the Proposed Exemption).</p> <p>Nonetheless, in the event that the Proposals do not materialise for any reason, the Group will still continue with its business and continue to seek for other alternative means (e.g. other equity fund-raising exercises and/or bank borrowings) to settle the Remaining Debt, including any interest arising therefrom.</p>
Industry outlook and future prospects of the REB Group	5.6	<p>Moving forward, the prospects of the Group are expected to be positive, driven by amongst others, the following:</p> <ul style="list-style-type: none"> <li data-bbox="671 1352 1398 1630">(i) the resumption of economic activities across the globe as the negative effect arising from the COVID-19 pandemic subsides. In this regard, nations around the globe have eased / uplifted containment measures that were imposed to curb the spread of the COVID-19. As such, existing disruptions caused by the COVID-19 pandemic to business activities are expected to gradually ease and business activities are expected to return to normal; <li data-bbox="671 1659 1398 1783">(ii) recovery of oil prices from the COVID-19 pandemic following the resumption of economic activities as well as the geopolitical tension arising from the military conflict in Ukraine; <li data-bbox="671 1812 1398 1912">(iii) initiatives / plans by the Group to improve productivity and efficiency (further details of which are set out in Section 5.6(iii) of this IAL); and

EXECUTIVE SUMMARY (CONT'D)

Consideration factors	Section	Our evaluation
Industry outlook and future prospects of the REB Group (cont'd)	5.6	<p>(iv) Currently, there are 6 producing fields in the concession block with production contracts that have remaining tenures ranging from 9 years to 24 years. Accordingly, this provides the Group with sustainability to its oil and gas extractions for the near to medium term.</p> <p>Further, the Emir-Oil Concession Block has an exploration area of approximately 791 square kilometres (out of the total area of 850 square kilometres under the concession block), representing approximately 93% of the total concession area. This provides the Group with potential prospects for future oil and gas discovery in the longer term.</p>
Implications arising from the voting outcome of the Proposed Exemption	5.7	<p>If you vote in favour of the Proposed Exemption, the SC would be able to consider the application by SRL and its PAC for the Proposed Exemption.</p> <p>Should you vote against the Proposed Exemption, REB will not be able to undertake the Proposed Debt Settlement in view of the conditionality of the Proposed Debt Settlement and Proposed Exemption as set out in Section 9, Part A of the Circular. Consequently, REB will not be able to realise the potential benefits arising from the Proposed Debt Settlement as detailed in Section 5.1 of this IAL.</p>

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3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Exemption holistically, taking into consideration the various factors set out in Section 5 of this IAL. You should carefully consider the merits and demerits of the Proposed Exemption based on all relevant and pertinent factors including those set out in this IAL as well as those highlighted by the Board in its letter to the shareholders of REB in relation to the Proposals, as set out in Part A of the Circular before voting on the ordinary resolution in respect of the Proposed Exemption at the forthcoming EGM.

The Proposed Exemption (if granted) will allow REB to undertake the Proposed Debt Settlement (if it is also approved by the shareholders of REB). Accordingly, the potential advantages and disadvantages of the Proposals are as follows:

Potential advantages	
(i)	The partial settlement of the outstanding Debt via the issuance of Settlement Shares would allow the Group to preserve its future cash flows. In this relation, the cash flows can be utilised for other operational needs including amongst others, exploring new development wells, maintenance works of existing wells as well as other working capital requirements.
(ii)	The Settlement Shares are issued at a premium to the market prices of the REB Shares (further details are set out in Section 5.2 of this IAL). This will prevent excessive dilution to the shareholdings of the existing shareholders of REB as compared to issuing the Settlement Shares at a lower issue price (i.e. issuing a higher number of settlement shares) at the current trading price level.
(iii)	The Proposed Debt Settlement is expected to improve the financial position of the Group by lowering its gearing level (from 2.52 times as at 31 December 2021 to pro forma 1.08 times upon completion of the Proposed Debt Settlement). In view of the capital-intensive nature of the Group's business, this will provide the Group with further headroom to raise debt for financing its other business needs.
(iv)	The Proposed Debt Settlement represents an opportunity for the Group to partially relieve itself from interest service obligations arising from the outstanding Debt (i.e. interest savings of approximately RM21.2 million).
(v)	With the emergence of SRL as the controlling shareholder of REB upon completion of the Proposed Debt Settlement, SRL agrees to provide a shareholder's loan facility of up to USD5.0 million to the Group at the BNM overnight policy rate. This is expected to provide the Group with additional funding for working capital purposes without the need to incur high interest costs.
(vi)	The Proposals allow the existing shareholders of REB to continue participating in the business of the Group via their existing shareholdings without the need to contribute any additional funds.

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Potential disadvantages

- (i) The Proposed Debt Settlement will result in a decrease in the pro forma consolidated NA per REB Share by RM0.04 from RM0.28 as at 31 December 2021 to RM0.24 upon completion of the Proposed Debt Settlement, attributable to the following:
- (a) estimated expenses of RM2.5 million in relation to the Proposals; and
 - (b) the dilutive impact from the issuance of Settlement Shares as the issue price of the Settlement Shares represents a discount of 28.6% to the audited consolidated NA per REB Share as at 31 December 2021.

Further, the future EPS of the Group will be diluted as a result of the increase in weighted average number of REB Shares in issue upon issuance of 1,032,544,282 Settlement Shares.

- (ii) The Proposed Exemption will allow the collective shareholding of SRL and its PAC in REB (through the direct shareholding of SRL) to increase from nil to 48.5% of the enlarged total number of REB Shares without being required to undertake the Mandatory Offer.

Accordingly, SRL and its PAC will obtain control (i.e. shareholding of more than 33%) over REB at the issue price. Further, with a shareholding of close to 50%, SRL and its PAC will be able to significantly influence the outcome of shareholders' resolutions, unless they are required to abstain from voting on such resolutions.

We wish to highlight that the potential advantages of the Proposals as set out above are crucial given the capital-intensive nature of the Group's business. In this relation, the Proposed Debt Settlement will not only allow the Group to preserve cash flows via the partial settlement of the outstanding Debt via the issuance of Settlement Shares, but also allows the Group to have a shareholder's loan facility of up to USD5.0 million with interest rate that is lower than the existing borrowings of the Group. In addition, the expected decrease in the gearing level of the Group resulting therefrom will provide further headroom for the Group to raise debt. These are vital for the sustainability and viability of the Group's business, and thus allowing the shareholders of REB to continue participating in the business of the Group without the need to contribute additional funds.

Premised on the above where the potential advantages outweigh the potential disadvantages, as well as our evaluation of the Proposed Exemption on a holistic basis, we are of the opinion that, on the basis of the information available to us, the Proposed Exemption is **fair and reasonable**.

Accordingly, we recommend that the shareholders of REB **vote in favour** of the ordinary resolution in respect of the Proposed Exemption to be tabled at the forthcoming EGM.

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TA SECURITIES

AN UNWAVERING COMMITMENT

TA SECURITIES HOLDINGS BERHAD

(Registration No. 197301001467 (14948-M))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Corporate Finance Department
29th Floor, Menara TA One
22, Jalan P. Ramlee
50250 Kuala Lumpur
Tel: 03-2072 1277 Fax: 03-2026 7241

25 November 2022

To: The shareholders of Reach Energy Berhad

Dear Sir / Madam,

REACH ENERGY BERHAD (“REB” OR THE “COMPANY”)

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED EXEMPTION

This IAL is prepared for inclusion in the Circular to the shareholders of REB. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to “we”, “us” or “our” in this IAL are references to TA Securities, being the Independent Adviser for the Proposed Exemption.

1. INTRODUCTION

On 30 June 2022, HLIB, on behalf of the Board, announced that REB had on even date entered into the Subscription Agreement with SRL for the Proposed Debt Settlement. Pursuant to the Subscription Agreement, the Company and SRL agree to offset USD49,562,125.54 or RM206,508,856.40 debt to be owed to SRL (subject to the completion of the transfer and assignment of the Debt from MIEH to SRL) via the issuance of 1,032,544,282 Settlement Shares at an issue price of RM0.20 for each Settlement Share to SRL. The transfer and assignment of the Debt from MIEH to SRL was subsequently completed on 8 July 2022.

Upon completion of the Proposed Debt Settlement, SRL will hold 1,032,544,282 REB Shares, representing approximately 48.5% of the enlarged number of issued REB Shares. Following this, SRL and its PAC will collectively obtain control in REB (i.e. collective shareholding of more than 33%).

As such, SRL and its PAC will be obliged to extend the Mandatory Offer pursuant to subsection 218(2) of the CMSA and subparagraph 4.01 of the Rules. As SRL and its PAC have no intention of undertaking the Mandatory Offer, SRL and its PAC propose to seek an exemption from the SC under the Rules from the obligation to undertake the Mandatory Offer prior to completion of the Proposed Debt Settlement.

On 30 June 2022, TA Securities was appointed by REB pursuant to the Rules to act as the Independent Adviser to the Directors and shareholders of REB on the Proposed Exemption. TA Securities subsequently declared its independence from any conflict of interest or potential conflict of interest to the SC in relation to its role as the Independent Adviser for the Proposed Exemption.

Pursuant to subparagraph 4.08(3)(g) of the Rules, the SC had on 17 November 2022 notified that it has no further comments to the contents of this IAL. However, such notification shall not be taken to suggest that the SC agrees with the recommendation of the Independent Adviser or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAL.

The Proposed Debt Settlement and Proposed Exemption are inter-conditional upon each other. However, the Proposed Debt Settlement will be implemented only after the Proposed Exemption has been obtained. Hence, in the event that shareholders of REB or the SC does not approve the Proposed Debt Settlement and/or the Proposed Exemption, the Proposals will not be implemented.

The purpose of this IAL is to provide the shareholders of REB with an independent evaluation on the Proposed Exemption on a holistic basis together with our recommendation on whether the shareholders of REB should vote in favour of or against the Proposed Exemption.

Nonetheless, the shareholders of REB should rely on their own evaluation of the merits of the Proposed Exemption before making a decision on the course of action to be taken at the forthcoming EGM.

This IAL is prepared solely for the use of the shareholders of REB to consider the Proposed Exemption and should not be used or relied upon by any other party for any other purposes whatsoever.

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER FROM THE BOARD TO THE SHAREHOLDERS OF REB IN RELATION TO THE PROPOSALS AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE ORDINARY RESOLUTION IN RESPECT OF THE PROPOSED EXEMPTION TO BE TABLED AT THE FORTHCOMING EGM.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED EXEMPTION

TA Securities was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposals. The terms of reference of our appointment as the Independent Adviser for the Proposed Exemption are in accordance with the requirements to independent adviser as set out in Paragraph 10.08(3) of the Listing Requirements, the Best Practice Guide in relation to Independent Advice Letter issued by Bursa Securities and Paragraph 3 of the Rules.

Our terms of reference as the Independent Adviser are limited to expressing an independent opinion on the Proposed Exemption as to whether the Proposed Exemption is fair and reasonable insofar as the shareholders of REB are concerned as well as providing our recommendation based on information and document made available to us as set out below:

- (i) information contained in Part A of the Circular and the accompanying appendices;
- (ii) other relevant information, document, confirmation and representation furnished to us by the Board, management and/or representatives of REB; and
- (iii) other publicly available information which we deem to be relevant, including but not limited to annual reports and audited consolidated financial statements of REB.

We have relied on the REB Group as well as their Directors, management and/or representatives to take due care in ensuring that all information, document, confirmation and representation provided to us to facilitate our evaluation and which had been used, referred to and/or relied upon in this IAL have been fully disclosed to us, are accurate, valid and complete in all material aspects.

After making all reasonable enquiries, we are satisfied that sufficient information has been disclosed to us in enabling us to formulate our opinion and recommendation and the information is reasonable, accurate, complete and free from material omission.

In rendering our advice, we have taken note of the pertinent matters, which we believe are necessary and of importance to an assessment of the implications of the Proposed Exemption and therefore are of general concern to the shareholders of REB to consider and form their views thereon. Notwithstanding the foregoing, we have not given consideration to the specific investment objectives, risk profiles, financial situations and particular needs of any individual shareholder of REB or any specific group of shareholders of REB.

We recommend that any individual shareholder of REB or group of shareholders of REB who is / are in doubt as to the action to be taken or require advice in relation to the Proposals in the context of their investment objectives, risk profiles, financial situations and particular needs to consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.

Our views expressed in this IAL are, amongst others, based on economic, market and other conditions prevailing, and the information and/or document made available to us as at the LPD or such other period as specified herein. Such conditions may change significantly over a short period of time. In addition, it should be noted that our evaluation and opinion expressed in this IAL do not take into account information, events or conditions arising after the LPD or such other period as specified herein, as the case may be.

We shall immediately notify the SC in writing and the shareholders of REB by way of an announcement to Bursa Securities and a press notice before 9 a.m. on the next Market Day if after despatching this IAL, as guided by subparagraphs 11.07(1) and 11.07(3) of the Rules, we become aware that this IAL:

- (i) contains a material statement which is false or misleading;
- (ii) contains a statement from which there is a material omission; or
- (iii) does not contain a statement relating to a material development.

If circumstances require, we shall send a supplementary IAL to the shareholders of REB in accordance with subparagraph 11.07(2) of the Rules.

3. DETAILS OF THE PROPOSALS

The details of the Proposals are set out in the following sections in Part A of the Circular and should be read in entirety by the shareholders of REB:

	Section in Part A of the Circular
Proposed Debt Settlement	2.1
Proposed Exemption	2.2

4. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM

As set out in Section 10, Part A of the Circular, none of the Directors, major shareholders, chief executive of the Company and/or persons connected to them have any interest, direct and/or indirect, in the Proposals.

5. EVALUATION OF THE PROPOSED EXEMPTION

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposed Exemption on a holistic basis in accordance with Schedule 2: Part III of the Rules.

In our evaluation of the Proposed Exemption, we have considered the following factors:

Consideration factors	Section in the IAL
(i) Rationale for the Proposals	5.1
(ii) Basis and justification for the issue price of the Settlement Shares	5.2
(iii) Salient terms of the Subscription Agreement	5.3
(iv) Effects of the Proposals	5.4
(v) Risk factors in relation to the Proposals	5.5
(vi) Industry outlook and future prospects of the REB Group	5.6
(vii) Implications arising from the voting outcome of the Proposed Exemption	5.7

5.1 Rationale for the Proposals

We have considered the rationale for the Proposals set out in Section 3, Part A of the Circular and our commentaries are summarised below:

5.1.1 Proposed Debt Settlement

As a SPAC, REB completed its qualifying acquisition with the acquisition of 60% interest in PBV (which owns Emir-Oil) on 25 November 2016 at a Purchase Consideration of approximately USD175.9 million. As at the Completion Date of the Acquisition, there was a total deferred Purchase Consideration of approximately USD44.0 million (which attracts interests at the rates as set out in Section 2.1.1, Part A of the Circular). Following this, the REB Group is principally involved in the exploration, development, production and sale of crude oil and other petroleum products with Emir-Oil as its sole operating subsidiary as at the LPD.

As at the LPD, Emir-Oil holds the entire subsoil use rights (a right to make use of a specific subsoil plot for business purposes over a specific period) of an area known as the Emir-Oil Concession Block in Kazakhstan. The concession block is located onshore in the Mangystau Oblast in the southwestern region of Kazakhstan and has a total contract area of approximately 850.3 square kilometres.

With the above, the Group derived its revenue entirely from the sale of crude oil and gas produced by Emir-Oil from the Emir-Oil Concession Block. Historically, the Group derived majority of its revenue from the export market, with only approximately 25% of the revenue derived domestically in Kazakhstan.

Since the completion of the Acquisition, the Group has incurred losses from its operations up to the FYE 2021 (save for the FYE 2018 where revenue increased by 40.2% to RM220.3 million due to an increase in production volume) mainly due to, amongst others, high operating expenses and depressed oil prices. As such, the Group has not been able to settle the deferred Purchase Consideration of approximately USD44.0 million arising from the Acquisition. Further, as the deferred Purchase Consideration is subject to interest to be accrued at the rates set out in Section 2.1.1, Part A of the Circular, the said USD44.0 million has increased to an outstanding balance of approximately USD65.5 million as at the LPD (after deducting previous principal and interests repayments of approximately USD5.3 million and USD1.3 million respectively).

Hence, the losses of the Group were further aggravated by the finance costs arising therefrom. A summary of the historical financial performance of the Group is as follows:

	FYE				
	2021 (RM'000)	2020 (RM'000)	2019 (RM'000)	2018 (RM'000)	2017 (RM'000)
Revenue	150,691	79,542	170,812	220,284	157,115
Operating expenses	(191,543)	(267,331)	(296,887)	(212,413)	(207,325)
(Loss) / profit from operations	(40,852)	(187,789)	(126,075)	7,871	(50,210)
Net finance costs	(34,048)	(59,193)	(67,027)	(46,578)	(71,495)
Loss before tax	(74,900)	(246,982)	(193,102)	(38,707)	(121,705)
Taxation	(7,359)	⁽¹⁾ 50,146	⁽¹⁾ 12,988	(17,318)	(25,481)
Loss after tax	(82,259)	(196,836)	(180,114)	(56,025)	(147,186)

Note:

- (1) Tax benefits mainly arising from the origination / reversal of temporary differences due to unabsorbed tax losses and unabsorbed capital allowances.

