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

The Group achieved a lower revenue of US$0.33 million for the period ended 30 June 2016 as compared to US$1.15 million during the same period last year. With the impairment of CPHL (Cambodia) Co., Limited (“CPHLC”) in Q42015, no technical oilfield services fee have been recognized since the beginning of the year. In addition, the sharp drop in oil prices since early 2016 coupled by no shortfall revenue accounted (as fully repaid in April last year) for over and above the incremental oil revenue, as well as the lower production volume, these factors have caused the E&P revenue to trend downwards. As such, the total revenue for the period declined by 71% versus 1H2015. Based on quarter-on-quarter comparison with same time last year, total revenue dropped 65%.

Notwithstanding the drop in revenue, the lower expenses in general, have brought some reprieves to the Group’s bottom-line for the 1H2016. Moreover, a write-back of the provision for amount due from CPHLC at US$1.35 million boosted the overall financial performance in 1Q2016. Therefore the total loss was 53% or US$1.40 million lower during same period in the previous year. The latter was due to a loan repayment for an amount provided for at the end of last financial year.

Production expenses had been cut to match input against the value of its output, amidst sustaining low oil prices environment. Some expenses relating to firm commitments pursuant to our contractual obligations such as reopening of old wells have been delayed; whilst at the same time, regular well servicing activities are in place to maintain the minimum output in order to meet the baselines and to generate some revenues. These accounted for a lower US$0.26 million (or 25%) in the direct expenses for 1H2016 versus same period last year.

Other operationally-related expenses such as depreciation of oil and gas properties was in part due to a reduction in production volume. These accounted for a decrease by US$0.22 million (or 25%). Staff costs also witnessed a corresponding drop by US$0.28 million (or 22%) in the light of the current MOG business landscape where costs restructuring were in place since Q12015. Furthermore, additional wages payouts were curtailed in Q12016 that has extended savings into 1H2016. Lower costs incurred were also observed for the other expenses and share of loss of associates during the period.

In regards to the financial position for the Group, its net assets as at 30 June 2016 decreased by US$1.65 million. Generally, the increase in current assets were offset by reduction in non-current assets as well as increase in current and non-current liabilities. Of which, the rise in cash and short-term deposits by US$2.19 million as at the reporting period – arising from a non-current contract deposit from a business partner for US$3.00 million after all half-yearly outgoings, resulted in a net cash inflow position in comparison with that as at 31st December 2015. The deposit is a result of a deal signed with our BVI incorporated subsidiary, Petroservice Engineering Inc. to jointly manage our Indonesian oilfields.

For more details on the results and financial position of the Group, please refer to the Company's results announcement for the 1H2016 ended 30 June 2016.

3. UPDATE ON FUTURE DIRECTION

Following the letter of termination on our Petroleum Agreement of Block D dated 27th April 2016, CPHLC has decided due to many uncertain factors that has occurred in the past and now, to have the first timeline/condition from MME lapsed on 26th June 2016. Nonetheless, negotiation continues to be underway with the new investment partner, and still awaiting an opportune time to bid for the new Petroleum Agreement jointly with Ministry of Mines & Energy ("MME"), of which CPHLC would be given priority to for a period of six month from the date of the letter. Despite the various "moving parts" with this exercise, the Management remains hopeful in its pursuit for the new Petroleum Agreement of Block D. Any further developments will be updated in due course.

Q22016 witnessed some recovery in oil prices from the doldrums in Q12016. Nevertheless, the prices are still hovering at barely break-even levels and therefore the strategy of the Company remains focus on cost containment and to maintain reasonable production volume, whilst keeping a close watch on the market.

Various business partnership discussions are still in the pipeline, while notably one has witnessed some traction. This is our collaboration with a Hong Kong E&P technical expertise to jointly manage our two oilfields in Indonesia has been concluded. With the "in-principle" agreement inked, Q32016 would be seeing through the full implementation of this commercial arrangement on an operational scale. However, other discussions involving governmental officials so as to tap into new markets within the region, given our core business experiences and know-hows in the MOG arena, remains viable but are kept open at this juncture.

The Company is well aware of the deadline given by SGX-ST for its removal from the Watch-List and will endeavor to meet the requirements of Listing Rule 1314 as soon as possible to reinstate its healthy position through profitability and improved operations, albeit a weaker Minerals, Oil & Gas industry climate as a whole.

By Order of the Board
William Shut Li Chan, Chairman of the Board
10 August 2016