



REACH ENERGY BERHAD
(Company No: 1034400-D)



2014
ANNUAL REPORT

Energy within Reach

A photograph of an offshore oil rig deck. In the foreground, a worker in a red safety suit and white hard hat is walking away from the camera on a yellow-painted metal walkway. The deck is filled with complex yellow and silver machinery, including large pipes, cranes, and structural beams. In the background, the blue ocean stretches to the horizon under a clear sky. The overall scene is industrial and brightly lit.

ENERGY WITHIN REACH

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Globally, substantial oil and gas reserves still remain unreachable or untapped in mature hydrocarbon basins. Our tagline “Energy Within Reach” reflects Reach Energy’s goal of rejuvenating brownfields and mature assets in these basins to economically access the remaining hydrocarbon reserves with new techniques and technologies.



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Vision, Mission and Corporate Strategies

Vision

REACH ENERGY aspires to be a leading independent Malaysian Oil & Gas Company

Mission

REACH ENERGY aims to be a Global player in the Oil & Gas Industry to:

- Grow upstream petroleum reserves
- Increase oil and gas production
- Develop strong technical base
- Deliver robust shareholder value

Corporate Strategies

- Build a strong base in the upstream oil & gas value chain globally
- Establish an organisation of multidisciplinary teams with the right talent and capabilities to realise the Vision and Mission
- Access world class expertise and resources
- Establish strategic alliances
- Develop productive relationship with stakeholders
- Create a balanced E&P portfolio
- Manage risk effectively

Vision,
Mission
and
Corporate
Strategies



Corporate Information

BOARD OF DIRECTORS

Izlan bin Izhab

Chairman / Senior Independent
Non-Executive Director

Nik Din bin Nik Sulaiman

Independent Non-Executive
Director

Aonghus Joseph O' Carroll

Independent Non-Executive
Director

Ir. Shahul Hamid bin Mohd Ismail

Managing Director

Registered Office

Level 8, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Tel: +603-7841 8000

Fax: +603-7841 8199

Company Secretaries

Chin Ngeok Mui
(MAICSA 7003178)
Chen Bee Ling
(MAICSA 7046517)

Principal Bankers

CIMB Islamic Bank Berhad
Malayan Banking Berhad
Standard Chartered Saadiq
Berhad
Hong Leong Islamic Bank
Berhad

Share Registrar

Symphony Share Registrars
Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

Tel: +603-7841 8000

Fax: +603-7841 8151

Stock Exchange Listing

Main Market of Bursa Malaysia
Securities Berhad

Stock Short Name and Code

REACH 5256 & 5256 WA

Head Office

D3-5-8, Block D3
Solaris Dutamas
No.1, Jalan Dutamas 1
50480 Kuala Lumpur, Malaysia

Tel: +603-6412 3000

Fax: +603-6412 8005

Email: info@reachenergy.com.my
Website: www.reachenergy.com.my

Auditors

KPMG (Firm No. AF0758)
Chartered Accountants
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

Tel: +603-7721 3388

Fax: +603-7721 3399

Notice of Second Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Second Annual General Meeting of the Company will be held at Concorde Hotel Shah Alam, 3, Jalan Tengku Ampuan Zabedah, 40100 Shah Alam, Selangor Darul Ehsan on Thursday, 29 January 2015 at 10.00 a.m. for the following purposes:-

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 July 2014 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of Directors' fees totaling RM135,650 for the financial year ended 31 July 2014.
3. To approve the proposed payment of Directors' fees totaling RM208,708 for the financial year ending 31 July 2015, to be made payable quarterly.
4. To re-elect Encik Nik Din Bin Nik Sulaiman, who retires by rotation in accordance with Article 70 of the Company's Articles of Association.
5. To re-appoint Messrs KPMG as auditors of the Company and to authorise the Directors to fix their remuneration for the ensuing year.

Please refer
to Explanatory
Notes to the Agenda

Ordinary
Resolution 1

Ordinary
Resolution 2

Ordinary
Resolution 3

Ordinary
Resolution 4

ANY OTHER BUSINESS

6. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

BY ORDER OF THE BOARD
REACH ENERGY BERHAD

CHIN NGEOK MUI (MAICSA 7003178)
CHEN BEE LING (MAICSA 7046517)
Company Secretaries

Selangor Darul Ehsan
31 December 2014

Notice of
Second
Annual
General
Meeting

Notice of Second Annual General Meeting (Cont'd)

Notes:

1. Only a member whose name appears in the Record of Depositors as at 23 January 2015 shall be eligible to attend the Meeting and to speak and vote thereat.
2. A member of the Company who is entitled to attend and vote at the Meeting may appoint a proxy or proxies to attend and vote in his(her) stead. A proxy need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
3. A member of the Company may appoint not more than two (2) proxies to attend the Meeting. Where a member appoints two proxies, he(she) shall specify the proportion of his(her) shareholdings to be represented by each proxy.
4. The instrument appointing a proxy shall be in writing 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 its officer or its duly authorised attorney. 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 Annual General Meeting for verification by the Company Secretary.
5. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, he(she) may appoint at least one proxy in respect of each securities account he(she) holds with ordinary shares of the Company standing to the credit of the said securities account.
6. 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"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. The appointment of multiple proxies shall not be valid unless the proportion of its shareholdings represented by each proxy is specified.
7. To be valid, the Form of Proxy must be completed, signed and deposited at the Share Registrar's office at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time set for holding the Meeting or adjourned meeting.

Explanatory Notes to the Agenda:

Item 1 of the Agenda

This item of the Agenda is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item of the Agenda is not put forward for voting.