Given the above, the Proposed Debt Settlement represents an opportunity for REB to partially settle the outstanding Debt along with the following benefits:

- (i) as the partial settlement of the outstanding Debt is solely via the issuance of Settlement Shares, it would allow the Group to preserve its cash flows. In this relation, the cash flows can be utilised for other operational needs including amongst others, exploring new development wells, maintenance works of existing wells as well as other working capital requirements;
- (ii) the Settlement Shares are issued at a premium to the historical market prices of the REB Shares (further details are set out in Section 5.2 of this IAL). This will prevent excessive dilution to the shareholdings of the existing shareholders of REB as compared to issuing the Settlement Shares at a lower issue price (i.e. issuing a higher number of settlement shares);
- (iii) the Proposed Debt Settlement is expected to improve the financial position of the Group by lowering its gearing level. In view of the capital-intensive nature of the Group's business, this will provide the Group with further headroom to raise debt for financing its other business needs;
- (iv) the Proposed Debt Settlement represents an opportunity for the Group to partially relieve itself from interest service obligations arising from the outstanding Debt. As set out above, the deferred Purchase Consideration is subject to interest being accrued and in view that the deferred Purchase Consideration has been outstanding for more than 24 months after the Completion Date of the Acquisition, the interest is currently accruing at a rate of 14% per annum based on the terms and conditions under SPA 1, unless otherwise revised by the parties. For illustration, the interest accrued on the outstanding Debt was RM22.5 million, representing 14.9% of the total revenue of RM150.7 million for the FYE 2021.

As set out in Section 2.1.1, Part A of the Circular, the total Debt amounted to approximately USD65.5 million. The principal amount of the Debt amounted to approximately USD38.7 million whilst the balance of approximately USD26.8 million represents the interest accrued. Save for a principal repayment of approximately USD5.3 million (approximately USD2.3 million on 12 November 2019 and USD3.0 million on 2 January 2020) in relation to the Debt, there were no other repayments made by the Group up to the LPD.

Based on the foregoing, the inability of the Group to meet its repayment obligations for the deferred Purchase Consideration has resulted in hefty finance costs, representing approximately 69.3% of the principal amount (calculated based on the interest accrued of USD26.8 million divided by the principal amount of USD38.7 million) and any further delays in settling the deferred Purchase Consideration will attract additional finance costs.

With the partial settlement of the outstanding Debt, the Group will be able to benefit from an estimated interest savings of approximately RM14.6 million per annum. Further, with the revision of the interest rate for the Remaining Debt from 14% to 5% pursuant to the terms under the Subscription Agreement, there is an estimated further interest savings of approximately RM6.6 million per annum. With these, the Group is expected to derive an estimated interest savings of approximately RM21.2 million per annum from the Proposed Debt Settlement;

- (v) with the emergence of SRL as the controlling shareholder of REB upon completion of the Proposed Debt Settlement, SRL agrees to provide a shareholder's loan facility of up to USD5.0 million to the Group at the BNM overnight policy rate as at the date of each period in which interest is payable (on a quarterly basis in arrears). This is expected to provide the Group with additional funding for working capital purposes without the need to incur high interest costs.

Based on the BNM overnight policy rate of 2.75% per annum as at 3 November 2022 as extracted from Bank Negara Malaysia's website, the rate for the said shareholder's loan facility is lower than the:

- (a) interest rate of 7% from the existing borrowings of the Group; and
 - (b) interest rate of 14% currently accruing on the deferred Purchase Consideration; and
- (vi) the Proposed Debt Settlement provides certainty on the partial settlement of the outstanding Debt as compared to alternative means of raising funds such as equity fund-raising exercises (e.g. private placement / rights issue) and bank borrowings.

In this regard, the successful implementation of equity fund-raising exercises such as private placement and/or rights issue would depend on whether placees can be secured and/or undertaking / underwriting arrangements can be secured. These equity fund-raising exercises typically take a longer time to complete which would then result in higher interest accrued over the deferred Purchase Consideration. Further, these exercises will not have the benefit of reducing the interest rate on the Remaining Debt from 14% to 5%.

On the other hand, obtaining bank borrowings to settle the outstanding Debt may not be a good option as the Group will still be required to service the principal repayment / interest costs from these borrowings. Further, with the current gearing level of the Group (2.80 times as at 30 June 2022) and increasing interest rate environment where future interest servicing obligation is expected to be higher, it is also uncertain whether the Group will be able to secure any such borrowings from any financial institutions given the Group's overall financial position.

For illustration, the pro forma effects of the partial settlement of the outstanding Debt via equity and bank borrowings on the weighted average cost of capital (“WACC”) of the Company are as follows:

	As at the LPD	Settlement via equity	Settlement via bank borrowings
WACC	6.58%	5.33%	5.59%

where:

$$\text{WACC} = \frac{E}{D + E} \times K_e + \frac{D}{D + E} \times K_d(1 - t)$$

and where:

E : Market value of the firm’s equity

As at the LPD

Based on the 5-day VWAP of REB Shares up to and including the LPD of RM0.0351 and the existing number of 1,096,412,775 issued REB Shares.

Settlement via equity

Based on the enlarged market value of the REB Shares assuming USD49,562,126 (translated into approximately RM218.3 million based on the exchange rate of approximately RM1:USD0.2270) of the Debt is settled via the equity issuance of similar value.

Settlement via bank borrowings

Based on the market value of the REB Shares as at the LPD as the settlement via bank borrowings is not expected to have any impact on the market value of the REB Shares.

D : Market value of the firm’s interest-bearing debt

As at the LPD

Based on the Group’s interest-bearing borrowings as at 30 June 2022 of approximately RM519.4 million.

Settlement via equity

Based on the Group’s pro forma interest-bearing borrowings as at 30 June 2022 of approximately RM409.4 million, derived as follows:

	Amount (RM’million)
Interest-bearing borrowings as at 30 June 2022	519.4
Less: settlement of interest-bearing portion of the Debt	(1) (110.0)
Pro forma interest-bearing borrowings as at 30 June 2022	409.4

Note:

(1) The settlement amount of the Debt is USD49,562,126 (approximately RM218.3 million), out of which the interest-bearing portion is approximately RM110.0 million (principal of the Debt) whilst the remaining portion of RM108.3 million is non-interest bearing (interest accrued on the Debt).

- D : Settlement via bank borrowings
Based on the Group's pro forma interest-bearing borrowings as at 30 June 2022 of approximately RM627.7 million, derived as follows:

	Amount (RM'million)
Interest-bearing borrowings as at 30 June 2022	519.4
Less: settlement of interest-bearing portion of the Debt	⁽¹⁾ (110.0)
Add: additional bank borrowings for the settlement	⁽²⁾ 218.3
Pro forma interest-bearing borrowings as at 30 June 2022	627.7

Notes:

- (1) The settlement amount of the Debt is USD49,562,126 (approximately RM218.3 million), out of which the interest-bearing portion is approximately RM110.0 million (principal of the Debt) whilst the remaining portion of RM108.3 million is non-interest bearing (interest accrued on the Debt).
- (2) Based on the settlement amount of the Debt of approximately RM218.3 million, which will be entirely interest-bearing assuming the settlement is via bank borrowings.
- K_e : Cost of equity (As at the LPD: 12.77%; settlement via equity: 6.00%; settlement via bank borrowings: 14.37%), representing the rate of return required by an investor on the cash flow streams generated by the Group given, amongst others, the risks associated with the cash flows and is derived using the Capital Asset Pricing Model, as follows:

$$K_e = R_f + \beta (R_m - R_f)$$

where:

- R_f : risk-free rate of return, representing the expected rate of return from a risk-free investment and is derived based on the yield of 10-year Malaysian Government Securities as at the LPD of 4.34%.
- β : beta, representing the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than 1 signifies that the asset is riskier than the market and *vice versa*. As extracted from Bloomberg, the 5-year weekly beta of the Company up to and including the LPD is 1.653.

We have adopted the beta of the Company as REB has been listed on Bursa Securities since 15 August 2014 as a SPAC and completed its qualifying acquisition on 25 November 2016. Hence, its beta is obtainable and represents a reliable measure for the riskiness of the REB Shares. Further, there is no company listed on Bursa Securities which is comparable to REB Group in view of the geographical location of the principal activity of REB Group in Kazakhstan.

For the purpose of computing the cost of equity of REB assuming the partial settlement of the Debt is done via equity and bank borrowings respectively, we have unlevered the beta and re-levered it based on the capital structure of REB after the aforesaid partial settlements under both scenarios.

K_e : R_m : expected market rate of return, representing the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market. In our opinion, the historical rate of return for FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia as it is a reasonable representative of a diversified equity market portfolio.

Given the volatility of the stock market and market cycles, a 10-year historical rate of return of the said index is an appropriate estimate of the expected market rate of return as it normalises the year-on-year fluctuations of the stock market and mitigates market bias. Based on the information sourced from Bloomberg, we have derived an average expected market rate of return in Malaysia of 9.44% per annum for the past 10 years.

K_d : Pre-tax cost of debt, representing the rate of return required by the lenders and is based on an interest rate of 7.00% from the existing external borrowings of the Group.

t : Corporate tax rate, which is based on the latest statutory tax rate of 24% applicable to the Group.

Based on the above, the partial settlement of the Debt via equity will result in a lower WACC as compared to bank borrowings, mainly due to a reduction in cost of equity arising from a lower debt-to-equity ratio.

Accordingly, the partial settlement of the Debt via equity is more advantageous than bank borrowings in this respect.

5.1.2 Proposed Exemption

As set out in Section 1 of this IAL, the Proposed Exemption is being sought by SRL and its PAC pursuant to the issuance of Settlement Shares arising from the Proposed Debt Settlement. Upon completion of the Proposed Debt Settlement, the shareholding of SRL in REB will increase from nil to approximately 48.5%. As such, SRL and its PAC would be obliged to observe the requirements of the Rules to undertake the Mandatory Offer.

As it is not the intention of SRL and its PAC to undertake the Mandatory Offer, the Proposed Exemption will relieve them from the obligation to undertake such Mandatory Offer pursuant to subparagraph 4.08(1)(b) of the Rules.

Without the Proposed Exemption, the Proposed Debt Settlement will not be able to proceed as the Proposals are inter-conditional upon each other. Accordingly, the potential benefits arising from the Proposed Debt Settlement as detailed in Section 5.1.1 of this IAL will not materialise.

Based on the above, we are of the view that there are merits in the Proposals.

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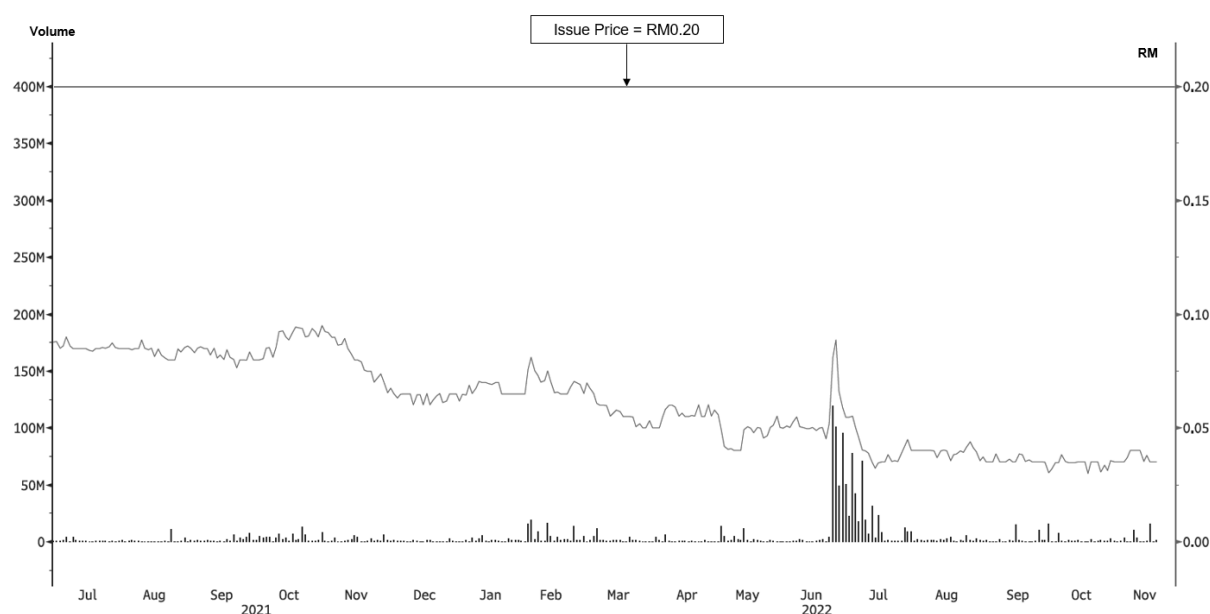
5.2 Basis and justification for the issue price of the Settlement Shares

The basis and justification for the issue price of the Settlement Shares is set out in Section 2.1.3, Part A of the Circular. The issue price was determined after taking into consideration the historical VWAP of REB Shares and the NA per REB Share.

In evaluating the issue price, we have considered the following:

(i) Historical market price performance of the REB Shares

The graph below sets out the historical daily VWAPs of REB Shares for the past 12 months prior to the announcement of the Proposals and up to the LPD:



(Source: Bloomberg)

The principal activities of the REB Group have remained unchanged for the past 12 months prior to the announcement of the Proposals and up to the LPD. Based on the graph above, we noted that the historical daily VWAPs of REB Shares have generally been on a downward trend.

Save for the announcements in relation to the Proposals, the Annual Report 2021, unaudited quarterly financial results as well as the events as disclosed below, there is no significant event being announced for the past 12 months prior to the announcement of the Proposals and up to the LPD which may have impacted the daily VWAPs of the REB Shares during the said period:

Date of announcement	Announcement
11 November 2021	Announcement that the Court in Kazakhstan (“ Court ”) had on 10 November 2021 ruled that the penalty amount in respect of the statement of claim received by Emir-Oil from Ministry of Energy in Kazakhstan on violation of gas dispersion from open tanks, had been decreased from RM7,292,000 (KZT760,000,000) to RM3,733,000 (KZT385,556,487) to be recovered from Emir-Oil. The penalty has been paid on 22 November 2021.

Date of announcement	Announcement
15 November 2021	Announcement that the Court had on 12 November 2021 ruled that the penalty amount in respect of the statement of claim received by Emir-Oil from Ministry of Energy in Kazakhstan on the violation of gas dispersion at the Emir-Oil operating facilities, had been decreased from RM3,181,000 (KZT 332,271,208) to RM619,000 (KZT 64,012,814) to be recovered from Emir-Oil. The penalty has been paid on 22 November 2021.
17 November 2021	Announcement that a court case was initiated against Emir-Oil in connection with the inspection of the Department of Industrial Safety of Mangystau region of the Republic of Kazakhstan (“DOIS”) (“DOIS Case”). During an audit conducted for the period from 14 October 2021 to 27 October 2021, the DOIS had discovered the violation of industrial safety in some of the Emir-Oil’s facilities.
19 November 2021	Announcement of additional information in respect of the DOIS Case, that: <ul style="list-style-type: none"> <li data-bbox="676 860 1394 1043">(i) a statement of claim was received by Emir-Oil on 9 November 2021. Since then, Emir-Oil has been seeking clarification from relevant parties to examine the nature of the relevant violation, which resulted in REB releasing the announcement in respect of the DOIS Case on 17 November 2021; and <li data-bbox="676 1072 1394 1223">(ii) Emir-Oil is operating as usual pending a preliminary court hearing scheduled to be held on 22 November 2021. The Court is to decide whether a suspension of Emir-Oil’s hazardous facilities and technical equipment is necessary.
23 November 2021	Announcement that the preliminary court hearing in relation to the DOIS Case that was scheduled on 22 November 2021 has been postponed to 30 November 2021.
1 December 2021	Announcement that the preliminary court hearing in relation to the DOIS Case has taken place on 30 November 2021 and the Court has fixed 8 December 2021 as the next hearing date.
10 December 2021	Announcement that the court hearing on 8 December 2021 in relation to the DOIS Case has taken place and the judge had deferred the decision to 9 December 2021. On 9 December 2021, the Court had ruled in favour of Emir-Oil and dismissed the DOIS Case. As such, there were no suspension of Emir-Oil’s facilities and technical equipment.
6 January 2022	Announcement that the Government of Kazakhstan has on 5 January 2022 declared a two weeks’ state of emergency in Almaty and the western Mangistau province, where Emir-Oil is located. The state of emergency includes curfew, movement restrictions, ban of mass gatherings and internet disruptions.

Date of announcement	Announcement
25 August 2022	Announcement that Emir-Oil had on 15 July 2022 filed a claim to the Ministry of Kazakhstan 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 (" Dolinnoe Case "), further details of which are set out in Section 5, Appendix III of the Circular.
31 October 2022	Announcement of additional information in respect of the Dolinnoe Case that Emir-Oil had filed its appeal with the Court of the City of Astana on 23 September 2022. The Court of the City of Astana had, on 28 October 2022, supported the position of the Ministry of Energy and rejected the claim of Emir-Oil. Emir-Oil intends to appeal the decision of the Court of the City of Astana second instance to the Supreme Court of the Republic of Kazakhstan within 6 months from 28 October 2022. The Company is seeking necessary legal advice to resolve and/or to defend the legal suit.

Based on the graph above, the issue price of RM0.20 had been **higher than** the daily VWAPs of the REB Shares for the past 12 months prior to the announcement of the Proposals and up to the LPD.

