MIRACH ENERGY LIMITED
(COMPANY NO.200305397E)

QUARTERLY UPDATE PURSUANT TO RULE 1313(2) OF THE SGX-ST LISTING MANUAL

1. BACKGROUND

Mirach Energy Limited (the “Company”, and together with its subsidiaries, the “Group”) was placed on the Watch-List pursuant to Rule 1311 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 3 December 2015.

In accordance to Rule 1313(2) of the SGX-ST Listing Manual, the Board of Directors of the Company would like to provide the following updates on the financial situation, its future direction as well as other material developments that may impact the Group’s position.

2. UPDATE ON FINANCIAL SITUATION

Total revenue for the Group reported was US$1.136 million for the period ended 30 September 2018. The revenues are mainly generated from the property construction and development business and management services provided in agriculture business in Malaysia.

Cost of sales are derived from the cost of construction of property in Malaysia and the cost of management services consumed in Singapore. Staff costs were lowered by 15% in 9M2018 as compared to the same period in 2017. The total comprehensive loss for the period ended 30 September 2018 was US$0.653 million.

The non-current assets of the Group as at 30 September 2018 increased by US$6.922 million as compared to 31 December 2017 mainly due to the increase in intangible assets and goodwill as a result of the acquisition of RCL Kelstar Sdn. Bhd. in 3Q2018. These figures are based on a preliminary purchase price allocation (“PPA”) prepared by the management. The management expects to finalise the PPA exercise within one year from 18 July 2018, being the date of acquisition. Accordingly, the fair values of assets and liabilities of the Group on acquisition date will be adjusted upon finalisation of the PPA exercise.

The current assets of the Group as at 30 September 2018 increased by US$1.652 million as compared to 31 December 2017. This was mainly due to the increased in prepaid expenses in relation to the agriculture business in 3Q2018.

Trade and other payables increased by US$2.574 million as of 30 September 2018 compared with 31 December 2017. This was mainly due to the increase in other payable to third party in relation to the agriculture business.

Cash generated from operating activities was US$0.488 million for 9M2018.

For more details on the results and financial position of the Group, please refer to the Company’s results announcement for the period ended 30 September 2018.

3. UPDATE ON FUTURE DIRECTION

Oil and Gas Business

Due to the weak economic climate in the Indonesian Oil Exploration sector, the Group ceased operations and surrendered the KM Oil Field in 2017. The Group still retains minority ownership of the Gunung Kampung Minyak Ltd Oil Field in Indonesia.

Property and Construction Business

In 2017, the Group set up a joint venture company, Premier Mirach Sdn Bhd ("PMSB") in Malaysia. The joint venture company is in partnership with PRG Construction Sdn Bhd, a wholly-owned subsidiary of PRG Holdings Berhad which is a public limited liability company listed on the Main Market of Bursa Malaysia Securities Berhad. As of 30 September 2018, the construction activity for the first housing project situated in the Malaysia State of Perak is at 12.3% completion and has generated US$0.631 million revenue to the Group. The Group expects to complete the project in April 2020, with progressive billings to continue in the next 12 months reporting period. The second construction project has not commenced as discussions are still ongoing with the developer.

Agriculture Business

On 18 July 2018, the Group signed a Share Sale Agreement to acquire a 70% equity interest in RCL Kelstar Sdn. Bhd ("RCL") and participate in a new project in agriculture Malaysia.

RCL was set up as a special purpose vehicle for a Project (the "Project") relating to the development of a multi-storey agricultural project in Malaysia with the Kelantan State Economic Development Corporation ("KSEDC"). KSEDC has been granted a concession of a state land of approximately 5,500 acres, in respect of the Project for 50 years. RCL has in turn secured the right to jointly undertake the Project together with KSEDC. This investment in RCL provides the Company with the opportunity to participate in the Project, for which RCL is in the midst of obtaining the necessary approvals and permits to commence activity.

As at 30 September 2018, RCL has entered into a cooperation agreement with a third party, whereby the third party is allowed to cultivate and sell durian trees and fruits on approximately 550 acres or 10% of the concession land. RCL will provide management services to this third party for a contract value of RM6.005 million. As part of the cooperation agreement, RCL has purchased the proprietary and legal rights to 5,000 durian trees for a total of RM5,000, that will be planted on the 550 acres of land. The third party will manage these 5,000 durian trees for free for the first 5 years. As of 30 September 2018, the management services obligations provided to the third party has generated RM1.705 million (approximately US$0.427 million) of revenue for the Group, and RCL will continue to bill the third party as RCL fulfils its obligations in the next 12 months. As part of the risk diversification initiatives, RCL will further look for other third party partners to cultivate the land separately in order to diversify its supplier risks.

Management Services Business

On 28 March 2018, the Group formed a wholly-owned subsidiary Mirach HP Management Pte. Ltd. ("MHPM") to provide business and management consultancy services. MHPM has commenced business activity in 2Q2018 and has generated US$0.078 million in revenue as of 3Q2018. MHPM plans to develop further in its business and management consultancy services in the next 12 months reporting period.

On behalf of the Board of Directors
Chan Shut Li, William
Chairman of the Board

14 November 2018