Board of Directors



Board of
Directors

From left to right : **Nik Din bin Nik Sulaiman, Aonghus Joseph O' Carroll, Izlan bin Izhab, Ir. Shahul Hamid bin Mohd Ismail**

Izlan bin Izhab
Chairman / Senior Independent
Non-Executive Director

Nik Din bin Nik Sulaiman
Independent Non-Executive Director

Aonghus Joseph O' Carroll
Independent Non-Executive Director

Ir. Shahul Hamid bin Mohd Ismail
Managing Director

Profiles of Board of Directors



Izlan bin Izhab

Chairman /
Senior Independent Non-Executive Director

Izlan bin Izhab, a Malaysian aged 69, is our Chairman. He was appointed to the Board as an Independent Non-Executive Director on 1 July 2013. He serves as the Chairman of the Remuneration Committee and Nomination Committee. He is also a member of the Audit Committee. He graduated with a Bachelor of Laws degree from the University of London, UK in 1973, and attended the Advance Management Program at the University of Hawaii, US in 1984.

He started his career as an Assistant Legal Officer with Majlis Amanah Rakyat (MARA). From 1975 to 1978, he was a company secretary with Kompleks Kewangan Malaysia Berhad.

From 1978 to 1984, he was the Company Secretary of Permodalan Nasional Berhad. He spent the next 15 years with the Kuala Lumpur Stock Exchange (currently known as Bursa Malaysia Berhad) as the Executive Vice President, Corporate and Legal Affairs until his retirement. He was responsible for company secretarial functions, legal advisory on capital market laws and regulations and conducted lectures on capital market laws and regulations.

From 2004 until May 2013, he was a member of Bursa Malaysia Berhad Appeals Committee.

He was an independent director of Ramunia Holdings Berhad (now known as TH Heavy Engineering Berhad) from 2004 to 2008. During that period, he was the Chairman of the Remuneration Committee and Nomination Committee of the said company.

He is currently an independent non-executive Director of K&N Kenanga Holdings Berhad and Box-Pak (Malaysia) Berhad, which are all listed on Bursa Securities.

Izlan bin Izhab has attended all Board Meetings held during the financial year. He has no conflict of interest with the Company and does not have any family relationships with any Director and / or major shareholder. He has never been convicted for any offence within the past 10 years, other than traffic offences, if any.

Profiles of Board of Directors (Cont'd)

Ir. Shahul Hamid Bin Mohd Ismail, a Malaysian aged 65, is our Managing Director. He was the first director since the inception of the Company on 7 February 2013. He serves as a member of the Remuneration Committee and Risk Management Committee. He has been in the Petroleum Industry for the past 35 years, mainly with Exxon and Shell, and has held a rotation of assignments in Malaysia and overseas covering a wide variety of technical and commercial aspects of the business.

Prior to Reach Energy, Ir. Shahul led the Daya Materials group of companies to develop a portfolio of core oilfield services such as drilling services, asset integrity services, etc.

During 2007-2009, in a Group CEO role, Ir. Shahul set up the Oil & Gas ventures for a Malaysian Group, securing major gas field development opportunities in the Middle East, coupled with LNG business, as well as refinery/petrochemical investments in Malaysia, Indonesia and the Middle East with the value of the opportunities in excess of USD10 billion. He dealt with top level governmental and oil industry personnel in these countries in leading these efforts. Ir. Shahul worked closely with various international consultants on Feasibility Studies, Conceptual Design, Risk Management, FEED/BED and Detail Design.

During 2005-2006, Ir. Shahul was Board Member/Technical Advisor to Ramunia Holdings Berhad. From Aug 2001 to Oct 2004, Ir. Shahul was the Managing Director of Shell Refining Company (FOM) Berhad which is a public-listed company in the Main Board of the Kuala Lumpur Stock Exchange. He was the first Malaysian to be appointed to this position. Prior to that he worked in General Manager, Technical Manager, Engineering Manager, Operations Manager and Project Manager roles in Shell and Exxon with core activities cutting across the entire hydrocarbon life cycle covering exploration, appraisal, development, production and decommissioning in very challenging business environments.

Ir. Shahul was a Colombo Plan scholar and holds Bachelor (Honours) and Masters degrees in Mechanical Engineering from the University of Adelaide in Australia. He has produced many technical reports, papers and reviews. These have been presented in various conferences, workshops, journals and meetings.

Ir. Shahul is an adjunct lecturer at Universiti Teknologi PETRONAS and member of the Engineering Board of Studies and Industry Advisory Panel at the International Islamic University, Kuala Lumpur. He was also previously a member of the Industry Advisory Panel at Monash University, Kuala Lumpur.

He is a Registered Professional Engineer in Malaysia and Australia. He is also a Member of the Institution of Engineers, Malaysia and the Institution of Engineers, Australia.

Ir. Shahul Hamid Bin Mohd Ismail has attended all Board Meetings held during the financial year. He has no conflict of interest with the Company and does not have any family relationships with any Director and / or major shareholder. He has never been convicted for any offence within the past 10 years other than traffic offences, if any.

Ir. Shahul Hamid bin Mohd Ismail

Managing Director

Profiles of Board of Directors (Cont'd)



Nik Din bin Nik Sulaiman
Independent Non-Executive Director

Nik Din bin Nik Sulaiman, a Malaysian aged 66, is our Independent Non-Executive Director. He was appointed to the Board on 1 July 2013 and he is the Chairman of the Audit Committee and a member of the Remuneration Committee, Nomination Committee and Risk Management. He obtained the Chartered Institute of Management Accountants (CIMA) Professional Qualification in 1974. He is a Fellow member of the Association of Chartered Certified Accountants, UK (FCCA) and a member of the Malaysian Institute of Accountants.

He has more than 35 years of experience in the fields of accounting, auditing and finance. He started his career as an Accountant with Beecham Products (F.E.) Sdn Bhd in 1974 before leaving to join Pfizer Pte Ltd as Finance Manager. He was subsequently appointed as Group Financial Controller in Kumpulan Perangsang Selangor Berhad, an investment arm of Selangor State Government from 1978 to 1981. He also worked for Promet Berhad from 1982 to 1992 initially as its Financial Controller and later as Finance Director.