Further, the issue price of RM0.20 represents the following premium to the historical closing market prices / VWAPs of REB Shares:

	Closing market prices / VWAPs		Premium of the issue price to the historical closing market prices / VWAPs of REB Shares	
	(RM)	(RM)	(RM)	(%)
Up to the LTD (29 June 2022):				
Last traded market price	0.0550	0.1450		263.6
5-day VWAP	0.0750	0.1250		166.7
1-month VWAP	0.0744	0.1256		168.8
3-month VWAP	0.0707	0.1293		182.9
6-month VWAP	0.0704	0.1296		184.1
1-year VWAP	0.0737	0.1263		171.4
Up to the LPD (21 November 2022):				
Last traded market price	0.0350	0.1650		471.4
5-day VWAP	0.0351	0.1649		469.8

(Source: Bloomberg)

(ii) **Consolidated NA per REB Share**

The issue price of RM0.20 represents the following discounts to the consolidated NA per REB Share:

	Consolidated NA per REB Share (RM)	Discount	
		(RM)	(%)
Audited consolidated NA per REB Share as at 31 December 2021	0.28	(0.08)	(28.6)
Unaudited consolidated NA per REB Share as at 30 June 2022	0.27	(0.07)	(25.9)

Our commentaries:

Based on our evaluation above, we are of the view that the basis and justification for the issue price is justifiable after taking into consideration the following factors:

- (i) the issue price had been **higher than** the daily VWAPs of the REB Shares for the past 12 months prior to the announcement of the Proposals and up to the LPD; and
- (ii) the issue price represents a **premium** of between RM0.1250 (166.7%) and RM0.1296 (184.1%) over the 5-day, 1-month, 3-month, 6-month and 1-year VWAPs of REB Shares up to the LTD.

We note that the issue price represents a discount of RM0.08 (28.6%) and RM0.07 (25.9%) to the audited consolidated NA of RM0.28 per REB Share as at 31 December 2021 and unaudited consolidated NA of RM0.27 per REB Share as at 30 June 2022 respectively. However, there is no assurance that the Company could realise the NA per REB Share at its full value, after taking into consideration that majority of the Group's assets comprise mainly of property, plant and equipment, which may not be readily converted to cash or cash equivalent.

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5.3 Salient terms of the Subscription Agreement

Our commentaries on the salient terms of the Subscription Agreement as set out in Appendix I of the Circular are as follows:

Salient terms of the Subscription Agreement	Our commentaries
<p>1. Issue and subscription of the Settlement Shares</p> <p>(a) Subject to the terms and conditions of the Subscription Agreement, SRL shall subscribe for, and the Company shall deliver 1,032,544,282 REB Shares, representing approximately 48.5% of the enlarged issued share capital of the Company immediately after the completion of the Proposed Debt Settlement.</p> <p>(b) The total subscription consideration for the Settlement Shares amounts to USD49,562,125.54, which shall be satisfied by first offsetting against the entire Remaining Completion Amount together with the interest accrued thereon and the remaining balance satisfied by offsetting against a portion of the Deferred Consideration together with the interest accrued thereon.</p> <p>(c) Upon completion of the Proposed Debt Settlement, the remaining Deferred Consideration to be owed by the Company to SRL shall be subject to the same terms and conditions as set out in the SPA 1 save that such amounts to be owed shall be subject to a reduced interest rate of 5% per annum.</p>	<p>Appropriate and justifiable. This term sets out the overview of the Proposed Debt Settlement, where the Company agrees to issue 1,032,544,282 Settlement Shares at the issue price of RM0.20 each as partial offsetting of USD49,562,125.54 or RM206,508,856.40 of the Debt.</p> <p>This is subject to the completion of the transfer and assignment of the Debt from MIEH to SRL and other conditions set out in the Subscription Agreement.</p> <p>As the Debt comprise the Remaining Completion Amount with accrued interest (USD21,738,869) and the Deferred Consideration with accrued interest (USD43,747,807), this term sets out that the settlement of USD49,562,125.54 shall entail the full settlement of the Remaining Completion Amount, while the remaining balance as partial settlement of the Deferred Consideration.</p> <p>Further, the remaining Deferred Consideration that will be outstanding following the Proposed Debt Settlement shall be subject to a reduced interest rate of 5% (from the original interest rate of 14% pursuant to the SPA1).</p> <p>Please refer to our evaluation on the issue price of the Settlement Shares set out in Section 5.2 of this IAL.</p>

Salient terms of the Subscription Agreement	Our commentaries
<p>2. Conditions precedent</p> <p>Completion of the Proposed Debt Settlement (“Completion”) is conditional on each of the following conditions (“Conditions Precedent”) being satisfied on or before 5.00 pm on the date falling six (6) months from the date of the Subscription Agreement or such other date as the Company and SRL may agree in writing (the “Long Stop Date”) save for the Condition Precedent set out in Paragraph 2(b)(ii) below which shall be satisfied no later than two (2) business days following the issuance of the Circular (or such later date as may be mutually agreed between the Company and SRL):</p> <p>(a) The Company:</p> <p>(i) having received the approval at a general meeting from the holders of voting shares of the Company for the allotment and issue of the Settlement Shares to SRL in accordance with the Subscription Agreement;</p> <p>(ii) having procured the approval of the independent holders of voting shares of the Company for the Proposed Exemption at a general meeting of the Company;</p> <p>(iii) having received the approval from Bursa Securities (either unconditionally or subject to conditions) for the listing of and quotation for all of the Settlement Shares on the Main Market of Bursa Securities and such approval not having been subsequently revoked or withdrawn;</p>	<p>Appropriate and not detrimental. These conditions precedent represent the necessary approvals to be obtained to facilitate the completion of the Proposed Debt Settlement.</p> <p>We take note of the irrevocable undertakings by the current Directors to resign from the Board above. These have been mutually agreed by REB and SRL to be part of the conditions precedent under the Subscription Agreement to pave way for the appointment of directors to be nominated by SRL upon completion of the Proposed Debt Settlement.</p> <p>Further, as stated in Section 2, Attachment III of the Circular, there will not be any benefit given to these Directors as compensation for loss of office or otherwise in connection with the Proposals.</p>

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Salient terms of the Subscription Agreement	Our commentaries
<p>(iv) having procured either:</p> <p>(i) a confirmation letter from the MOE that its approval for the issuance of the Settlement Shares is required, or</p> <p>(ii) a confirmation letter from the MOE that its approval for the issuance of the Settlement Shares is not required;</p> <p>(v) having delivered to SRL an irrevocable undertaking by one (1) executive director of the Company to resign as Director with effect from the date of completion of the Proposed Debt Settlement ("Completion Date");</p> <p>(vi) having delivered to SRL an irrevocable undertaking by each of the six (6) independent directors of the Company to resign as directors of the Company with effect from the Completion Date;</p> <p>(vii) having delivered to SRL an irrevocable undertaking by Tan Sri Azmil Khalil Bin Dato' Khalid to resign as a director of PBV with effect from the Completion Date;</p> <p>(viii) having delivered to SRL an irrevocable undertaking by each of Tan Siew Chaing, Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin and Yusoff Bin Hassan to resign as a member of the executive committee of Emir-Oil with effect from the Completion Date; and</p>	<p>Please refer to our commentaries above.</p>

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Salient terms of the Subscription Agreement	Our commentaries
<p>(ix) having obtained all license, permit, consent, authorisation, permission, clearance, warrant, confirmation, exemption, certificate or approval of any competent governmental, administrative, supervisory, regulatory, judicial, determinative, disciplinary, enforcement or tax raising body, authority, agency, board, department, court or tribunal of any jurisdiction (including the Bursa Securities, SC or any relevant securities exchange) and whether supranational, national, regional or local or any other person which are required for allotment and issue of the Settlement Shares and all matters contemplated thereunder having been obtained or made and have not been subsequently revoked, if any to the extent that any of the foregoing was introduced after the date of the Subscription Agreement.</p> <p>SRL may at any time waive, in whole or in part, any or all of the Conditions Precedent above (other than those set out in Paragraph 2(a)(i) to (iv) and (ix)).</p> <p>(b) SRL:</p> <p>(i) having delivered to the Company a certified copy of the resolution of the board of directors and members of SRL authorizing its entry into the Subscription Agreement and the Proposed Debt Settlement upon the terms of the Subscription Agreement;</p> <p>(ii) having completed and being satisfied with results of the business, legal and financial due diligence review by SRL and its agents and advisers of the business, affairs, operation and financial position of the Group and notified the Company in writing that it is so completed and satisfied;</p> <p>(iii) having procured the completion of the transfer and assignment of the Debt from MIEH to SRL;</p>	<p>Please refer to our commentaries above.</p> <p>Please refer to our commentaries above.</p>

Salient terms of the Subscription Agreement	Our commentaries
<p>(iv) having received the Proposed Exemption from the SC and such approval not having been subsequently revoked or withdrawn; and</p> <p>(v) subject to the MOE having confirmed that its approval is required for the issuance of the Settlement Shares, procuring the approval of the MOE for the subscription of the Settlement Shares by SRL.</p> <p>The Company may at any time waive, in whole or in part, any or all of Conditions Precedent set out in Paragraph 2(b).</p> <p>If any of the Conditions Precedent has not been satisfied by the Long Stop Date or in the case of the Conditions Precedent set out in Paragraph 2(b)(ii) the date falling two (2) business days following the issuance of the Circular (or such further date as mutually agreed by the Company and SRL in writing), the Subscription Agreement shall automatically terminate with immediate effect, unless otherwise mutually agreed by SRL and the Company in writing prior to such date.</p> <p>3. Completion</p> <p>(a) Date and place</p> <p>Subject to the Conditions Precedent having been satisfied or waived in accordance with the terms of the Subscription Agreement, Completion of the Subscription Agreement shall take place at 12:00 p.m. at the office of the Company located at D3-5-8, Block D3 Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur, Malaysia or such place and time on the Completion Date as SRL and the Company may agree.</p>	<p>Please refer to our commentaries above.</p> <p>Appropriate. This is a normal term to facilitate the completion of the Proposed Debt Settlement.</p>

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Salient terms of the Subscription Agreement	Our commentaries
<p>4. SRL's right to terminate</p> <p>(a) Subscriber's right to terminate</p> <p>If, at any time before Completion:</p> <ul style="list-style-type: none"> (i) any government authority issues, promulgates or enforces any law, regulation, rule, policy, order or notice that prohibits the completion of the transactions contemplated under the Subscription Agreement; or (ii) the Company is in material breach of any of the warranties or undertakings given in the Subscription Agreement; or (iii) there occurs any material adverse event on the Company or any of its subsidiaries; or (iv) the Company fails to meet the minimum prescribed percentage of public float of its shares as required under the Main Market Listing Requirements of Bursa Securities for a continuous period of five (5) Market Days; or (v) the Company's shares are suspended from trading by Bursa Securities or a trading halt has been imposed on the Company's shares for more than five (5) Market Days (other than (i) suspension of trading or trading halt imposed for the implementation of the transactions contemplated under the Subscription Agreement, the SPA 2, or the transfer and assignment of the Debt from MIEH to SRL; or (ii) suspension of trading or trading halt imposed due to act or omission of SRL); or 	<p>Appropriate. This clause is a normal commercial term which sets out the circumstances under which the Subscription Agreement may be terminated by SRL, including that REB preserve its listing status pursuant to the Listing Requirements prior to Completion.</p>

Salient terms of the Subscription Agreement	Our commentaries
<p>(vi) the shares of the Company are ordered to be delisted by Bursa Securities,</p> <p>SRL may by notice in writing to the Company elect to proceed to Completion or terminate the Subscription Agreement.</p> <p>(b) Company's right to terminate</p> <p>If, at any time before Completion:</p> <p>(i) any government authority issues, promulgates or enforces any law, regulation, rule, policy, order or notice that prohibits the completion of the transactions contemplated under the Subscription Agreement; or</p> <p>(ii) SRL is in material breach of any of warranties or undertakings given in the Subscription Agreement,</p> <p>the Company may, by notice in writing to SRL elect to proceed to Completion or terminate the Subscription Agreement.</p> <p>(c) Mutual Termination</p> <p>Unless otherwise terminated in accordance with the terms of the Subscription Agreement, the Subscription Agreement may be terminated before Completion upon mutual written consent of both the Company and SRL.</p> <p>(d) Effect of Termination</p> <p>Termination of the Subscription Agreement does not affect the Company's or SRL's accrued rights and obligations at the date of termination. Immediately after termination of the Subscription Agreement, neither the Company nor SRL shall have any claim against each other, except in respect of claims arising out of any antecedent breach of any of the provisions of the Subscription Agreement.</p>	<p>Please refer to our commentaries above.</p> <p>Appropriate. This clause is a normal commercial term which sets out the circumstances under which the Subscription Agreement may be terminated by REB.</p>

Salient terms of the Subscription Agreement	Our commentaries
<p>5. Provision of USD5.0 million loan to the Company</p> <p>Subject to completion of the Proposed Debt Settlement, SRL and/ or Mr. Cheung will grant to the Company a two (2) year loan facility of up to USD5.0 million for purposes of general working capital requirements of the Company at an interest rate equivalent to the prevailing BNM overnight policy rate as at the date of each period in which interest is payable. Interest shall be payable on a quarterly basis in arrears and each individual loan granted to the Company pursuant to the facility shall be repayable in a single payment on the maturity date of the loan facility.</p>	<p>Appropriate. In view that SRL and its PAC will become the controlling shareholder of REB upon completion of the Proposed Debt Settlement, the loan facility is provided to REB as a form of financial support, if such a need arises.</p> <p>Further, the interest rate charged on the loan facility is based on the prevailing BNM overnight policy rate, which is lower than the existing borrowing costs of the Group.</p>

Premised on the above, we are of the view that the salient terms of the Subscription Agreement are appropriate and not detrimental to the interests of the shareholders of REB.

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5.4 Effects of the Proposals

We noted the effects of the Proposals from Section 5, Part A of the Circular.

On a standalone basis, the Proposed Exemption will not have any effect on the share capital, substantial shareholders' shareholdings, NA per REB Share, gearing and EPS of the REB Group. Nonetheless, the Proposed Exemption is necessary to facilitate the implementation of the Proposed Debt Settlement.

The pro forma effects of the Proposed Debt Settlement are summarised as follows:

5.4.1 Issued share capital and substantial shareholders' shareholdings

The Proposed Debt Settlement will result in an increase in the issued share capital of REB by approximately RM207.0 million due to the issuance of Settlement Shares to SRL to partially settle the amount owed to SRL, as follows:

	No. of REB Shares	Amount (RM)
Issued share capital as at the LPD	1,096,412,775	678,968,000
Issuance of Settlement Shares pursuant to the Proposed Debt Settlement	1,032,544,282	⁽¹⁾ 206,971,438
Enlarged share capital upon completion of the Proposed Debt Settlement	2,128,957,057	885,939,438

Note:

- (1) Based on the issue price of RM0.20 per Settlement Share and after taking into account translation difference of approximately RM0.46 million arising from the offsetting of the Debt translated at the exchange rate of RM1.00:USD0.2395 as at 31 December vis-à-vis the shares issued of RM206,508,856.

Upon completion of the Proposed Debt Settlement, SRL will increase its direct interest in the Company from nil to approximately 48.5%. Further, as Mr. Cheung (being the PAC of SRL) is the sole shareholder of SRL, his indirect interest in the Company will increase from nil to approximately 48.5% accordingly. As at the LPD, Mr. Cheung does not have any direct interest in the Company and the Proposed Debt Settlement will not result in him having a direct interest in the Company.

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5.4.2 NA and gearing

As set out in Section 5.2, Part A of the Circular, the pro forma effects of the Proposed Debt Settlement to the NA and gearing of the Group are as follows:

	Audited As at 31 December 2021 (RM'000)	After the Proposed Debt Settlement (RM'000)
Share capital	678,968	⁽¹⁾ 885,940
Proceeds of shares allocated to warrant reserve	(189,993)	(189,993)
Other reserves	180,431	180,431
Accumulated losses	(366,206)	⁽²⁾ (364,472)
NA	303,200	511,906
Non-controlling interest	99,702	99,702
Total equity	402,902	611,608
No. of REB Shares in issue ('000)	1,096,413	2,128,957
NA per REB Share (RM)	0.28	0.24
Total borrowings	765,189	553,983
Gearing	2.52	1.08

Notes:

- (1) Based on the issue price of RM0.20 per Settlement Share and after taking into account translation difference of approximate RM0.46 million arising from the offsetting of the Debt translated at the exchange rate of RM1.00:USD0.2395 as at 31 December vis-à-vis the shares issued of RM206,508,856.
- (2) After taking into consideration the deduction for estimated expenses of RM2.5 million in relation to the Proposals and offset with RM4.2 million difference arising from modification of the terms of the Remaining Debt.

We noted that the Proposed Debt Settlement will result in a decrease in the pro forma consolidated NA per REB Share by RM0.04 from RM0.28 as at 31 December 2021 to RM0.24 upon completion of the Proposed Debt Settlement, attributable to the following:

- (i) estimated expenses of RM2.5 million in relation to the Proposals; and
- (ii) the dilutive impact from the issuance of Settlement Shares as the issue price of the Settlement Shares represents a discount of 28.6% to the audited consolidated NA per REB Share as at 31 December 2021.

Notwithstanding the above, the issuance of Settlement Shares will enlarge the Group's equity base, leading to a decrease in its gearing from 2.52 times as at 31 December 2021 to pro forma 1.08 times upon completion of the Proposed Debt Settlement.

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5.4.3 Earnings and EPS

We noted that the Proposed Debt Settlement is not expected to have an immediate material impact on the earnings of the Group but the EPS of REB will be diluted consequent to the increase in number of shares. For illustration, assuming the Proposed Debt Settlement had been completed on 1 January 2021, being the beginning of the FYE 31 December 2021, the dilution impact on the loss attributable to owners of the Company for the FYE 31 December 2021 is as follows:

	Loss attributable to owners of the Company (RM'000)	LPS (RM)
FYE 31 December 2021	(53,410)	⁽¹⁾ (0.05)
Assuming the Proposed Debt Settlement had been completed on 1 January 2021	(53,410)	⁽²⁾ (0.03)

Notes:

- (1) Based on the weighted number of 1,096,412,775 REB Shares for the FYE 31 December 2021.
- (2) Based on the weighted number of 2,128,957,057 REB Shares for the FYE 31 December 2021, assuming the Proposed Debt Settlement had been completed on 1 January 2021, and 1,032,544,282 Settlement Shares were issued therefrom.