He served in Sime Darby Group from 1992 to 2004 initially as Finance Director in the Malaysia Region, followed by Finance Director of Tractors Malaysia Holdings Berhad, a subsidiary of Sime Darby Berhad. He was also a director of Sime Bank Berhad. Subsequently, he was the Group Chief Internal Audit Manager and his last position was as Finance Director in Sime Engineering Berhad.

He currently holds directorships in MTD ACPI Engineering Berhad and APFT Berhad, which are listed on Bursa Securities and Anglo Eastern Plantations Plc, which is listed on the London Stock Exchange.

Nik Din bin Nik Sulaiman has attended all Board Meetings held during the financial year. He has no conflict of interest with the Company and does not have any family relationships with any Director and / or major shareholder. He has never been convicted for any offence within the past 10 years other than traffic offences, if any.

Profiles of Board of Directors (Cont'd)



Aonghus Joseph O' Carroll
Independent Non-Executive Director

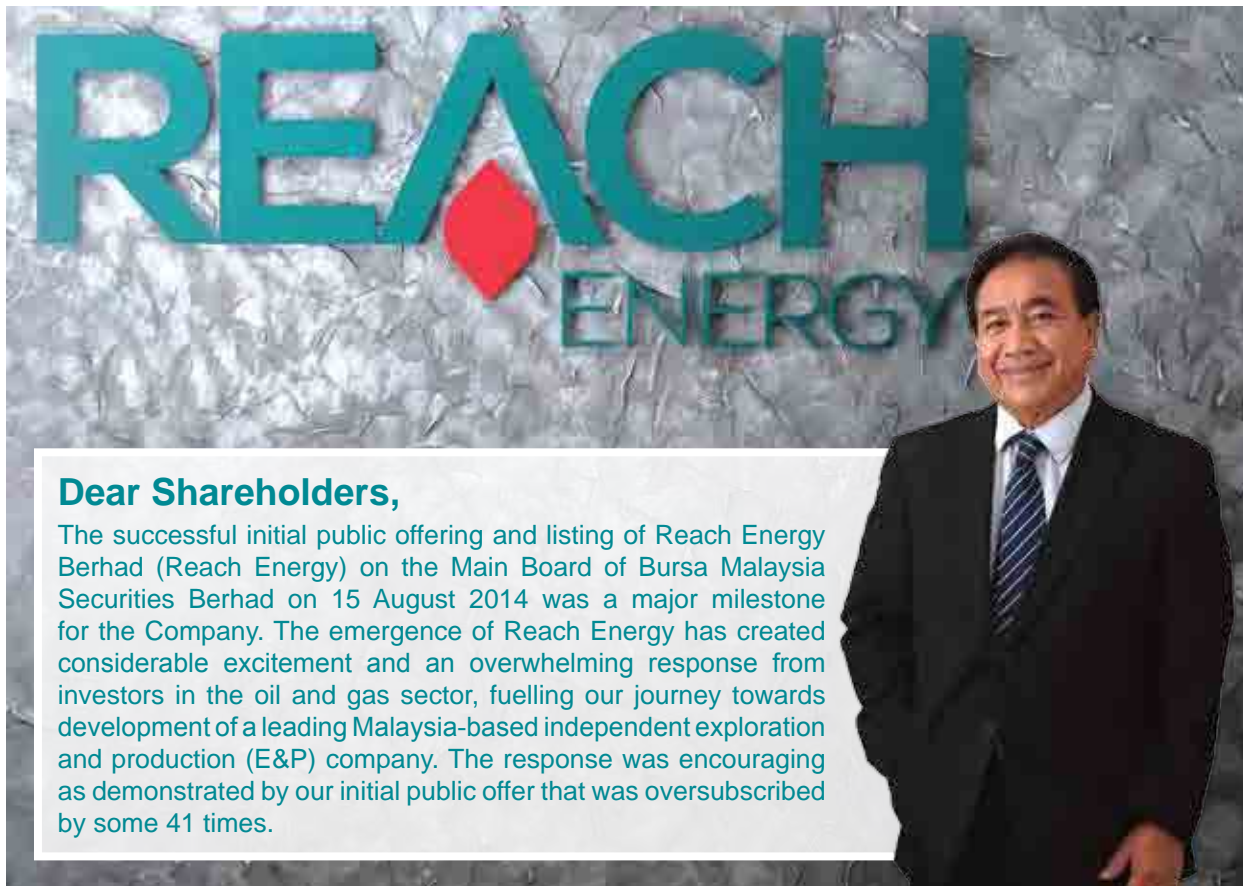
Aonghus Joseph O'Carroll, Irish aged 53, is our Independent Non-Executive Director. He was appointed to the Board on 1 July 2013 and he serves as the Chairman of the Risk Management Committee and a member of the Nomination Committee and Audit Committee. He won a scholarship from the National Science Foundation to attend and obtain a Master of Science degree and Diploma in Petroleum Geology from Imperial College of Science and Technology, London, UK in 1984. He also graduated with a B.A (Mod) Hons, Natural Science, Geology from Trinity College Dublin in 1983.

He has 29 years of international geoscience experience with oil companies and major service companies in Europe, Middle East and Asia Pacific. He has extensive experience in integrated service delivery across the exploration and production spectrum. He was the Global Account Manager with Roxar Ltd for BP, Shell and Total S.A. accounts focusing on cycle time reduction and technology delivery in modern software infrastructures.

He was the Managing Director of Knowledge Reservoir (UK) Ltd. ("Knowledge Reservoir"), from June 2006 to July 2013, an upstream exploration and production consulting firm which provides support in reservoir management and surface systems for oil and gas industry globally. He was responsible for Knowledge Reservoir group's activities in Europe, Africa, Middle East and Asia Pacific. He has been involved in evaluating E&P assets, Reserves assessment/ auditing, flow assurance reviews, and reservoir management studies for E&P clients.

Aonghus Joseph O'Carroll has attended all Board Meetings held during the financial year. He has no conflict of interest with the Company and does not have any family relationships with any Director and / or major Shareholder. He has never been convicted for any offence within the past 10 years other than traffic offences, if any.

Chairman's Statement



Dear Shareholders,

The successful initial public offering and listing of Reach Energy Berhad (Reach Energy) on the Main Board of Bursa Malaysia Securities Berhad on 15 August 2014 was a major milestone for the Company. The emergence of Reach Energy has created considerable excitement and an overwhelming response from investors in the oil and gas sector, fuelling our journey towards development of a leading Malaysia-based independent exploration and production (E&P) company. The response was encouraging as demonstrated by our initial public offer that was oversubscribed by some 41 times.

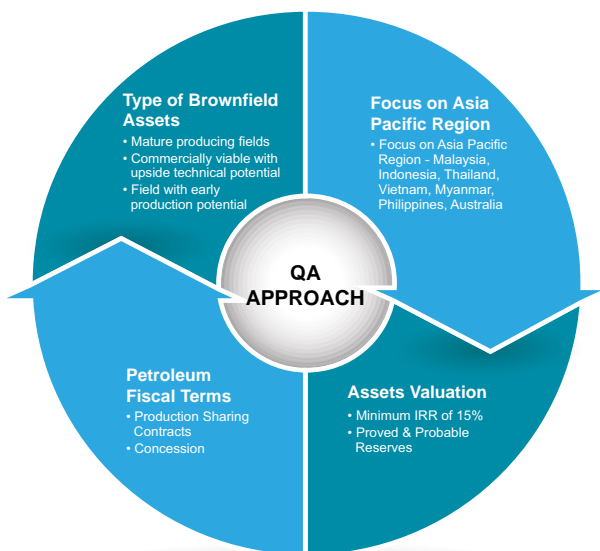
As a Special Purpose Acquisition Company (SPAC) in the Oil and Gas E&P sector, it is of paramount importance for Reach Energy to be driven by strong fundamentals and a well-defined business strategy managed by our experienced management team. Being the largest SPAC in Malaysia to date, in terms of fund size, Reach Energy is well-positioned to deliver expected shareholder value.

OUR STRATEGY

For our Qualifying Acquisition, Reach Energy will focus on relatively low risk development or production assets with the primary objective

to produce oil and gas and generate early revenue. Producing oil & gas fields or fields near development have more certainty to the level of oil and gas reserves and remaining upside potential as opposed to exploration assets. The Company plans to achieve this through leveraging on the proven experience of the management team and the opportunities arising from significant divestment of oil and gas assets by E&P companies operating within the Asia Pacific region. In the longer term, Reach Energy aims to develop a balanced portfolio of E&P assets encompassing both production and exploration phases in order to increase the Company's hydrocarbon reserves base and market valuation.

Chairman's Statement (Cont'd)



OUR PEOPLE

Human resource capability is the driving force behind Reach Energy's business activities and the Company is building its human capital base with the required skills and expertise for the Qualifying Acquisition and beyond. I am pleased to report that, since our IPO, we have filled key positions with experienced and high-performing talent. This human capital platform will be the nucleus that will drive Reach Energy towards becoming a leading Malaysian independent E&P company.

Our human capital development revolves around recruiting, supporting and investing in our staff through training, coaching, mentoring, internships, organizational development and succession for eventual realisation of the potential. On-the-job training (OJT), targeted skills development programmes, and staff empowerment and self-development feature prominently to strengthen individual and team contributions to the success of the Company.

Annual Staff Performance Appraisals against set Tasks & Targets are essential part of our Human Resource Development Programme.

OUR FINANCIAL PERFORMANCE

Reach Energy registered a loss of RM28.4 million for the Financial Year Ended 31 July 2014, largely attributable to expenses incurred for listing purposes. As there is no operational income generated during the reporting financial period, it is predictable that operating losses will be incurred until a Qualifying Acquisition is obtained. Additionally, the Company also registered a finance income of RM 0.33 million from placement of initial invested funds in the shariah compliant money market.

The Company recognises that the allocated RM 39.4 million from the Initial Public Offer plus the investment from the management team and the Initial Investor (Daya) amounting to RM 29.1 million, being an aggregate of RM 68.5 million, is the budgeted funding available to Reach Energy to take the Company through the next three years or to completing the Qualifying Acquisition, whichever is earlier. The Board of Directors and Management are mindful of the business priorities and are nurturing a lean and cost-effective organisational mindset as we move towards our qualifying acquisition.

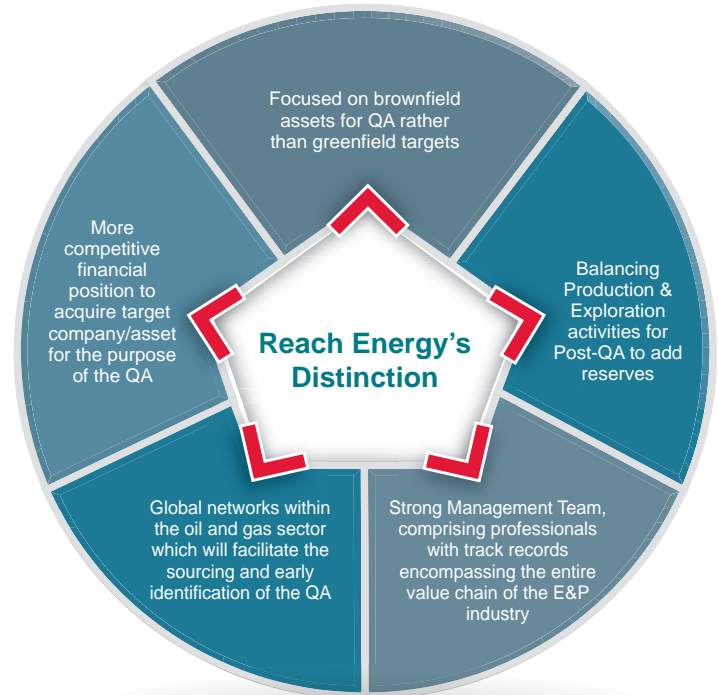


Chairman's Statement (Cont'd)