Notwithstanding the above, we wish to highlight that the Proposed Debt Settlement will reduce the interest-bearing debts of the Group. This is expected to result in an estimated interest savings of approximately RM21.2 million per annum (as set out in Section 3.1, Part A of the Circular) which will in turn improve the future earnings of the Group.

Based on our evaluation above, we are of the view that the overall effects of the Proposals on a pro forma basis are not detrimental to the interests of the shareholders of REB.

5.5 Risk factors in relation to the Proposals

We wish to highlight that the completion of the Proposed Debt Settlement is subject to, amongst others, the fulfilment of the conditions precedent as stipulated in the Subscription Agreement. If any one of the conditions precedent are not fulfilled or waived, the Subscription Agreement may be terminated.

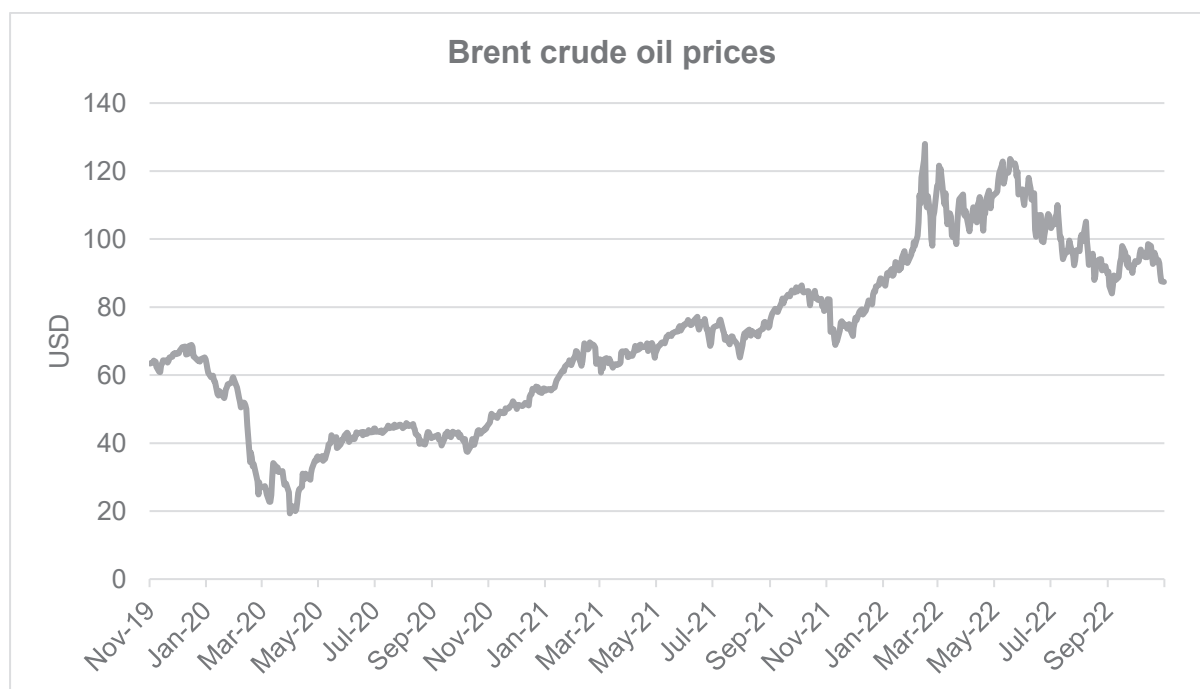
Pursuant thereto, the Group will not be able to complete the Proposed Debt Settlement and the potential benefits arising from the Proposed Debt Settlement as detailed in Section 5.1.1 of this IAL will not materialise. Further, the outstanding balance of the Remaining Debt will increase as interest will continue to accrue at the existing rate of 14% per annum. As such, the cash flows of the Group may be further constrained by such financial burden.

Notwithstanding this, the Group will take all reasonable steps to ensure the fulfilment of the conditions precedent, including obtaining the necessary approvals / consents required which are within its control, for the purpose of completing the Proposed Debt Settlement (as well as the Proposed Exemption).

Nonetheless, in the event that the Proposals do not materialise for any reason, the Group will still continue with its business and continue to seek for other alternative means (e.g. other equity fund-raising exercises and/or bank borrowings) to settle the Remaining Debt, including any interest arising therefrom.

5.6 Industry outlook and future prospects of the REB Group

The graph below sets out the movement of benchmark Brent crude oil (a type of crude oil made from a blend of crudes from the North Sea, the price of which is used as the benchmark for the wider market such as Middle East, Europe and Africa, the primary market in which Emir-Oil is involved) price for the past 3 years up to the LPD:



(Source: Bloomberg)

Throughout 2020, due to the outbreak of the coronavirus disease of 2019 (“**COVID-19**”) pandemic, the oil and gas industry was significantly affected worldwide. The containment measures taken worldwide to mitigate the spread of COVID-19 had led to an unprecedented drop in the demand for oil and a corresponding catastrophic collapse in oil prices. The crude oil prices had then recovered gradually, with Brent crude hovering around USD50 per barrel in January 2021 and gradually increasing to above USD60 per barrel in April 2021.

Since the military conflict in Ukraine on 24 February 2022, the global financial market has experienced increased volatility. Uncertainties surrounding the global economic outlook increased amid high commodity prices, the military conflict, sanctions on Russia, and concerns over weaker growth in China. Following that, the Brent crude oil prices averaged higher at USD98 per barrel during the first quarter of 2022 (fourth quarter of 2021 average: USD80 per barrel).

(Source: BNM Quarterly Bulletin Vol. 37, No. 1, the First Quarter of 2022, BNM)

Global oil demand continued to recover in second quarter of 2022. Oil prices were also supported by tight global oil supply conditions amid the ongoing military conflict in Ukraine and continued underproduction by some non-Organisation of Petroleum Exporting Countries (OPEC+) members in meeting their oil output quotas. Brent crude oil prices rose sharply to an average of USD112 per barrel during the second quarter of 2022 (first quarter of 2022 average: USD98 per barrel).

(Source: BNM Quarterly Bulletin Vol. 37, No. 2, the Second Quarter of 2022, BNM)

Brent crude oil prices declined to an average of USD98 per barrel during the quarter (2Q 2022 average: USD112 per barrel), on concerns over lower oil demand as global growth moderated.

(Source: BNM Quarterly Bulletin Vol. 37, No. 3, the Third Quarter of 2022, BNM)

As set out in Section 5.1.1 of this IAL, the Group is principally involved in the exploration, development, production and sale of crude oil and other petroleum products. With crude oil as its primary product, the financial performance of the Group is dependent on, amongst others, the global oil price, production volume and the Group's operating expenses.

In 2014, the benchmark Brent crude oil price plunged from a peak of approximately USD115 per barrel in June 2014 to a low of approximately USD57 per barrel in December 2014. Subsequently, the oil price continued to decline to a low of USD27 per barrel in January 2016 before gradually recovering in 2017. In this regard, the Group completed the acquisition of Emir-Oil right before the recovery of the oil price.

Capitalising on the recovery of oil prices, the Group has managed to increase its production volume by approximately 20.8% from an average of approximately 2,400 barrels of oil per day ("**BOPD**") to approximately 2,900 BOPD for the FYE 2018. In tandem with the foregoing, revenue has increased from RM157.1 million for the FYE 2017 to RM220.3 million for the FYE 2018. Further, the Group has managed to record a profit from operations of RM7.9 million for the FYE 2018.

However, the financial performance of the Group experienced consecutive declines in the FYE 2019 and FYE 2020 respectively, mainly due to:

- (i) the decline in oil prices from a high of USD75 per barrel in April 2019 to a low of USD19 per barrel in April 2020 resulting from the COVID-19 pandemic;
- (ii) decrease in the Group's production volume as a result of the depletion of reservoir pressure which led to a decline in the productivity of oil wells; and
- (iii) increase in operating expenses mainly due to depreciation, depletion and amortisation charges arising from a decrease in estimates of the oil and gas reserves of the Group⁽¹⁾. Further, the Group has incurred higher maintenance cost as there is a need to install electrical submersible pump to manage the depletion of reservoir pressure set out above and to optimise its production volume.

Note:

- (1) The depreciation, depletion and amortisation on the oil and gas properties of the Group is based on the unit of production method, which calculates the relevant charges using the ratio of produced units to reserves. Accordingly, a revision in the estimated reserves would result in a higher ratio which leads to a higher depreciation, depletion and amortisation charges.

With the gradual recovery of the global economy from the COVID-19 pandemic and the military conflict in Ukraine, oil prices have since gradually recovered and recorded USD87 per barrel as at the LPD. Following this, the Group saw improvements in its financial performance for the FYE 2021, recording both an increase in revenue (contributed by the higher oil prices and increase in production volume) as well as reduction in its operational losses.

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Notwithstanding the recovery of oil prices, the military conflict in Ukraine has also led to adverse implications to the Group where:

- (i) the sanctions on Russia have led to price differential for products delivered through Russia's Port. As most of the equipment / services suppliers of Emir-Oil are from Russia and the oil and its oil and gas products are transported via Russia's port, suppliers have demanded for higher prices whilst its customers have demanded for discounts for its oil and gas products (approximately discount of USD30 to USD40 per barrel from the global benchmark Brent oil price).
In this regard, the discounts demanded are mainly due to customers treating the oil as Russia's products as they are transported via Russia's Port. For the avoidance of doubt, the oil and gas products of Emir-Oil are not under the sanctions on Russia. Further, the oil and gas products of Emir-Oil are sold at a negotiated basis with customers based on the global Brent crude oil price (i.e. the actual sale price is negotiated to determine the discount based on the global Brent crude oil price); and
- (ii) concession tax imposed by the Government of Kazakhstan on exported oil is based on the global benchmark Brent oil price instead of actual sale price. This has further decreased the margins of Emir-Oil derived from export sales.

Currently, the Group is exploring alternative routes and equipment / services suppliers to mitigate the risks above.

Moving forward, the prospects of the Group are expected to be positive, driven by amongst others, the following:

- (i) the resumption of economic activities across the globe as the negative effect arising from the COVID-19 pandemic subsides. In this regard, nations around the globe have eased / uplifted containment measures that were imposed to curb the spread of the COVID-19. As such, existing disruptions caused by the COVID-19 pandemic to business activities are expected to gradually ease and business activities are expected to return to normal;
- (ii) recovery of oil prices from the COVID-19 pandemic following the resumption of economic activities as well as the geopolitical tension arising from the military conflict in Ukraine. Subsequent to the large-scale invasion by Russia into Ukraine and the sanctions on Russia, the military conflict has resulted in an increase in global oil prices.

Since then and up to the LPD, benchmark Brent oil prices have range between USD98 per barrel and USD128 per barrel. With this, the revenue of the Group is expected to benefit from the high oil price moving forward;

- (iii) initiatives / plans by the Group to improve productivity and efficiency including amongst others:
 - (a) installing and replacing electrical submersible pumps for artificial extraction of oil while maintenance works to restore the reservoir pressure are being conducted;
 - (b) drilling infill wells (i.e. additional wells targeting pockets of oil left behind from the original well) to improve recovery of the Group's oil and gas reserves;
 - (c) gas injection for supplementing the pressure in the reservoir to improve extractions;
 - (d) organisational restructuring to streamline key operations of the Group to reduce costs;

- (e) building of a central processing facility which would increase the oil handling capacity of the Group and result in cost savings relating to processing of oil and gas products;
 - (f) exploring alternative routes and equipment / services suppliers to mitigate potential risks arising from the military conflict in Ukraine as set out above; and
- (iv) the current estimated oil and gas reserves from the Emir-Oil Concession Block. Currently, there are 6 producing fields in the concession block with production contracts that has remaining tenures ranging from 9 years to 24 years. Accordingly, this provides the Group with sustainability to its oil and gas extractions for the near to medium term.

Further, the Emir-Oil Concession Block has an exploration area of approximately 791 square kilometres (out of the total area of 850 square kilometres under the concession block), representing approximately 93% of the total concession area. This provides the Group with potential prospects for future oil and gas discovery in the longer term.

Notwithstanding the exploration contract is expiring on 31 December 2022, the contract can be renewed subject to approvals from the relevant authorities. In this regard, the management had on 12 October 2022, submitted an extension application on the said exploration contract for a period of 70 days and expects to submit an application for a further 3-year prolongation prior to the expiry of the exploration contract. The management endeavours to procure extension of the said exploration contract by amongst others, negotiating and complying with the required terms and conditions by the relevant authorities. However, it should be noted that the non-extension of the exploration contract would pose a significant business risk towards the long term prospect of the Group as Emir-Oil will only be able to continue with operating its 6 existing producing fields in the concession block and will not be able to continue with the exploration area for potential oil fields.

Given the above and save for the prolongation of the exploration contract which is subject to the approvals from the relevant authorities, we are of the view that the future prospects of the Group appear to be positive.

Lastly, we wish to highlight that the recent appreciation of the USD will not have any impact to the number of Consideration Shares to be issued from the Proposed Debt Settlement as the conversion rate of RM1.00:USD0.2400 has been agreed between the Company and SRL for the purpose of converting the value of the Debt in USD to MYR.

Notwithstanding this, the Group is expected to record a foreign exchange gain if the value of USD is higher than the value implied by the agreed conversion rate above when the Proposed Debt Settlement is completed. Further, the appreciation of the USD is also expected to benefit the revenue of the Group as the exported oil sold by Emir-Oil is quoted in USD.

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5.7 Implications arising from the voting outcome of the Proposed Exemption

You should note that the SC will only consider the application for the Proposed Exemption if SRL and its PAC has satisfied amongst others, the following conditions pursuant to subparagraph 4.08(2) of the Rules:

- (i) there has been no acquisition of shares or instruments convertible into and options in respect of shares (other than subscriptions for, rights to subscribe for instruments convertible into or options in respect of new shares which have been disclosed in this Circular) in the 6 months prior to the announcement of the Proposals but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Debt Settlement until completion of the subscription (“**Disqualifying Transaction**”); and
- (ii) approval has been obtained from independent holders of voting shares or voting rights of REB at a meeting of the holders of the relevant class of voting shares or voting rights to waive their rights to receive the Mandatory Offer from SRL and its PAC. The voting at the meeting shall be conducted by way of a poll.

Any exemption granted will be invalidated if SRL and its PAC has engaged or engages in a Disqualifying Transaction.

The implications of the shareholders’ votes on the Proposed Exemption to be tabled at the forthcoming EGM are set out in the ensuing sections.

5.7.1 If you **VOTE IN FAVOUR** of the Proposed Exemption

- (i) The SC would be able to consider the application by SRL and its PAC for the Proposed Exemption. An approval from the SC for the Proposed Exemption would then exempt SRL and its PAC from the obligation to undertake the Mandatory Offer to acquire all the remaining REB Shares not already owned by them upon completion of the Proposed Debt Settlement.
- (ii) Your approval of the Proposed Exemption will imply that you have agreed to waive your rights and exempt SRL and its PAC from the obligation to undertake the Mandatory Offer (which shall be no lower than the highest price paid by SRL and its PAC for the REB Shares in the past 6 months before the incurrance of such obligation to undertake the Mandatory Offer).
- (iii) It is pertinent to note that the Proposed Exemption will allow the collective shareholding of SRL and its PAC in REB (through the direct shareholding of SRL) to increase from nil to 48.5% of the enlarged total number of REB Shares without being required to undertake the Mandatory Offer.

Accordingly, SRL and its PAC will obtain control over REB at the issue price (which is at a discount of RM0.08 (28.6%) and RM0.07 (25.9%) to the audited consolidated NA of RM0.28 per REB Share as at 31 December 2021 and unaudited consolidated NA of RM0.27 per REB Share as at 30 June 2022 respectively). With a shareholding of close to 50%, SRL and its PAC may be able to significantly influence the outcome of shareholders’ resolutions, unless they are required to abstain from voting on such resolutions.

With respect to the above, in the event the collective shareholdings of SRL and its PAC further increase by more than 2% in any 6-month period after the Proposed Exemption, an obligation to undertake a mandatory offer would be triggered pursuant to subparagraph 4.01 of the Rules.

Should the collective shareholdings of SRL and its PAC further increase to more than 50% after the Proposed Debt Settlement without triggering the creeping threshold prescribed under the Rules, any further increase in their collective shareholdings in REB would not trigger an obligation to undertake a mandatory offer provided that SRL and its PAC do not trigger such mandatory offer obligation on an individual basis.

In this regard, SRL and its PAC would be able to achieve statutory control (i.e. shareholding of more than 50%) in REB without having to undertake a Mandatory Offer. In this respect, unless SRL and its PAC are required to abstain from voting on proposals that involve the interests of SRL and its PAC and persons connected to them (e.g. related party transactions), SRL and its PAC would be able to:

- (a) approve or oppose any ordinary resolutions (requiring approval from more than 50% of the total votes cast); and
 - (b) oppose any special resolutions (requiring approval from at least 75% of the total votes cast).
- (iv) In view of the conditionality of the Proposed Debt Settlement and Proposed Exemption as set out in Section 9, Part A of the Circular, without the Proposed Exemption, the Proposed Debt Settlement will not proceed. Therefore, voting in favour of the Proposed Exemption will enable REB to benefit from the Proposed Debt Settlement (if the Proposed Debt Settlement is approved by the shareholders of REB).
- (v) The approval for the Proposed Exemption implies that you agree to forgo the opportunity of the Mandatory Offer from SRL and its PAC.