INDUSTRY OUTLOOK

The global population will keep increasing over the next decade and energy consumption is expected to increase exponentially. This macro-economic dynamics is certainly favourable to Reach Energy. Notwithstanding this, the oil market observed significant volatility since June 2014, where the price of Dated Brent fell to below the USD100 per barrel threshold. In November 2014, Europe Brent Spot Price FOB recorded an average of USD79.4 per barrel due to rising supply in the market, especially from North America's shale oil production, coupled with the slower demand from major consuming nations such as the USA, Europe, Japan and China. Whilst the recent swift decline in oil prices is a concern to many people, we, nonetheless, are confident that the underlying demand from the energy sector remains strong where oil and gas will continue to be the dominating energy source of the world for many years to come.

On the subject of our QA activities, we view that the recent volatility in the oil market will favour acquisition activities as some of the existing holders of oil & gas assets could divest their holdings for reasons including repartition of funds for other uses, portfolio rationalization, debt restructuring, etc. Reach Energy will rigorously explore such opportunities and will prevail over the challenges posed by current market volatility.



CORPORATE SOCIAL RESPONSIBILITY

The Company is in the process of formulating a Corporate Social Responsibility (CSR) Policy and Programme for the post-QA era.

However, for the near term pre-QA period, we intend to focus our CSR efforts on talent development. This has been in terms of staff training in the various aspects of the oil and gas industry and active participation in local university learning programmes.

Reach Energy cultivates strong fundamentals which will hold the company in good stead and we believe strongly that all responsible organisations have a duty to contribute to the well-being of the communities in which they operate.



Chairman's Statement (Cont'd)

ACKNOWLEDGEMENTS

My heartfelt gratitude to all our investors who participated in the equity of our Company. The confidence, faith and commitment in our vision and mission have allowed Reach Energy to embark on this unique approach to creating a long-lasting business in a premier industry.

On behalf of the Company, I would like to thank our advisory teams made up of Hong Leong Investment Bank Berhad, KPMG and Lee Choon Wan & Co who took us through to our listing milestone.

Finally, I would like to extend my appreciation to my fellow Board members, the Management and the staff of Reach Energy for their commitment, drive and passion which have seen Reach Energy progress this far under much challenging circumstances.

I am confident in Reach Energy attaining its vision of becoming "a leading independent Malaysian Oil and Gas Company". Our journey has only just commenced and as we always say "the hardest part of starting a journey of a thousand miles is taking the first leap of faith at the beginning".

Thank you.

Izlan bin Izhab
Chairman

19 December 2014



Chairman's Statement



Business Strategy & Activities



BUSINESS APPROACH

1. BUSINESS PHILOSOPHY

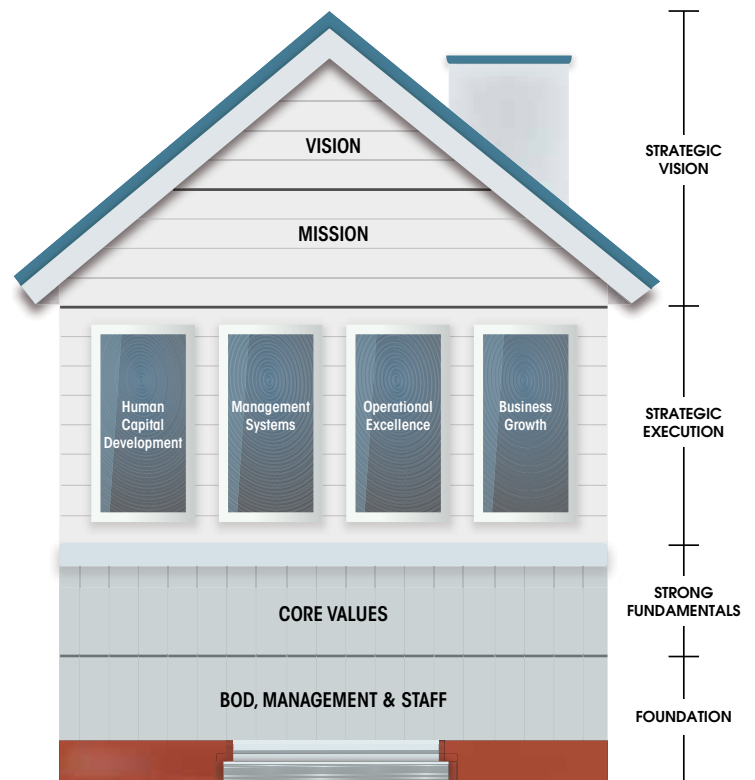
We aim to be a leading Malaysia-based independent oil and gas company that creates value and contributes to the wellbeing of the people in the countries we operate in. The foundation of our company is our people, comprising our Board of Directors, our management team and our employees. We are determinedly passionate to be successful in our business and to work together with all our stakeholders to achieve sustainable and robust value creation.

In conducting our business, it is important that we always stay true to our core values of:

- Promoting Passion for Success – Performance excellence and continuous improvement.
- Acting with Honesty and Integrity – Highest standard of ethics and governance.
- Fostering Care and Share – Good corporate citizen

We believe that having clear and carefully crafted business strategy is key to our success. With this in mind, we have adopted and implemented a Business Strategy that embraces four vital business elements, namely, Human Capital Development, Management Systems, Operational Excellence and Business Growth.

Our business philosophy is depicted in the diagram below.



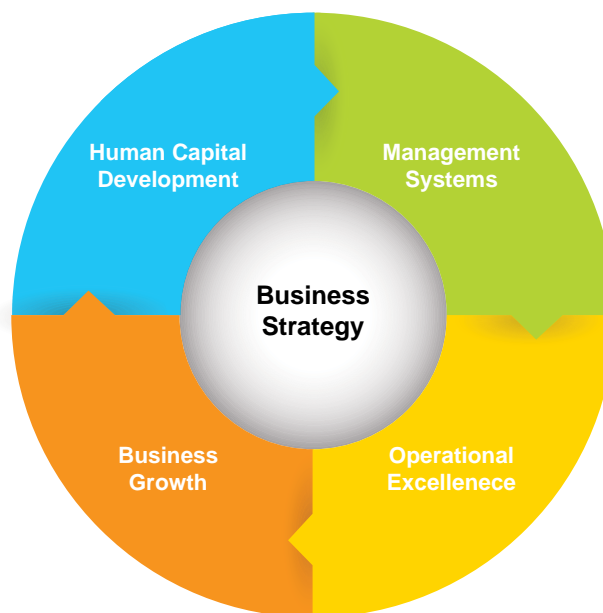
Business Strategy & Activities (Cont'd)

2. BUSINESS STRATEGY

Reach Energy's near term business goal is to expeditiously complete the Qualifying Acquisition (QA) by leveraging the technical expertise, knowledge, network and experience of our staff and the Board of Directors. In this respect, and consistent with what we communicated in our IPO Prospectus dated 24 July 2014, for the QA, Reach Energy is targeting oil and/or gas brownfields in the production phase, and fields in the proximity of existing producing areas that are either in development phase or in advanced stages of development planning i.e. with Field Development Plan (FDP) in progress or approved but where production has not commenced. Such assets would hold proved and probable (2P) reserves for commercial production as well as with upside (production and reserves) potential which will allow us to enhance production and add reserves to the fields through further appraisal and re-development activities.

In the longer term, Reach Energy aspires to be a leading independent Malaysian based oil and gas company and hence its QA strategy is aimed at acquiring producing (and/or development) assets to fuel the company's future growth. Reach Energy will redeploy the cash flow generated from the asset(s) acquired under QA to expand its operations in the full arena of exploration and production (E&P) activities, both locally and globally. Future expansion after QA would be through partnerships, joint ventures, or direct sole interest in a portfolio of production, development and exploration assets.

To this end and to ensure the company continues to keep in sight operational integrity, growth, profitability and business continuity, Reach Energy has adopted and implemented a Four-Pronged Business Strategy that nurtures I) Human Capital Development, II) Robust Management Systems, III) Operational Excellence and IV) Sustained Business Growth, as depicted in the diagram to drive the company towards achieving its business goals.



Business Strategy & Activities

2.1 Human Capital Development

Human capital is a critical resource of Reach Energy and effective deployment and development of the resource is a vital part of our business strategy and a source of sustained competitive advantage for the company in realising its vision to become a leading independent oil and gas company. Recognising its importance, we have embarked on formulating our human capital development framework that is premised on the following:

- **Organisational Culture**
Fostering a corporate culture that drives performance excellence, productivity and passion for success balanced by attributes of honesty, integrity, caring and sharing.
- **Leadership**
As a start-up business aspiring to be an operating oil and gas company within a short timeframe, the leadership shall be disciplined, pragmatic, results-oriented, committed and nurturing.
- **Talent Management**
Recruitment of right talent for the organisation is essential for the continued growth of the company. Periodic assessment of staff performance is essential to improve performance and identify training and development needs for career advancement and succession planning.
- **Compensation**
Market-based compensation package shall be offered to attract and retain talent for the organisation.

The aforesaid elements are the guiding principles for Reach Energy in developing its human capital through focus on I) recruitment, II) training & development and III) rewards & retention. We aim to create a work environment that has the following merits:

- Results-oriented management mentality
- Compensation and benefits in line with an effective performance management process
- Multi-skilling through work exposure and formal training
- “Show me” culture amongst staff
- Business in line with enhancing value for shareholders
- Formal staff succession planning



Business Strategy & Activities (Cont'd)



2.2 Management Systems

Reach Energy is developing structured Management Systems to ensure that a framework of processes, policies and procedures are in place to achieve the organisational goals. Establishing workflows in a controlled environment requires business alignment to the Management Systems. These systems will be built on the fundamentals of “plan-execute-monitor-review-improve” to allow effective business controls through such Management Systems. The suite of key management systems applicable to our current activities are as follows:

- i. Health Safety Security and Environment (HSSE) Management System
- ii. Human Resource Management System
- iii. Finance Management System
- iv. Quality Management System
- v. Risk Management System
- vi. Information Management System
- vii. Investment & Capital Asset Management System

The management of Reach Energy believes that effective Management Systems provide strong foundation for the company activities by enabling business process integration. Undoubtedly our business landscape will face constant changes and hence the Management Systems need periodic reviews and updates to stay relevant to the business dynamics.

2.3 Operational Excellence

Reach Energy aims to be a leading Independent Exploration & Production (E&P) Company. The company will focus on Operational Excellence which is critical to E&P operating companies to ensure that they operate their assets safely, reliably, sustainably and cost effectively. The fundamentals of operational excellence revolve around the following:

- Uninterrupted production to maximise recovery during the contract period;
- Low operating unit cost per barrel;
- Best practices in operation and maintenance (O&M) of oil and gas assets;
- Pervading Health, Safety, Security and Environment (HSSE) practices;
- Recruiting, nurturing and retaining a highly skilled workforce; and
- Continued surveillance of the assets to ensure proper reservoir management.

The production operations phase is where most of the value is created by maximising petroleum reserves extraction in the most efficient manner with best operating practices and prudent reservoir management. Operational excellence is crucial for mature brownfields with respect to robust financial performance and return on capital across assets.