5.7.2 If you VOTE AGAINST the Proposed Exemption

- (i) The SC would not be able to consider the application by SRL and its PAC for the Proposed Exemption.
- (ii) In view of the conditionality of the Proposed Debt Settlement and Proposed Exemption as set out in Section 9, Part A of the Circular, in the event that the Proposed Exemption is not approved, REB will not be able to undertake the Proposed Debt Settlement. Consequently, REB will not be able to realise the potential benefits arising from the Proposed Debt Settlement as detailed in Section 5.1 of this IAL.

6. DIRECTORS' INTENTION TO VOTE

The Directors of REB have confirmed that they will **VOTE IN FAVOUR** of the Proposed Exemption in respect of their beneficial holdings in REB, if any, at the forthcoming EGM. Save as disclosed in Section 1.7, Attachment III of this IAL, none of the Directors have any direct or indirect holdings of REB Shares as at the LPD.

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7. FUTURE PLANS FOR THE GROUP AND ITS EMPLOYEES

Pursuant to Schedule 2: Part II of the Rules, SRL and its PAC have confirmed that as at the LPD, they do not intend to effect any major change to the following:

- (i) continuation of the business of the REB Group;
- (ii) the business of the REB Group, including any plans to liquidate the Group, sell any material assets or re-deploy the fixed assets or effect any other major change in the structure of the REB Group; and
- (iii) the continued employment of the employees of the REB Group,

except where such changes are in the ordinary course of the Group's business or are necessary to rationalise or improve the Group's operations and/or financial performance. SRL and its PAC shall retain the flexibility at any time to consider any options which are in the best interests of the REB Group that may present themselves including but not limited to any strategic acquisitions and/or disposals of assets or businesses.

SRL and its PAC intend to maintain the listing status of REB on the Main Market of Bursa Securities.

As at the LPD, SRL and its PAC have no knowledge or have not entered into any negotiation or arrangement or understanding with any third party in relation to any significant change in the REB Group's business and asset or the shareholding structure of REB.

8. RESPONSIBILITY STATEMENT

The Board has seen, reviewed and accepted this IAL. The Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this IAL (save for the assessment, evaluation and opinion of TA Securities) and confirms, after having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the document have been arrived at after due and careful consideration and there are no other facts not contained in this IAL, the omission of which would make any information in this IAL misleading.

The responsibility of the Board in respect of:

- (i) the information relating to SRL and its PAC (as provided by SRL and its PAC) is limited to ensuring that such information is accurately reproduced in this IAL; and
- (ii) the independent advice and expression of opinion by TA Securities in relation to the Proposed Exemption is limited to ensuring that accurate information in relation to the REB Group was provided to TA Securities for its evaluation of the Proposed Exemption and to ensure that all information in relation to the REB Group that are relevant to TA Securities' evaluation of the Proposed Exemption have been completely disclosed to TA Securities and that there is no material fact, the omission of which would make any information provided to TA Securities false or misleading.

9. FURTHER INFORMATION

The shareholders of REB are advised to refer to Part A of the Circular as well as the attached appendices for further information.

10. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Exemption holistically, taking into consideration the various factors set out in Section 5 of this IAL. You should carefully consider the merits and demerits of the Proposed Exemption based on all relevant and pertinent factors including those set out in this IAL as well as those highlighted by the Board in its letter to the shareholders of REB in relation to the Proposals, as set out in Part A of the Circular before voting on the ordinary resolution in respect of the Proposed Exemption at the forthcoming EGM.

The Proposed Exemption (if granted) will allow REB to undertake the Proposed Debt Settlement (if it is also approved by the shareholders of REB). Accordingly, the potential advantages and disadvantages of the Proposals are as follows:

Potential advantages	
(i)	The partial settlement of the outstanding Debt via the issuance of Settlement Shares would allow the Group to preserve its future cash flows. In this relation, the cash flows can be utilised for other operational needs including amongst others, exploring new development wells, maintenance works of existing wells as well as other working capital requirements.
(ii)	The Settlement Shares are issued at a premium to the market prices of the REB Shares (further details are set out in Section 5.2 of this IAL). This will prevent excessive dilution to the shareholdings of the existing shareholders of REB as compared to issuing the Settlement Shares at a lower issue price (i.e. issuing a higher number of settlement shares) as the current trading price level.
(iii)	The Proposed Debt Settlement is expected to improve the financial position of the Group by lowering its gearing level (from 2.52 times as at 31 December 2021 to pro forma 1.08 times upon completion of the Proposed Debt Settlement). In view of the capital-intensive nature of the Group's business, this will provide the Group with further headroom to raise debt for financing its other business needs.
(iv)	The Proposed Debt Settlement represents an opportunity for the Group to partially relieve itself from interest service obligations arising from the outstanding Debt (i.e. interest savings of approximately RM21.2 million).
(v)	With the emergence of SRL as the controlling shareholder of REB upon completion of the Proposed Debt Settlement, SRL agrees to provide a shareholder's loan facility of up to USD5.0 million to the Group at the BNM overnight policy rate. This is expected to provide the Group with additional funding for working capital purposes without the need to incur high interest costs.
(vi)	The Proposals allow the existing shareholders of REB to continue participating in the business of the Group via their existing shareholdings without the need to contribute any additional funds.

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Potential disadvantages

- (i) The Proposed Debt Settlement will result in a decrease in the pro forma consolidated NA per REB Share by RM0.04 from RM0.28 as at 31 December 2021 to RM0.24 upon completion of the Proposed Debt Settlement, attributable to the following:
- (a) estimated expenses of RM2.5 million in relation to the Proposals; and
 - (b) the dilutive impact from the issuance of Settlement Shares as the issue price of the Settlement Shares represents a discount of 28.6% to the audited consolidated NA per REB Share as at 31 December 2021.

Further, the future EPS of the Group will be diluted as a result of the increase in the number of REB Shares in issue upon issuance of 1,032,544,282 Settlement Shares.

- (ii) The Proposed Exemption will allow the collective shareholding of SRL and its PAC in REB (through the direct shareholding of SRL) to increase from nil to 48.5% of the enlarged total number of REB Shares without being required to undertake the Mandatory Offer.

Accordingly, SRL and its PAC will obtain control (i.e. shareholding of more than 33%) over REB at the issue price. Further, with a shareholding of close to 50%, SRL and its PAC will be able to significantly influence the outcome of shareholders' resolutions, unless they are required to abstain from voting on such resolutions.

We wish to highlight that the potential advantages of the Proposals as set out above are crucial given the capital-intensive nature of the Group's business. In this relation, the Proposed Debt Settlement will not only allow the Group to preserve cash flows via the partial settlement of the outstanding Debt via the issuance of Settlement Shares, but also allows the Group to have a shareholder's loan facility of up to USD5.0 million with interest rate that is lower than the existing borrowings of the Group. In addition, the expected decrease in the gearing level of the Group resulting therefrom will provide further headroom for the Group to raise debt. These are vital for the sustainability and viability of the Group's business, and thus allowing the shareholders of REB to continue participating in the business of the Group without the need to contribute additional funds.

Premised on the above where the potential advantages outweigh the potential disadvantages, as well as our evaluation of the Proposed Exemption on a holistic basis, we are of the opinion that, on the basis of the information available to us, the Proposed Exemption is fair and reasonable.

Accordingly, we recommend that the shareholders of REB vote in favour of the ordinary resolution in respect of the Proposed Exemption to be tabled at the forthcoming EGM.

Yours faithfully
For and on behalf of
TA SECURITIES HOLDINGS BERHAD

KU MUN FONG
Head
Corporate Finance

ALEX NG
Vice President
Corporate Finance

ATTACHMENT I – INFORMATION ON REB

1. HISTORY AND PRINCIPAL ACTIVITIES

REB was incorporated in Malaysia as a private limited company on 7 February 2013 under the name of REB Sdn Bhd. On 2 August 2013, REB converted into a public company under its present name. On 15 August 2014, REB was listed on the Main Market of Bursa Securities as a SPAC and the Company completed its qualifying acquisition on 25 November 2016.

Following this, REB is principally involved in investment holding whilst its 60%-owned subsidiary, Emir-Oil is principally engaged in the exploration, development and sale of crude oil and other petroleum products.

2. SHARE CAPITAL

2.1 Issued share capital

As at the LPD, the issued share capital of REB is as follows:

	No. of REB Shares (‘000)	Amount (RM’000)
Issued share capital	1,096,413	488,651

The holders of REB Shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry 1 vote per share and rank equally with regard to the Company’s residual assets.

2.2 Changes in the issued share capital

There is no change in the issued share capital of REB since the end of the FYE 2021 up to the LPD.

2.3 Convertible securities

As at the LPD, REB does not have any other convertible securities.

3. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of REB and their shareholdings in REB based on the Register of Substantial Shareholders as at the LPD are as follows:

Substantial shareholder	Direct		Indirect	
	No. of Shares	(1)%	No. of Shares	(1)%
REB Holdings Sdn Bhd	127,800,100	11.66	-	-
Ir. Shahul Hamid bin Mohd Ismail	981,000	0.09	(2)127,800,100	11.66
Tan Sri Dr. Azmil Khalili Bin Dato’ Khalid	56,642,910	5.17	(3)43,150,000	3.94
Puan Sri Nik Fuziah binti Tan Sri Dr. Nik Hussein	40,000,000	3.65	(4)59,792,910	5.45

ATTACHMENT I – INFORMATION ON REB (CONT'D)

Notes:

- (1) Computed based on 1,096,412,775 REB Shares as at the LPD.
- (2) Deemed interested through his direct interest of Reach Energy Holdings Sdn Bhd.
- (3) Deemed interested through his spouse, Puan Sri Nik Fuziah Binti Tan Sri Dr. Nik Hussein and her direct interest of Azimah Properties Sdn Bhd.
- (4) Deemed interested through her spouse, Tan Sri Dr. Azmil Khalili Bin Dato' Khalid and her indirect interest of Azimah Properties Sdn Bhd.

4. DIRECTORS

As at the LPD, the details of the Directors of REB are as follows:

Name / Designation	Nationality	Address
Tan Sri Dr. Azmil Khalili Bin Dato' Khalid (Non-Independent Non-Executive Chairman)	Malaysian	No. 42, Jalan Setiabistari Bukit Damansara 50490 Kuala Lumpur Wilayah Persekutuan
Y.M. Tunku Datuk Nooruddin Bin Tunku Dato' Sri Shahabuddin (Executive Director)	Malaysian	22-6, Banyan Tree Residences No.2 Jalan Conlay 50450 Kuala Lumpur
Izlan Bin Izhab (Senior Independent Non-Executive Director)	Malaysian	9, Jalan SS14/5C 47500 Subang Jaya Selangor
Nik Din Bin Nik Sulaiman (Independent Non-Executive Director)	Malaysian	26 Lorong Batai Barat Bukit Damansara 50490 Kuala Lumpur
Dato' Jasmy Bin Ismail (Independent Non-Executive Director)	Malaysian	22 Jalan 16/6, Seksyen 16, 46350 Petaling Jaya Selangor
Datin Noor Lily Zuriati Binti Abdullah (Independent Non-Executive Director)	Malaysian	No 5082, Jalan Keramat Hujung Bukit Keramat 54000 Kuala Lumpur
Yerlan Issekeshv (Independent Non-Executive Director)	Kazakh	Kuramys Microdistrict Ushkonyr Street House 8 Almaty, Kazakhstan
Dato' Berikkazy Seksenbayev (Independent Non-Executive Director)	Kazakh	Kabanbai Batyr Street House 122A, Apt 11 Almaty, Kazakhstan
Yusoff Bin Hassan (Independent Non-Executive Director)	Malaysian	No 2, Jalan 3/17a Bandar Baru Selayang 68100 Batu Caves Selangor

ATTACHMENT I – INFORMATION ON REB (CONT'D)

The interests of the Directors of REB in REB Shares as at the LPD are set out in Section 1.7, Attachment III of this IAL.

5. SUBSIDIARIES, ASSOCIATED COMPANY AND JOINT VENTURE

The details of the subsidiaries of REB as at the LPD are as follows:

Name of company	Country of incorporation	Effective equity interest (%)	Principal activities
Reach Energy Ventures	Malaysia	100.0	Investment holding
PBV	Netherlands	60.0	Investment holding
Emir-Oil	Republic of Kazakhstan	100.0	Exploration, development, production and sale of crude oil and other petroleum products

As at the LPD, REB does not have any associated company or joint venture.

6. PROFIT AND DIVIDEND RECORD

A summary of the Group's results based on the audited consolidated financial statements of REB for the past 3 financial years up to FYE 2021 and the latest unaudited consolidated financial statements of REB for the 6-month FPE 30 June 2022 is as follows:

	Unaudited for the 6-month FPE 30 June 2022 (RM'000)	Audited for the FYE		
		2021 (RM'000)	2020 (RM'000)	2019 (RM'000)
Revenue	74,872	150,691	79,542	170,812
Loss before tax	(34,705)	(74,900)	(246,982)	(193,102)
Taxation	18,145	(7,359)	50,146	12,988
Profit / (loss) for the year	(16,560)	(82,259)	(196,836)	(180,114)
Profit / (loss) attributable to:				
- owners of the Company	(5,644)	(53,410)	(128,690)	(128,403)
- non-controlling interests	(10,916)	(28,849)	(68,146)	(51,711)
	(16,560)	(82,259)	(196,836)	(180,114)

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ATTACHMENT I – INFORMATION ON REB (CONT'D)

	Unaudited for the 6- month FPE 30 June 2022 (RM'000)	Audited for the FYE		
		2021 (RM'000)	2020 (RM'000)	2019 (RM'000)
Weighted average number of ordinary shares in issue ('000)	1,096,413	1,096,413	1,096,413	1,096,413
Basic loss per share (sen) ⁽¹⁾	(0.51)	(4.87)	(11.74)	(11.71)
Net dividend per ordinary share declared in respect of the respective financial year (sen)	-	-	-	-

Note:

- (1) The diluted loss per share is not presented as the Warrants were anti-dilutive during the respective financial years / period.

Save as disclosed below, there is no material exceptional item in the audited consolidated financial statements of REB for the past 3 financial years up to FYE 2021 and the latest unaudited consolidated financial statements of REB for the 6-month FPE 30 June 2022:

- (i) net impairment of non-financial assets amounting to RM109.89 million during the FYE 2020;
- (ii) impairment of non-financial assets amounting to RM79.22 million during the FYE 2019.

The decrease in loss for the year from approximately RM196.84 million for the FYE 2020 to approximately RM16.56 million for the 6-month FPE 30 June 2022 was mainly due to the following:

- (i) non-provision of impairment of non-financial assets during the FYE 2021 (FYE 2020: RM109.89 million); and
- (ii) higher finance income of RM42.94 million for the 6-month FPE 30 June 2022 (FYE 2021: RM17.62 million for a 12-month period), mainly due to foreign exchange gain.

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ATTACHMENT I – INFORMATION ON REB (CONT'D)

7. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of REB based on its audited consolidated financial statements for the FYE 2021 as well as the latest unaudited consolidated financial statement for the 6-month FPE 30 June 2022 are as follows:

	Unaudited for the 6-month FPE 30 June	Audited for the FYE	
	2022 (RM'000)	2021 (RM'000)	2020 (RM'000)
Non-current assets			
Property, plant and equipment	1,327,060	1,284,517	1,257,149
Right of use of assets	2,313	2,339	2,420
Intangible assets	1,405	1,299	1,490
Prepayments and other receivables	3,743	3,469	3,274
Restricted cash	9,119	8,480	6,953
	1,343,640	1,300,104	1,271,286
Current assets			
Inventories	4,216	1,677	1,835
Prepayments and other receivables	17,184	18,427	10,559
Trade receivables	811	849	5,664
Amount due from corporate shareholder in a subsidiary	4,064	4,064	4,007
Deposits, cash and bank balances	13,676	44,452	10,163
	39,951	69,469	32,228
Current liabilities			
Trade payables	71,961	69,536	55,824
Accruals and other payables	29,702	29,191	19,668
Lease liabilities	456	538	352
Amounts due to related parties	388,332	361,695	331,340
Borrowings	4,338	15,097	-
Tax payable	3,116	2,877	2,886
Provisions	14,847	17,730	11,205
	512,752	496,664	421,275
NET CURRENT (LIABILITIES) / ASSETS	(472,801)	(427,195)	(389,047)
TOTAL ASSETS LESS CURRENT LIABILITIES	870,839	872,909	882,239

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ATTACHMENT I – INFORMATION ON REB (CONT'D)

	Unaudited for the 6-month FPE 30 June	Audited for the FYE	
	2022 (RM'000)	2021 (RM'000)	2020 (RM'000)
Non-current liabilities			
Deferred tax liabilities	52,576	69,170	60,758
Amounts due to related parties	399,812	362,465	317,278
Borrowings	25,045	23,740	-
Trade payables	9,463	9,048	8,771
Accruals and other payables	-	-	334
Lease liabilities	1,621	1,654	2,079
Provisions	3,960	3,930	5,506
	492,477	470,007	394,726
NET ASSETS	378,362	402,902	487,513
NA PER SHARE (RM)	0.27	0.28	0.33
Equity			
Capital	488,975	488,975	488,975
Other reserves	175,643	180,431	181,842
Accumulated losses	(371,850)	(366,206)	(312,796)
Equity attributable to owners of the company	292,768	303,200	358,021
Non-controlling interests	85,594	99,702	129,492
TOTAL EQUITY	378,362	402,902	487,513

As at the LPD, save as those disclosed in the latest unaudited consolidated financial statements of REB for the 6-month FPE 30 June 2022, there is no known material change in the financial position of REB subsequent to the latest audited financial statements of REB for the FYE 2021.

Within the knowledge of the SRL as at the LPD, there has been no material change in the financial position or prospects of REB since 31 December 2021, being the date of the last audited financial statements of REB laid before REB's shareholders at its general meeting held on 28 June 2022.

8. ACCOUNTING POLICIES

The audited consolidated financial statements of REB for the past 3 financial years up to FYE 2021 have been prepared based on approved accounting standards in Malaysia and there was no audit qualification for REB's financial statements for the respective years under review.

There is no change in the accounting standards adopted by REB which would result in a material variation to the comparable figures for the past 3 financial years up to FYE 2021.

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ATTACHMENT I – INFORMATION ON REB (CONT'D)

9. BORROWINGS

As at 30 June 2022, which is not more than 3 months preceding the LPD, REB has total borrowings of approximate RM819.6 million as follows:

	Non-current (RM'000)	Current (RM'000)	Total (RM'000)
Term loan	25,045	4,338	29,383
Amount due to related parties	399,812	388,332	788,144
Lease liabilities	1,621	456	2,077
Total	426,478	393,126	819,604

10. CONTINGENT LIABILITIES

The details on contingent liabilities of the REB Group as at the LPD are set out in Section 4, Appendix III of the Circular.

11. MATERIAL LITIGATION

The details on material litigation relating to the REB Group are set out in Section 5, Appendix III of the Circular.

12. MATERIAL CONTRACTS

The REB Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within 2 years immediately preceding 30 June 2022, being the date of announcement made in relation to the Proposals.

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ATTACHMENT I – INFORMATION ON REB (CONT'D)

13. HISTORICAL PRICES

The monthly highest, lowest and closing market prices of REB Shares for the past 6 months immediately preceding 30 June 2022, being the date of announcement made in relation to the Proposals and ending on the LPD are as follows:

	High	Low	As at the end
	(RM)	(RM)	of the month
			(RM)
<u>2022</u>			
January	0.075	0.060	0.065
February	0.090	0.060	0.070
March	0.070	0.050	0.050
April	0.065	0.050	0.055
May	0.055	0.040	0.055
June	0.100	0.045	0.055
July	0.060	0.030	0.040
August	0.045	0.035	0.045
September	0.040	0.030	0.035
October	0.040	0.030	0.035
November (up to LPD)	0.045	0.035	0.035
<u>2021</u>			
December	0.070	0.060	0.060
Last transacted market price on 30 June 2022, being the last trading date immediately prior to announcement of the Proposals			0.055
Last transacted market price on the LPD			0.035

During the period under review:

- (i) the highest market price was RM0.10 which was transacted on 27 June 2022; and
- (ii) the lowest market price was RM0.03 which were transacted on 13 July 2022, 14 July 2022, 15 July 2022, 18 July 2022, 26 September 2022, 28 September 2022, 29 September 2022, 29 September 2022, 30 September 2022, 3 October 2022, 4 October 2022, 11 October 2022, 12 October 2022, 13 October 2022, 19 October 2022, 26 October 2022, 27 October 2022 and 28 October 2022.

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ATTACHMENT II – INFORMATION ON SRL AND ITS PAC

1. HISTORY AND PRINCIPAL ACTIVITIES

SRL was incorporated as a private limited company in Hong Kong on 21 September 2016 under its present name.

SRL is principally involved in investment holding.

2. SHARE CAPITAL**2.1 Issued share capital**

As at the LPD, the issued share capital of SRL is as follows:

	No. of share	Amount (HKD)
Issued share capital	1	1

As at the LPD, there is only 1 class of share in SRL i.e. ordinary share in SRL (“**SRL Shares**”). SRL’s shareholder is entitled to receive dividends as and when declared by SRL. SRL Share carry 1 vote per share without restrictions and rank equally with regards to SRL’s residual assets.

2.2 Changes in the issued share capital

There is no change in the issued share capital of SRL since the end of the FYE 31 December 2021 up to the LPD.

2.3 Convertible securities

As at the LPD, SRL does not have any convertible securities in issue.

3. SUBSTANTIAL SHAREHOLDER

SRL is wholly owned by Mr. Cheung.

4. DIRECTORS

As at the LPD, Mr. Cheung is the sole director of SRL.

5. SUBSIDIARIES, ASSOCIATED COMPANY AND JOINT VENTURE

As at the LPD, SRL does not have any subsidiary, associate and joint venture company.

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ATTACHMENT II – INFORMATION ON SRL AND ITS PAC (CONT'D)

6. PROFIT AND DIVIDEND RECORD

A summary of the financial results based on the unaudited financial statements of SRL for the past 3 financial years up to FYE 31 December 2021 are as follows:

	Unaudited for the FYE 31 December		
	2021 (HKD'000)	2020 (HKD'000)	2019 (HKD'000)
Income	303	-	-
Loss before tax	(41)	(3)	(3)
Taxation	-	-	-
Loss for the year	(41)	(3)	(3)
Loss attributable to owners of the Company	(41)	(3)	(3)
Weighted average number of ordinary shares in issue ('000)	1	1	1
Basic loss per share (sen) ⁽¹⁾	(41)	(3)	(3)

Note:

(1) SRL does not have any convertible securities in issue throughout the above financial years under review. Hence, its diluted earnings/(loss) per share is not presented.

There were no dividends being declared by SRL and there were no material exceptional items being recorded throughout the above financial years under review.

7. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of SRL based on its unaudited financial statements of SRL for the FYE 31 December 2021 and 31 December 2020 are as follows:

	Unaudited for the FYE 31 December	
	2021 (HKD'000)	2020 (HKD'000)
<u>Current assets</u>		
Bank balances	1,712	-
Amount due from shareholder	3,624	-
Total current assets	5,336	-
TOTAL ASSETS	5,336	-
<u>Current liabilities</u>		
Accounts and other payable	5,401	-
Amount due to shareholder	-	24
Total current liabilities	5,401	24
TOTAL LIABILITIES	5,401	24

ATTACHMENT II – INFORMATION ON SRL AND ITS PAC (CONT'D)

	Unaudited for the FYE 31 December	
	2021 (HKD'000)	2020 (HKD'000)
Equity		
Capital stock	*	*
Accumulated deficit	(24)	(21)
Net loss	(41)	(3)
Total equity	(65)	(24)
TOTAL LIABILITIES & EQUITY	5,336	-

Note:

* Comprises of issued share capital of HKD 1

SRL's director confirmed that, as at the LPD, there are no known material changes in the SRL's financial position subsequent to its latest unaudited financial statements for the FYE 31 December 2021.

8. ACCOUNTING POLICIES

The unaudited financial statements of SRL for the past 3 financial years up to FYE 31 December 2021 have been prepared based on approved accounting standards in Hong Kong. Any changes to the financial figures disclosed in Sections 6 and 7 above will subject to professional judgment.

There is no change in the accounting standards adopted by SRL which would result in a material variation to the comparable figures for the past 3 financial years up to FYE 31 December 2021.

9. INFORMATION ON THE PAC

Mr. Cheung, a Hong Kong citizen, aged 52, is the sole director and shareholder of SRL. Further details of Mr. Cheung are set out in Section 1.6, Appendix II of the Circular.

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ATTACHMENT III – FURTHER INFORMATION

1. DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES

1.1 By SRL and its PAC

(i) Interests in REB

SRL does not have any interest (whether direct or indirect) in any voting shares or convertible securities of REB as at the LPD.

(ii) Dealings in the securities of REB

SRL has not dealt (directly or indirectly) in any voting shares or convertible securities of REB during the period commencing 6 months before the announcement of the Proposals on 30 June 2022 and ending on the LPD.

1.2 By the director of SRL

(i) Interests in REB

The director of SRL does not have any interest (whether direct or indirect) in any voting shares or convertible securities of REB as at the LPD.

(ii) Dealings in the securities of REB

The director of SRL have not dealt (directly or indirectly) in any voting shares or convertible securities of REB during the period commencing 6 months before the announcement of the Proposals on 30 June 2022 and ending on the LPD.

1.3 By the persons who have irrevocably committed themselves to vote in favour or against the Proposals

As at the LPD, there is no person who has irrevocably committed himself to vote in favour or against the Proposals.

1.4 By the persons with whom SRL or any persons acting in concert with it has borrowed or lent

As at the LPD, there is no person with whom SRL or any persons acting in concert with it has borrowed or lent any voting shares or convertible securities of REB.

1.5 By the persons with whom SRL or any persons acting in concert with it has any arrangement

As at the LPD, there is no person with whom SRL or any persons acting in concert with it has entered into any arrangement, including any arrangement involving rights over REB Shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to REB Shares which may be an inducement to deal or to refrain from dealing.

1.6 By REB

(i) Dealings in its own securities

REB has not dealt (directly or indirectly) in any of its own voting shares or convertible securities during the period commencing 6 months before the announcement of the Proposals on 30 June 2022 and ending on the LPD.

ATTACHMENT III – FURTHER INFORMATION (CONT'D)

(ii) Interests in SRL

REB does not have any interest (whether direct or indirect) in any voting shares or convertible securities of SRL as at the LPD.

(iii) Dealings in the securities of SRL

REB has not dealt (directly or indirectly) in any voting shares or convertible securities of SRL during the period commencing 6 months before the announcement of the Proposals on 30 June 2022 and ending on the LPD.

1.7 By the Directors of REB

(i) Interests in REB

Save as disclosed below, the Directors of REB do not have any interest (whether direct or indirect) in any voting shares or convertible securities of REB as at the LPD:

Name	Direct		Indirect	
	No. of REB Shares	% ⁽¹⁾	No. of REB Shares	% ⁽¹⁾
Tan Sri Dr. Azmil Khalili Bin Dato' Khalid	56,642,910	5.17	43,150,000 ⁽²⁾	3.94
Nik Din Bin Nik Sulaiman	400,000	0.04	350,000 ⁽³⁾	0.03

Notes:

(1) Computed based on 1,096,412,775 REB Shares as at the LPD.

(2) Deemed interested through his spouse, Puan Sri Nik Fuziah Binti Tan Sri Dr. Nik Hussein and her direct interest of Azimah Properties Sdn Bhd.

(3) Deemed interested through his spouse, Nik Aminah Binti Nik Abdullah.

(ii) Dealings in the securities of REB

The Directors of REB have not dealt (directly or indirectly) in any voting shares or convertible securities of REB during the period commencing 6 months before the announcement of the Proposals on 30 June 2022 and ending on the LPD.

(iii) Interests in SRL

The Directors of REB do not have any interest (whether direct or indirect) in any voting shares or convertible securities of SRL as at the LPD.

(iv) Dealings in the securities of SRL

The Directors of REB have not dealt (directly or indirectly) in any voting shares or convertible securities of SRL during the period commencing 6 months before the announcement of the Proposals on 30 June 2022 and ending on the LPD.

1.8 By the persons with whom REB or any persons acting in concert with it has borrowed or lent

As at the LPD, there is no person with whom REB or any persons acting in concert with it has borrowed or lent any voting shares or convertible securities of REB.

ATTACHMENT III – FURTHER INFORMATION (CONT'D)

1.9 By the persons with whom REB or any persons acting in concert with it has any arrangement

As at the LPD, there is no person with whom REB or any persons acting in concert with it has entered into any arrangement, including any arrangement involving rights over REB Shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to REB Shares which may be an inducement to deal or to refrain from dealing.

1.10 By TA Securities and funds whose investments are managed by TA Securities on a discretionary basis (“Discretionary Funds”)

TA Securities and its Discretionary Funds do not have any interest, whether direct or indirect, in any voting shares or convertible securities of REB as at the LPD.

2. ARRANGEMENT AFFECTING DIRECTORS

- (i) As at the LPD, no payment or other benefit will be made or given to any Director of REB as compensation for loss of office or otherwise in connection with the Proposals.
- (ii) As at the LPD, save for the conditions precedent under the Subscription Agreement which require irrevocable undertakings from:
 - (a) 1 executive director and 6 independent directors of REB to resign as Directors with effect from the Completion Date;
 - (b) Tan Sri Azmil Khalili Bin Dato’ Khalid to resign as a director of PBV with effect from the Completion Date; and
 - (c) Tan Siew Chaing, Y.M. Tunku Datuk Nooruddin Bin Tunku Dato’ Sri Shahabuddin and Yusoff Bin Hassan to resign as member of the executive committee of Emir-Oil with effect from the Completion date,

(Collectively, the “**Directors Arrangement**”)

there is no agreement or arrangement between any Director of REB and any other person which is conditional on or dependent upon the outcome of the Proposals or otherwise connected with the outcome of the Proposals:

- (iii) As at the LPD, SRL has not entered into any material contract in which any Director of REB has a material personal interest.
- (iv) As at the LPD, save for the Directors Arrangement set out above, there is no agreement, arrangement or understanding existing between SRL and any of the Directors or recent Directors⁽¹⁾ of REB, holders of voting shares or voting rights or recent holders of voting shares or voting rights of REB⁽¹⁾ having any connection with or dependence upon the Proposals.

Note:

- (1) Recent Directors or recent holders of voting shares or voting rights of REB mean such person who was during the period of 6 months prior to the announcement of the Proposals on 30 June 2022, a Director or holder of voting shares or voting rights of REB.

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3. SERVICE CONTRACTS

As at the LPD, the REB Group does not have any service contracts with any Directors or proposed Directors of REB Group, which have been entered into or amended within 6 months before the announcement of the Proposals on 30 June 2022 or which are fixed term contracts with more than 12 months to run.

For the purpose of this section, the term “service contracts” excludes those expiring or determinable by the employing company without payment of compensation within 12 months from the date of this IAL.

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SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT

SUBSCRIPTION AGREEMENT**1. Issue and subscription of the Settlement Shares**

- (a) Subject to the terms and conditions of the Subscription Agreement, SRL shall subscribe for, and the Company shall deliver 1,032,544,282 REB Shares, representing approximately 48.5% of the enlarged issued share capital of the Company immediately after the completion of the Proposed Debt Settlement.
- (b) The total subscription consideration for the Settlement Shares amounts to USD49,562,125.54, which shall be satisfied by first offsetting against the entire Remaining Completion Amount together with the interest accrued thereon and the remaining balance satisfied by offsetting against a portion of the Deferred Consideration together with the interest accrued thereon.
- (c) Upon completion of the Proposed Debt Settlement, the remaining Deferred Consideration to be owed by the Company to SRL shall be subject to the same terms and conditions as set out in the SPA 1 save that such amounts to be owed shall be subject to a reduced interest rate of 5% per annum.

2. Conditions precedent

Completion of the Proposed Debt Settlement (“**Completion**”) is conditional on each of the following conditions (“**Conditions Precedent**”) being satisfied on or before 5.00 pm on the date falling six (6) months from the date of the Subscription Agreement or such other date as the Company and SRL may agree in writing (the “**Long Stop Date**”) save for the Condition Precedent set out in Section 2(b)(ii) of the Appendix I which shall be satisfied no later than two (2) business days following the issuance of this Circular (or such later date as may be mutually agreed between the Company and SRL):

- (a) The Company:
 - (i) having received the approval at a general meeting from the holders of voting shares of the Company for the allotment and issue of the Settlement Shares to SRL in accordance with the Subscription Agreement;
 - (ii) having procured the approval of the independent holders of voting shares of the Company for the Proposed Exemption at a general meeting of the Company;
 - (iii) having received the approval from Bursa Securities (either unconditionally or subject to conditions) for the listing of and quotation for all of the Settlement Shares on the Main Market of Bursa Securities and such approval not having been subsequently revoked or withdrawn;
 - (iv) having procured either: (i) a confirmation letter from the MOE that its approval for the transfer of the subsoil use rights resulting from the issuance of the Settlement Shares is required, or (ii) a confirmation letter from the MOE that its approval for the transfer of the subsoil use rights resulting from the issuance of the Settlement Shares is not required;

SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT (CONT'D)

- (v) having delivered to SRL an irrevocable undertaking by one (1) executive director of the Company to resign as Director with effect from the date of completion of the Proposed Debt Settlement (“**Completion Date**”);
- (vi) having delivered to SRL an irrevocable undertaking by each of the six (6) independent directors of the Company to resign as directors of the Company with effect from the Completion Date;
- (vii) having delivered to SRL an irrevocable undertaking by Tan Sri Dr. Azmil Khalili Bin Dato’ Khalid to resign as a director of Palaeontol B.V. with effect from the Completion Date;
- (viii) having delivered to SRL an irrevocable undertaking by each of Tan Siew Chaing, Y.M. Tunku Datuk Nooruddin Bin Tunku Dato’ Sri Shahabuddin and Yusoff Bin Hassan to resign as a member of the executive committee of Emir-Oil with effect from the Completion Date; and
- (ix) having obtained all license, permit, consent, authorisation, permission, clearance, warrant, confirmation, exemption, certificate or approval of any competent governmental, administrative, supervisory, regulatory, judicial, determinative, disciplinary, enforcement or tax raising body, authority, agency, board, department, court or tribunal of any jurisdiction (including the Bursa Securities, SC or any relevant securities exchange) and whether supranational, national, regional or local or any other person which are required for allotment and issue of the Settlement Shares and all matters contemplated thereunder having been obtained or made and have not been subsequently revoked, if any to the extent that any of the foregoing was introduced after the date of the Subscription Agreement.

SRL may at any time waive, in whole or in part, any or all of the Conditions Precedent above (other than those set out in Sections 2(a)(i) to (iv) and (ix) of the Appendix I).