2.4 Business Growth

After the initial Qualifying Acquisition (Post-QA), our Company will implement various initiatives and strategies to achieve the following long term goals set by our Management:

- i. to build a strong base in the upstream oil and gas value chain globally and continue to generate revenue streams organically;
- ii. to have a balanced portfolio of E&P assets for sustainable growth;
- iii. to further develop our position as a regional operator of oil and gas assets; and
- iv. to proactively participate in the growing E&P opportunities in Malaysia.

Reach Energy is committed to ensure business continuity, enhanced profitability and calculated growth to maximise its shareholder value. To this end, Reach Energy will adopt the following approaches and initiatives:-

- i. Develop a balanced portfolio of E&P assets with indicative ratio of 70/30 in production and exploration activities respectively
- ii. Increase Reserves Replacement Ratio to ensure business sustainability and growth as well as enhancing shareholder value in the long term
- iii. Continue to focus on assets that are in the development, production or near production phases and deploying its expertise and experience to maximize the value creation from these assets
- iv. Participate in E&P opportunities in Malaysia. As a Malaysian company with a majority of Malaysian staff, we believe that we are well placed to participate in the evolving Malaysian oil and gas industry, particularly, in the future opportunities to acquire and operate domestic oil and gas assets that are under PSC or RSC fiscal arrangements.
- v. Establish strategic alliances with other oil and gas industry players to gain access into new markets or reserves, enhance our distribution networks, access to new technologies and technical knowledge, diversify and share of production and business risks, achieve economies of scale and enhance our productivity and profits.
- vi. Strengthening relationship with our stakeholders including our shareholders, joint venture and strategic partners, suppliers, customers, regulatory authorities, employees, technical consultants and professionals by having regular communications to ensure smooth operations and uninterrupted business.



Business Strategy & Activities (Cont'd)

3. BUSINESS ACTIVITIES

Reach Energy was incorporated in Malaysia under the Companies Act 1965 as a private limited company on 7 February 2013 under the name of Reach Energy Sdn Bhd. On 2 August 2013 our company converted into a public company and was renamed as Reach Energy Berhad.

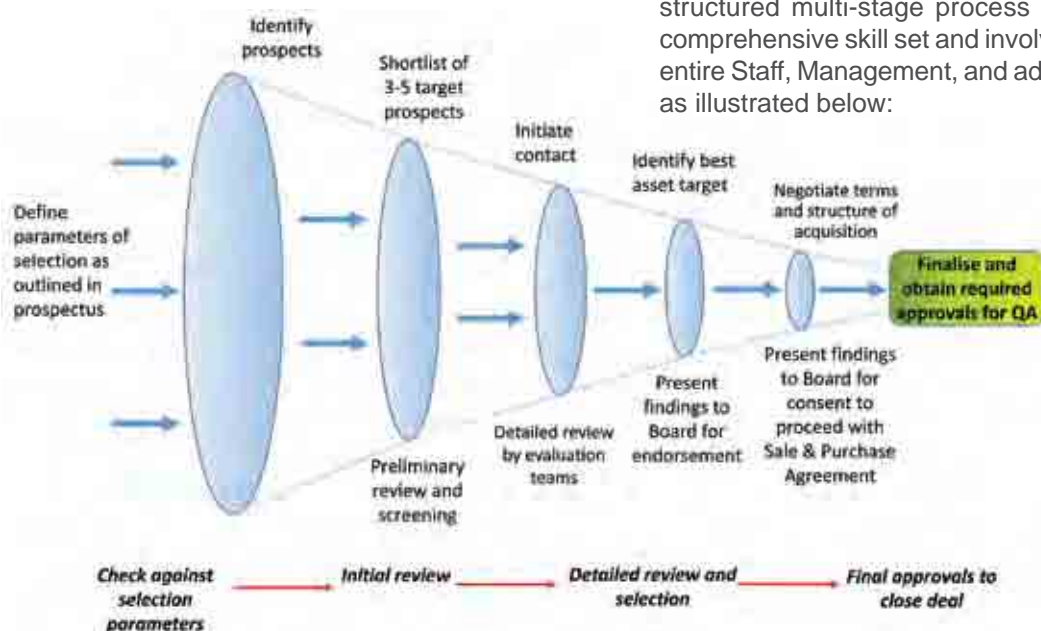
On 15 August 2014, Reach Energy Berhad, the fourth and largest oil and gas Special Purpose Acquisition Company (SPAC), successfully accomplished its initial public offering (IPO) with both its shares and warrants officially commencing trading on the Main Market of Bursa Malaysia Securities Berhad. Of the RM750 million raised, 94.75% or RM710.62 million was placed in an Islamic trust or escrow account for which Amanah Raya Trustees Berhad is the custodian until it is used to pay for a qualifying acquisition (QA). The balance of funds will be used for listing expenses and as working capital of the company. Reach Energy's securities (shares and warrants) have been classified as Shariah-compliant securities.

Upon the successful completion of its IPO and listing on Bursa Malaysia, Reach Energy initiated the QA process and had on 5 November 2014, appointed BNP Paribas Capital (Malaysia) Sdn Bhd as its international financial advisor and the legal firm, SKRINE Advocates & Solicitors, as its legal advisor in respect of the QA activities.

Assisted by our appointed advisors, Reach Energy is reviewing prospective candidates for the QA through a structured screening and assessment process. The prospects that meet the QA criteria will be shortlisted and ranked for the purposes of allowing our company to prioritise for carrying through the acquisition activities in accordance to Reach Energy's prescribed internal processes.