(b) SRL:

- (i) having delivered to the Company a certified copy of the resolution of the board of directors and members of SRL authorizing its entry into the Subscription Agreement and the Proposed Debt Settlement upon the terms of the Subscription Agreement;
- (ii) having completed and being satisfied with results of the business, legal and financial due diligence review by SRL and its agents and advisers of the business, affairs, operation and financial position of the Group and notified the Company in writing that it is so completed and satisfied;
- (iii) having procured the completion of the transfer and assignment of the Debt from MIEH to SRL;
- (iv) having received the Proposed Exemption from the SC and such approval not having been subsequently revoked or withdrawn; and
- (v) subject to the MOE having confirmed that its approval is required for the transfer of the subsoil use rights resulting from the issuance of the Settlement Shares, procuring the approval of the MOE for the subscription of the Settlement Shares by SRL.

The Company may at any time waive, in whole or in part, any or all of Conditions Precedent set out in Section 2(b) of the Appendix I.

If any of the Conditions Precedent has not been satisfied by the Long Stop Date or in the case of the Condition Precedent set out in Section 2(b)(ii) of the Appendix I the date falling two (2) business days

SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT (CONT'D)

following the issuance of this Circular (or such further date as mutually agreed by the Company and SRL in writing), the Subscription Agreement shall automatically terminate with immediate effect, unless otherwise mutually agreed by SRL and the Company in writing prior to such date.

3. Completion
(a) Date and place

Subject to the Conditions Precedent having been satisfied or waived in accordance with the terms of the Subscription Agreement, Completion of the Subscription Agreement shall take place at 12:00 p.m. at the office of the Company located at D3-5-8, Block D3 Solaris Dutamas, No.1, Jalan Dutamas 1, 50480 Kuala Lumpur, Malaysia or such place and time on the Completion Date as SRL and the Company may agree.

4. Termination
(a) SRL's right to terminate

If, at any time before Completion:

- (i) any government authority issues, promulgates or enforces any law, regulation, rule, policy, order or notice that prohibits the completion of the transactions contemplated under the Subscription Agreement; or
- (ii) the Company is in material breach of any of the warranties or undertakings given in the Subscription Agreement; or
- (iii) there occurs any material adverse event on the Company or any of its subsidiaries; or
- (iv) the Company fails to meet the minimum prescribed percentage of public float of its shares as required under the Main Market Listing Requirements of Bursa Securities for a continuous period of five (5) Market Days; or
- (v) the Company's shares are suspended from trading by Bursa Securities or a trading halt has been imposed on the Company's shares for more than five (5) Market Days (other than (i) suspension of trading or trading halt imposed for the implementation of the transactions contemplated under the Subscription Agreement, the SPA 2, or the transfer and assignment of the Debt from MIEH to SRL; or (ii) suspension of trading or trading halt imposed due to act or omission of SRL); or
- (vi) the shares of the Company are ordered to be delisted by Bursa Securities,

SRL may by notice in writing to the Company elect to proceed to Completion or terminate the Subscription Agreement.

(b) Company's right to terminate

If, at any time before Completion:

- (i) any government authority issues, promulgates or enforces any law, regulation, rule, policy, order or notice that prohibits the completion of the transactions contemplated under the Subscription Agreement; or
- (ii) SRL is in material breach of any of warranties or undertakings given in the Subscription Agreement,

the Company may, by notice in writing to SRL elect to proceed to Completion or terminate the Subscription Agreement.

SALIENT TERMS OF THE SUBSCRIPTION AGREEMENT (CONT'D)

(c) Mutual Termination

Unless otherwise terminated in accordance with the terms of the Subscription Agreement, the Subscription Agreement may be terminated before Completion upon mutual written consent of both the Company and SRL.

(d) Effect of Termination

Termination of the Subscription Agreement does not affect the Company's or SRL's accrued rights and obligations at the date of termination. Immediately after termination of the Subscription Agreement, neither the Company nor SRL shall have any claim against each other, except in respect of claims arising out of any antecedent breach of any of the provisions of the Subscription Agreement.

5. Provision of up to USD5.0 million loan to the Company

Subject to completion of the Proposed Debt Settlement, SRL and/ or Mr. Cheung will grant to the Company a two (2) year loan facility of up to USD5.0 million for purposes of general working capital requirements of the Company at an interest rate equivalent to the prevailing BNM overnight policy rate as at the date of each period in which interest is payable. Interest shall be payable on a quarterly basis in arrears and each individual loan granted to the Company pursuant to the facility shall be repayable in a single payment on the maturity date of the loan facility.

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INFORMATION ON SRL, MR. CHEUNG AND HCA

1. INFORMATION OF SRL**1.1. History and business**

Super Racer Limited (Registration no. 2429860) is a private limited company incorporated in Hong Kong on 21 September 2016, having its registered and correspondence address at Unit 1002 10/F, Tower Two, Lippo Centre, No.89 Queensway, Hong Kong.

SRL is principally an investment holding company.

1.2 Issued share capital and number of issued shares

As at the LPD, the share capital of SRL is Hong Kong Dollar (“**HKD**”) 1 comprising 1 ordinary share.

SRL does not have any outstanding convertible securities.

1.3 Director and Director’s shareholdings

As at the LPD, Mr. Cheung is the sole director of SRL and he holds 100% of the shares in SRL.

1.4 Substantial shareholder’s shareholdings

SRL is wholly owned by Mr. Cheung.

1.5 Subsidiary and associate company

As at the LPD, there are no subsidiaries or associates under SRL.

1.6 Profile of Mr. Cheung

Mr. Cheung, a Hong Kong citizen, aged 52, is a director and shareholder of SRL. He holds a Master’s Degree in Business Administration from The Chinese University of Hong Kong and a Bachelor’s Degree in Electronic Engineering from The Hong Kong Polytechnic University.

Mr. Cheung founded Hammer Capital Group which engaged in private investment of securities and real estate. Prior to that, he was the Head of Asia Pacific of the Strategic Equity Solutions of Merrill Lynch (Asia Pacific) Limited (“**Merrill Lynch**”).

Prior to his position at Merrill Lynch, he was the Head of Asia Pacific of the Strategic Equity Solutions and the Managing Director of the Structured Products of Asia of Citigroup Global Markets Asia Limited. He has also held key positions in various major investment banks in Asia Pacific like Calyon Corporate & Investment Bank (presently known as Credit Agricole Corporate & Investment Bank) and JPMorgan Chase & Co..

Mr. Cheung was an executive director of Asia Coal Limited until the shares of which company were delisted from the Hong Kong Stock Exchange on 18 June 2019. Mr. Cheung was also an executive director of CT Environmental Group Limited (stock code: 1363, which were delisted from September 2021) between 3 August 2020 and 10 November 2020 and was appointed as an executive director again and the chief executive officer of CT Environmental Group Limited between 19 April 2021 and 19 January 2022. He is currently the chairman and executive director of Great Wall Terrior Holdings Limited (stock code: 524) since 2 March 2021. He was the director of Shunten International (Holdings) Limited (stock code:932) since 24 January 2022 and was subsequently appointed as the chairman on 24 October 2022.

Mr. Cheung is an experienced investor and financier with over 20 years investment banking experience. SRL is one of the investment vehicles of Mr. Cheung, and its intention is to focus on the oil and gas industry. Mr. Cheung has other investments such as real estates and listed securities through his other investment vehicles.

INFORMATION ON SRL, MR. CHEUNG AND HCA

2. INFORMATION OF HCA**2.1. History**

Hammer Capital Asia Limited is a company incorporated in British Virgin Islands on 26 April 2018, having its registered and correspondence address at Unit 1002 10/F, Tower Two, Lippo Centre, No.89 Queensway, Hong Kong.

2.2. Issued share capital and number of issued shares

As at the LPD, the share capital of HCA is HKD 300,200.

2.3. Directors of HCA

As at the LPD, the directors of HCA are Rodney Tsang Ling Kay, Mr. Cheung and Carol Yu Chor Woon.

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FURTHER INFORMATION

1. RESPONSIBILITY STATEMENT

Our Board has seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular misleading.

Information on SRL, HCA, MIE Maple, MIEH (including its other subsidiaries referred to in this Circular), SPA 2 and Mr. Cheung was extracted from publicly available information and/or documents provided by the board of directors and management of SRL, and the responsibility of our Board is limited to ensuring that such information is accurately reproduced in this Circular.

2. CONSENTS

HLIB and TA Securities Holdings Berhad have given and have not subsequently withdrawn their respective written consent to the inclusion in this Circular of their names and letters (where applicable) and all references made, in the form and context in which they appear in this Circular.

3. CONFLICT OF INTERESTS

- (i) HLIB confirms that there is no situation of conflict of interest or potential conflict of interest in its capacity as Principal Adviser in relation to the Proposals.
- (ii) TA Securities Holdings Berhad confirms that there is no situation of conflict of interest or potential conflict of interest in its capacity as Independent Adviser in relation to the Proposed Exemption.

4. MATERIAL COMMITMENT AND CONTINGENT LIABILITIES**4.1 REB Group**

Save as disclosed below, as at the LPD, our Board confirms that there is no other material commitment incurred or known to be incurred by us that may have a material impact on the financial results or position of our Group.

- (i) Capital Commitments for the purchase of property, plant and equipment:

	RM'000
Authorised but not contracted for	25,256
Contracted but not provided for	19,511
	<u>44,767</u>

- (ii) According to the Contract on Exploration for Hydrocarbon Raw Materials on the Site of "Aksaz-Dolinnoe-Emir" with Registration Number 482 and dated 9 June 2000, our Group is obligated to perform minimum work program of KZT31,069,000,000 (RM306,914,946) for the period of 2020-2022.
- (iii) According to the production contracts for six (6) fields in Kazakhstan, our Group is obligated to perform minimum work programs which include capital expenditures to be incurred over the life of the production contracts expiring from 2029 to 2044, as follows:
 - According to the Hydrocarbon Production Contract for the Aksaz field with Registration Number 3737-UVS and dated 9 September 2011 the minimum work program includes capital expenditure of KZT307,251,000 (RM3,035,177) for the period of 2019-2036;

FURTHER INFORMATION (CONT'D)

- According to the Hydrocarbon Production Contract for Dolinnoe field with Registration Number 3735-UVS and dated 9 September 2011 the minimum work program includes capital expenditure of KZT227,605,000 (RM2,248,395) for the period of 2019-2036;
- According to the Hydrocarbon Extraction Contract for the Emir Field with Registration Number 3890-UVS and dated 1 March 2013 the minimum work program includes capital expenditure of KZT24,620,000 (RM243,209) for the period of 2013-2029;
- According to the Hydrocarbon Production Contract for Kariman field with Registration Number 3736-UVS and dated 9 September 2011 the minimum work program includes capital expenditure of KZT614,500,000 (RM6,070,335) for the period of 2019-2036;
- According to the Production Contract for North Kariman with Registration Number 4785-UVS ME and dated 5 January 2020 the minimum work program includes capital expenditure of KZT385,814,000 (RM3,811,261) for the period of 2019-2035;
- According to the Production Contract for Yessen fields with Registration Number 4784-UVS ME and dated 5 January 2020 the minimum work program includes capital expenditure of KZT2,224,018,000 (RM21,969,950) for the period of 2020-2044.

Other commitments represent mainly direct operation and maintenance costs of wells and related facilities.

As at the LPD, our Board confirms that there are no contingent liabilities, which upon being enforceable, will have a material impact on the financial results or position of our Group.

5. MATERIAL LITIGATION

5.1 REB Group

Save as disclosed below, as at the LPD, our Group is not involved in any material litigation, claims, actions or arbitration, pending or threatened, either as plaintiff or defendant, which has or would have a material and adverse effect on the financial position of our Group:

Court Case in Kazakhstan between Emir-Oil and MOE

Emir-Oil (“**Plaintiff**”) had filed a claim to MOE (“**Defendant**”) at Economic Court of Nur-Sultan (“**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 (“**Suit**”).

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 MOE, 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 Court 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.

Pursuant to the Statement of Claim, the Plaintiff had claimed the following from the Defendant:

“To establish the rejection to approve the Amendment No. 4 (Amendment to the Dolinnoe’s Subsoil Use Contract) by the MOE as unjustifiable and oblige the MOE to approve the above-mentioned amendment to postpone the obligations of year 2020 and 2021 to a later period.”

FURTHER INFORMATION (CONT'D)

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 KZT2,632,000,000 (RM26,000,198).

The Court on 22 August 2022 had supported the position of the MOE and rejected the claim of Emir-Oil.

Emir-Oil had filed its appeal with the Court of the City of Astana on 23 September 2022. The Court of the City of Astana had on 28 October 2022 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.

This matter remains pending as at the LPD. Our Company's solicitors are in the midst of researching this matter and as such are unable to advise as to the likely outcome of this matter at this juncture.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya Selangor Darul Ehsan during normal office hours (except for public holidays) from the date of this Circular up to and including the date of our forthcoming EGM:

- (i) Constitution of our Company;
- (ii) our audited financial statements for FYE 2020 and 2021 as well as the latest unaudited quarterly results of our Group for the 6-month FPE 30 June 2022;
- (iii) Subscription Agreement;
- (iv) SPA 1;
- (v) SPA 2;
- (vi) a letter of agreement dated 20 May 2022 entered into between HCA and SRL, to which HCA agrees to designate SRL as the designated party, in accordance with the terms of the SPA 2;
- (vii) letters of consent and declaration of conflict of interest referred to in Sections 2 and 3 above; and
- (viii) the relevant cause papers in respect of the material litigation as referred to in Section 5 above.

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REACH ENERGY BERHAD

(Registration No. 201301004557 (1034400-D))
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“EGM”) of Reach Energy Berhad (“REB” or “Company”) will be conducted on a virtual basis through live streaming from the broadcast venue located at Level 12, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia via Remote Participation and Electronic Voting (“RPEV”) through the online meeting platform at <https://meeting.boardroomlimited.my> provided by Boardroom Share Registrars Sdn. Bhd. in Malaysia on Thursday, 15 December 2022 at 10.00 a.m. or at any adjournment thereof for the purpose of considering and if thought fit, passing the following resolutions with or without modifications:

ORDINARY RESOLUTION 1

PROPOSED SETTLEMENT OF DEBT AMOUNTING TO USD49,562,125.54 OR RM206,508,856.40 (RM1.00:USD0.24) VIA THE ISSUANCE OF 1,032,544,282 NEW ORDINARY SHARES IN THE COMPANY (“REB SHARE”) TO SUPER RACER LIMITED (“SRL” OR “OFFEROR”) AT AN ISSUE PRICE OF RM0.20 PER REB SHARE (“SETTLEMENT SHARES”) (“PROPOSED DEBT SETTLEMENT”)

“**THAT** subject always to the Companies Act, 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Constitution of the Company and the approvals being obtained from the relevant regulatory authorities, the Directors be and are hereby authorised to allot and issue 1,032,544,282 new ordinary shares at RM0.20 per Settlement Share to SRL to settle the debt amounting to USD49,562,125.54 or RM206,508,856.40 (RM1.00:USD0.2400) owing to SRL.

THAT such Settlement Shares will, upon allotment and issuance, rank equally in all respects with the then existing REB Shares, except that the Settlement Shares will not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared by the Company, the entitlement date of which is prior to the date of allotment of the Settlement Shares.

THAT pursuant to Section 85 of the Companies Act 2016, read together with Clause 47(1) of the Constitution of REB, approval be and is hereby given to irrevocably waive the pre-emptive rights of the shareholders of REB to be offered new shares ranking equally to the existing issued REB Shares, arising from the proposed issuance of the Settlement Shares.

AND THAT the Directors be and are hereby empowered and authorised to take all such necessary steps to give effect to the Proposed Debt Settlement with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted by any relevant authorities or deemed necessary by the Board, and to take all steps to do all such acts and matters as they may consider necessary or expedient to implement, finalise and give full effect to the Proposed Debt Settlement.”

ORDINARY RESOLUTION 2

PROPOSED EXEMPTION FOR THE OFFEROR AND MR. CHEUNG SIU FAI (“MR CHEUNG”), BEING THE PERSON ACTING IN CONCERT WITH SRL (“PAC”) UNDER SUBPARAGRAPH 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 FOR THE REMAINING REB SHARES NOT ALREADY HELD BY THEM UPON COMPLETION OF THE PROPOSED DEBT SETTLEMENT (“PROPOSED EXEMPTION”)

“**THAT** subject to the passing of the Ordinary Resolution 1 and the approvals of Securities Commission Malaysia (“**SC**”) being obtained and/ or other relevant authorities or parties including such conditions as may be imposed by the SC, approval be and is hereby given to SRL and the PAC of SRL, Mr Cheung, to be exempted from the obligation to undertake a mandatory take-over offer to acquire all the remaining REB Shares not already held by them after the Proposed Debt Settlement, in accordance with subparagraph 4.08(1)(b) of the Rules;

AND THAT the Directors be and are hereby authorised to do all such acts and things, execute all such documents and to enter into all such transactions, arrangements and agreements as the Board deems necessary and expedient in order to implement, finalise and/or give full effect to and complete the Proposed Exemption; and where applicable with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be required by the relevant regulatory authorities or as the Board may deem necessary or expedient to implement, finalise and/or give full effect to and complete the Proposed Exemption.”