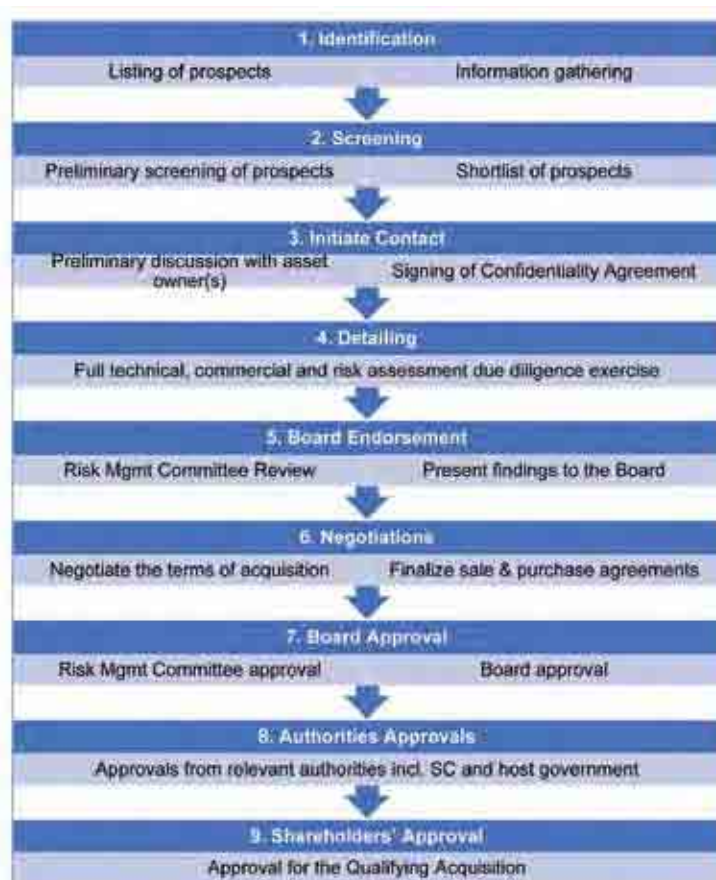
3.1 Qualifying Acquisition Process

In evaluating the QA targets, Reach Energy will leverage on the experience and technical expertise of its Staff and Management, the appointed advisory teams and the stewardship of its Board to consider, amongst others, the selection criteria for the QA as stated in its IPO prospectus dated 24 July 2014. For the QA, Reach Energy has devised a structured multi-stage process requiring the comprehensive skill set and involvement of the entire Staff, Management, and advisory teams, as illustrated below:



Business Strategy & Activities (Cont'd)

This multi-stage process is being deployed alongside a 9-Step Approach to guide our Teams in managing QA activities from identification of QA target, screening, contact, detailing, Board of Directors endorsement, negotiation, Board of Directors approval, regulatory approval to the eventual shareholders' approval. The 9-Step Approach is illustrated in the diagram below:



The Board and Management of Reach Energy is confident that these well-defined structured processes and procedures will assist Reach Energy in achieving its QA in the most efficient manner and at the same time maintaining high integrity in the transaction.

3.2 Current Dynamics in the E&P Industry

The structural dimension of the upstream E&P industry can be characterized with high risk, high capital and high technical requirements involving projects of significant scale. Historically, investments in the E&P sector tend to increase considerably when the oil prices are high; and unsurprisingly the reverse is also true. This has caused the industry to behave in a cyclical nature with booms and busts, largely due to over or under investment in the industry.

According to the Economic Report 2013/2014 published by the Ministry of Finance of Malaysia, for the first 6 months of 2013, Dated Brent, the pricing benchmark for Asia-pacific sweet crude oil, traded at an average price of USD108 per barrel, or 5.3 percent lower as compared to average price of USD 114 per barrel in 2012 due to uncertain global economic outlook. Nonetheless, in the second half of 2013, oil prices improved with the price of Dated Brent averaging at around USD109 per barrel owing to improved growth prospects in key advanced economies. Malaysian crude oil price (Tapis) also increased to an average of USD116.6 per barrel from the second half of 2013 as compared to average USD113.7 per barrel recorded in the first half.



Business Strategy & Activities (Cont'd)

Notwithstanding the above, since June 2014, the oil market observed significant volatility where the price of Dated Brent fell to below the USD100 per barrel threshold. In November 2014, Europe Brent Spot Price FOB recorded an average of USD79.40 per barrel due to rising supply in the market, especially from North America's shale oil production, coupled with the slower demand from major consuming nations such as the USA, Europe, Japan and China. Nevertheless, the underlying demand from the energy sector remains strong where oil and gas will continue to be the dominating energy sources of the world, as illustrated in the forecast for global energy mix for 2015 – 2035 in table below:

With respect to our QA activities, we view the recent volatility in the oil market will result in more acquisition opportunities as some of the existing holders of oil & gas assets will divest their holdings for various reasons, including repartition of funds for other uses, portfolio rationalization, debt restructuring, etc. These will allow Reach Energy to have more choices of assets and potentially acquiring them at favorable pricing. Nonetheless, the volatile condition in the market might cause significant differing expectations of pricing on the assets between sellers and buyers, hence, potentially restraining transactions to some extent in the market.

Global Energy Mix, 2005-2035	Consumption (million tonnes oil equivalent)				* CAGR, %	Energy Mix Ratio, %			
	2005	2015	2025	2035		2005	2015	2025	2035
Oil	3,912	4,227	4,671	4,967	0.8	36.5	31.9	29.7	28.3
Gas	2,499	3,258	3,959	4,631	1.8	23.3	24.6	25.2	26.4
Oil & Gas	6,411	7,485	8,630	9,598	1.3	59.8	56.5	54.9	54.7
Coal	2,923	3,960	4,551	4,743	0.9	27.3	29.8	28.9	27.0
Nuclear	627	630	771	860	1.6	5.9	4.7	4.9	4.9
Hydro	662	859	1,085	1,246	1.9	6.2	6.5	6.8	7.1
Other Renewables	85	333	705	1,119	6.3	0.8	2.5	4.5	6.4
Total	10,708	13,267	15,722	17,566					

Source: BP Energy Outlook 2035

* CAGR = Compound Annual Growth Rate