BY ORDER OF THE BOARD

CHEN BEE LING
(MAICSA 7046517)
SSM PC NO. 202008001623
TAN LAI HONG
(MAICSA 7057707)
SSM PC NO. 202008002309

Company Secretaries
Selangor Darul Ehsan
25 November 2022

Notes:

1. The EGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting ("RPEV") facilities provided by Boardroom Share Registrars Sdn Bhd at <https://meeting.boardroomlimited.my>. Please follow the procedures as set out in the Administrative Guide in order to register, participate and vote remotely via RPEV facilities.
2. The venue of the EGM is the Online Meeting Platform which is located in Malaysia being the main venue and is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chair of the EGM of the Company to be present at the main venue in Malaysia. Shareholders/Proxies/Corporate Representatives are required to participate the meeting through Online Meeting Platform on the day of the meeting.
3. In regard of deposited securities, only members whose names appears in the Record of Depositors as at 6 December 2022 shall be eligible to attend the EGM and to speak and vote thereat.
4. A member of the Company who is entitled to attend and vote at the EGM shall be entitled to appoint any person as his(her) proxy to attend and vote in his(her) stead. There shall be no restriction as to the qualification of the proxy. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the EGM shall have the same rights as the member to speak at the EGM.
5. A member of the Company may appoint not more than two (2) proxies to attend the EGM. Where a member appoints two (2) proxies, the member shall specify the proportion of his(her) shareholdings to be represented by each proxy, failing which, the appointments shall be invalid.
6. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hands of the member or of his(her) attorney duly authorised in writing or if the member is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised. If the instrument appointing a proxy is executed by an officer or attorney duly authorised in writing, supporting documents are to be produced on the day of the EGM for verification by the Company Secretary.
7. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account to attend and vote at the EGM.
8. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), such Exempt Authorised Nominee may appoint multiple proxies in respect of each omnibus account it holds. The appointment of multiple proxies shall be invalid unless the authorised nominee or Exempt Authorised Nominee specifies the proportion of its shareholdings to be represented by each proxy it has appointed.
9. The instrument of appointing a proxy or proxies may be deposited at the office of the Share Registrar's office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or at its website at <https://investor.boardroomlimited.com> ("Submit eProxy Form") not less than 48 hours before the EGM. Please refer to the "Administrative Guide" for the EGM for the steps of the eProxy Lodgement.
10. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements, all resolutions set out in the Notice of EGM will be put to vote on a poll.



REACH ENERGY BERHAD
(Registration No. 201301004557 (1034400-D))
(Incorporated in Malaysia)

ADMINISTRATIVE GUIDE FOR THE EXTRAORDINARY GENERAL MEETING (“EGM”) OF REACH ENERGY BERHAD

Mode of Meeting

- | | | |
|------------------------------|---|--|
| Meeting Platform | : | https://meeting.boardroomlimited.my |
| Day and Date | : | Thursday, 15 December 2022 |
| Time | : | 10.00 a.m. |
| Broadcast Venue | : | Level 12, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia. |
| Mode of Communication | : | <ol style="list-style-type: none"> 1) Typed text in the Meeting Platform. The messaging window facility will be opened concurrently with the Virtual Meeting Portal, one (1) hour before the EGM, that is from 9.00 a.m. on Thursday, 15 December 2022. 2) Alternatively, you may also submit your questions in advance to info@reachenergy.com.my by 10.00 a.m. on 13 December 2022 (48 hours before the commencement of the EGM). |

The EGM of the Company will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting (“RPEV”) facility which is available on Boardroom Share Registrars Sdn Bhd (“Boardroom”)’s website at <https://meeting.boardroomlimited.my>. With the online meeting platform, shareholders may exercise their rights as a member to participate (including to pose questions to the Board and/or Management of the Company) and vote at the EGM, safely from their home.

The Securities Commission Malaysia had on 7 April 2022, revised the Guidance Note and Frequently Asked Questions (“FAQs”) on the conduct of General Meetings for Listed Issuers which was originally issued on 18 April 2020 (the “Guidance Note”), to allow general meetings to be conducted virtually.

In line with the Malaysian Code on Corporate Governance Practice 13.3, by conducting a virtual meeting, this would facilitate greater shareholder participation as it facilitates electronic voting and remote shareholders’ participation.





Online Registration Procedure

1. All shareholders including (i) individual shareholders; (ii) corporate shareholders; (iii) authorized nominees; and (iv) exempt authorised nominees shall use the RPEV facilities to participate and vote remotely at the EGM. You will be able to view a live webcast of the meeting, ask questions and submit your votes in real time whilst the meeting is in progress.
2. Kindly note that the quality of the live streaming is highly dependent on the bandwidth and stability of the internet connection of the participants. Therefore, kindly ensure that connectivity for the duration of the meeting is maintained.
3. Kindly follow the steps below to request for your login ID and password and usage of the RPEV facilities:

Procedure	Action
Before the day of the EGM	
1. Register online with Boardroom Smart Investor Portal (“BSIP”) <i>(for first time registration only)</i>	<i>[Note: If you have already signed up with BSIP, you are not required to register. You may proceed to Step 2.]</i> <ol style="list-style-type: none"> a. Access website https://investor.boardroomlimited.com b. Click <<Register>> to sign up as a user. c. Complete registration and upload softcopy of MyKAD/Identification Card (front and back) or Passport in JPEG, PNG or PDF format. d. Please enter a valid email address and mobile number. e. You will receive an email from BSIP for email address verification. Click “Verify E-mail Address” in the e-mail received to continue with the registration. f. Once your email address is verified, you will be re-directed to BSIP for verification of mobile number. Click “Request OTP Code” and an OTP code will be sent to the registered mobile number. You will need to enter the OTP Code and click “Enter” to complete the process. Your registration will be verified and approved within one

	business day and an email notification will be provided.
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Procedure	Action
Before the day of the EGM	
2. Submit request for remote participation (user ID and password)	<p>(Note: Registration for remote access will be opened on Thursday, 24 November 2022. Please note that the closing time to submit your request is not less than forty-eight (48) hours before the time of holding the EGM, i.e. latest by Tuesday, 13 December 2022 at 10.00 a.m.)</p> <p>Individual Members</p> <ol style="list-style-type: none"> Log in to https://investor.boardroomlimited.com, using your user ID and password. Click "Meeting Event" and select from the list of Companies "REACH ENERGY BERHAD EXTRAORDINARY GENERAL MEETING" and click "Enter". Read and accept the General Terms and Conditions. Enter your CDS Account Number and thereafter submit your request. <p>Appointment of proxy by individual member</p> <ol style="list-style-type: none"> Log in to https://investor.boardroomlimited.com, using your user ID and password. Select "REACH ENERGY BERHAD EXTRAORDINARY GENERAL MEETING" from the list of Meeting Event and click "Enter" Read and accept the General Terms and Conditions. Enter your CDS Account Number and number of securities held. Insert your proxy details Indicate you're your voting instructions (FOR or AGAINST), otherwise your proxy will decide your vote. Review and confirm your proxy appointment. Click "Submit" Download or print the eProxy Form acknowledgement. <p>Corporate Shareholders, Authorised Nominee and Exempt Authorised Nominee</p> <ol style="list-style-type: none"> Write in to bsr.helpdesk@boardroomlimited.com by providing the name of Member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy (as the case may be) to submit the request. Please provide a copy of Corporate Representative's MyKAD/Identification Card (front and back) or Passport in JPEG, PNG or PDF format as well as his/her email address.
3. Email notification	<ol style="list-style-type: none"> You will receive notification(s) from Boardroom that your request(s) has been received and is/are being verified. Upon system verification against the EGM Record of Depositors as at 6 December 2022, you will receive an email from Boardroom on 13 December 2022 either approving or rejecting your registration for remote participation. If your registration is approved, you will also receive your remote access user ID and password in the same email from Boardroom after the closing date. Please note that the closing date and time to submit your request is by Tuesday, 13 December 2022 at 10.00 a.m.

Procedure	Action
On the EGM day	
4. Login to Meeting Platform	<ol style="list-style-type: none"> The EGM virtual meeting portal will be opened for login at Thursday, 15 December 2022 at 9.00 a.m. which can be accessed via one of the following methods:- <ul style="list-style-type: none"> ➢ Launch Lumi Online platform by scanning the QR Code provided in the email notification; ➢ Access to Lumi Online platform via website at https://meeting.boardroomlimited.my Insert the Meeting ID and sign in with the user ID and password provided to you via the email notification in Step 3 above.
5. Participate	<p>[Note: Questions submitted online will be moderated before being sent to the Chairman to avoid repetition.]</p> <ol style="list-style-type: none"> To view the live webcast, select the broadcast icon.  To ask a question during the EGM, select the messaging icon.  Type your message within the chat box, once completed click the send button. 
6. Voting	<ol style="list-style-type: none"> Once voting has been opened, the polling icon will appear with the resolutions and your voting choices. 

		<p>b. To vote, please select your voting direction from the options provided. A confirmation message will appear to show your vote has been received.</p> <p>c. To change your vote, re-select another voting direction.</p> <p>d. If you wish to cancel your vote, please press "Cancel".</p>
7.	End of Participation	<p>a. Upon the announcement by the Chairman on the closure of the EGM, the live webcast will end and the Messaging window will be disabled.</p> <p>b. You can now logout from the virtual meeting platform.</p>

Lodgement of Proxy Form

1. If you are unable to attend the EGM via RPEV facilities and wish to appoint the Chairman of the EGM as your proxy to vote on your behalf, please deposit your Proxy Form at the office of the Poll Administrator, Boardroom at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time of holding the EGM, i.e. latest by Tuesday, 13 December 2022 at 10.00 a.m.. Any alteration to the Form of Proxy must be initialed.
2. Alternatively, the proxy appointment may also be lodged electronically at <https://investor.boardroomlimited.com>, which is free and available to all individual shareholders, not less than forty-eight (48) hours before the time of holding the EGM, i.e. latest Tuesday, 13 December 2022 at 10.00 a.m. For further information, kindly refer to the "Online Registration Procedure" above:

Revocation of Proxy

If you have submitted your Proxy Form prior to the EGM and subsequently decide to appoint another person or wish to participate in the EGM yourself, please write in to bsr.helpdesk@boardroomlimited.com to revoke the earlier appointed proxy(ies) at least forty-eight (48) hours before the EGM. On revocation, your proxy(ies) will not be allowed to participate in the EGM. In such event, you should advise your proxy(ies) accordingly.

Entitlement to Participate and Vote Remotely

1. A shareholder whose name appears on the Record of Depositors as at 6 December 2022 shall be eligible to participate the meeting or appoint proxy(ies) to participate on his/ her behalf.
2. If a shareholder is unable to participate at the EGM, he/she may also appoint the Chairman of the meeting as his/her proxy and indicate the voting instructions in the Proxy Form.

Voting Procedure

1. Voting will be conducted by poll in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Boardroom Share Registrars Sdn Bhd ("Boardroom") as the Poll Administrator to conduct the poll by way of electronic voting (e-Voting) and Independent Scrutineer to verify the poll results.
2. e-Voting for the resolution set out in the Notice of EGM will take place immediately after questions on all resolutions have been addressed.
3. Members and proxies are required to use one of the following methods to vote remotely:
 - a. Launch Lumi Online platform by scanning the QR code given to you in the email along with your remote participation User ID and Password; or
 - b. Access to Lumi Online platform via website URL. <https://meeting.boardroomlimited.my>.
4. During the EGM, the Chairman will invite the Poll Administrator to brief on the e-Voting housekeeping rules. The voting session will commence as soon as the Chairman calls for the poll to be opened and until such time when the Chairman announces the closure of poll.
5. The Scrutineer will verify the poll result reports upon closing of the poll session by the Chairman. Thereafter, the Chairman will announce and declare whether the resolutions put to vote were successfully carried or otherwise.

Submission of Questions

1. Shareholders may submit questions in advance on the EGM resolution by logging in to Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> latest by Tuesday, 13 December 2022 at 10.00 a.m. Click "Submit Question" after selecting REACH ENERGY BERHAD EXTRAORDINARY GENERAL MEETING from "Meeting Event".
2. During the EGM, shareholders may also submit questions via the messaging box on Lumi Online platform until such time that Chairman decides.
3. The Board will endeavour to respond to Pre-EGM Meeting Questions and questions submitted on the day of the EGM. However, not all questions will be answered during the meeting. In such event, the responses will be posted on the Company's website as soon as practicable.

Gift policy

No gift voucher will be given to shareholders/ proxy holders who participate in the EGM.

No Recording or Photography

No recording or photography of the EGM proceedings is allowed without the prior written permission of the Company.

Digital Copies of EGM Documents

1. As part of our commitment to protect the environment from paper waste, the following documents can be accessed from our website at www.reachenergy.com.my:
 - a. Notice of the EGM, Proxy Form and Administrative Guide

Enquiry

If you have any enquiries prior to the EGM, please contact the following during office hours from Monday to Friday (8.30 a.m. to 5.30. p.m.):-

Boardroom Share Registrars Sdn. Bhd.

Address : 11th Floor, Menara Symphony
No. 5 Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
General Line : 603-7890 4700
Fax Number : 603-7890 4670
Email : bsr.helpdesk@boardroomlimited.com

Personal Data Policy

By registering for the remote participation and electronic voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

CDS Account No.	
No. of shares held	

FORM OF PROXY

I/We _____
(FULL NAME IN BLOCK LETTERS)

(NRIC No./ Passport No./ Company Registration No. _____) of _____

(ADDRESS)

Tel No.: _____ Email Address: _____

being a member/members of **REACH ENERGY BERHAD**, hereby appoint:

Full Name (in block letters)	NRIC / Passport No.	Proportion of Shareholdings	
		No. Shares	%
Address			
Tel No.:	Email Address:		

and/or (delete as appropriate)

Full Name (in block letters)	NRIC / Passport No.	Proportion of Shareholdings	
		No. Shares	%
Address			
Tel No.:	Email Address:		

or failing him/her, the CHAIRMAN OF THE MEETING as my/our proxy to vote for me/us on my/our behalf at the EXTRAORDINARY GENERAL MEETING ("EGM") of REACH ENERGY BERHAD to be conducted on a virtual basis through live streaming from the broadcast venue located at Level 12, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia basis via Remote Participation and Electronic Voting ("RPEV") through the online meeting platform at <https://meeting.boardroomlimited.my> provided by Boardroom Share Registrars Sdn. Bhd. in Malaysia on Thursday, 15 December 2022 at 10.00 a.m. and at any adjournment thereof.

RESOLUTION NO.	RESOLUTION	FOR	AGAINST
Ordinary Resolution 1	Proposed Settlement of Debt Amounting to USD49,562,125.54 or RM206,508,856.40 (RM1.00:USD0.24) via the issuance of 1,032,544,282 new ordinary shares in the Company ("REB Share") to Super Racer Limited ("SRL" or "Offeror") at an issue price of RM0.20 per REB share ("Settlement Shares") ("Proposed Debt Settlement")		
Ordinary Resolution 2	Proposed Exemption for the Offeror and Mr. Cheung Siu Fai ("Mr Cheung"), being the person acting in concert with SRL ("PAC") under subparagraph 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 for the remaining REB Shares not already held by them after the Proposed Debt Settlement ("Proposed Exemption")		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions in the absence of specific instruction, your proxy will vote or abstain as he/she thinks fit.

Signed this _____ day of _____, 2022

.....
Signature of Shareholder/Attorney
(If Shareholder is a corporation, this part should be executed under seal or under the hand of its officer or attorney duly authorised)



Notes:

1. The EGM will be conducted on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting ("RPEV") facilities provided by Boardroom Share Registrars Sdn Bhd at <https://meeting.boardroomlimited.my>. Please follow the procedures as set out in the Administrative guide in order to register, participate and vote remotely via RPEV facilities.
2. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chair of the EGM of the Company to be present at the main venue in Malaysia. Shareholders/Proxies/Corporate Representatives WILL NOT BE ALLOWED to attend the EGM in person at the Broadcast Venue on the day of the meeting. Any Shareholders or Proxies or Corporate Representatives who turn up at the Broadcast Venue would be requested to leave the venue politely.
3. In regard of deposited securities, only members whose names appears in the Record of Depositors as at 6 December 2022 shall be eligible to attend the EGM and to speak and vote thereat.
4. A member of the Company who is entitled to attend and vote at the EGM shall be entitled to appoint any person as his(her) proxy to attend and vote in his(her) stead. There shall be no restriction as to the qualification of the proxy. A proxy may but need not be a member of the Company. A proxy appointed to attend and vote at the EGM shall have the same rights as the member to speak at the EGM.
5. A member of the Company may appoint not more than two (2) proxies to attend the EGM. Where a member appoints two (2) proxies, the member shall specify the proportion of his(her) shareholdings to be represented by each proxy, failing which, the appointments shall be invalid.
6. The instrument appointing a proxy shall be in writing (in the common or usual form) under the hands of the member or of his(her) attorney duly authorised in writing or if the member is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised. If the instrument appointing a proxy is executed by an officer or attorney duly authorised in writing, supporting documents are to be produced on the day of the EGM for verification by the Company Secretary.
7. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account to attend and vote at the EGM.
8. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), such Exempt Authorised Nominee may appoint multiple proxies in respect of each omnibus account it holds. The appointment of multiple proxies shall be invalid unless the authorised nominee or Exempt Authorised Nominee specifies the proportion of its shareholdings to be represented by each proxy it has appointed.
9. The instrument of appointing a proxy or proxies may be deposited at the office of the Share Registrar's office at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or at its website at <https://investor.boardroomlimited.com> ("Submit eProxy Form") not less than 48 hours before the EGM. Please refer to the "Administrative Guide" for the EGM for the steps of the eProxy Lodgement.
10. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements, all resolutions set out in the Notice of EGM will be put to vote on a poll.

Fold this flap for sealing

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AFFIX
STAMP

REACH ENERGY BERHAD
c/o Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan

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