

# RH Petrogas Limited

Company Registration No: 198701138Z

## Unaudited First Quarter Financial Statement and Dividend Announcement for the Period Ended 31 March 2011

### PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group Income Statement for the first quarter ended 31 March 2011. These figures have not been audited.

|   | Group                               |                                     |             |
|---|-------------------------------------|-------------------------------------|-------------|
|   | 31/3/2011<br>(3 months)<br>US\$'000 | 31/3/2010<br>(3 months)<br>US\$'000 | %<br>Change |
| <b><u>CONTINUING OPERATIONS</u></b>   |                                     |                                     |             |
| <b>Revenue</b>  |                                     |                                     |             |
| Net revenue from crude oil and gas sales  | 19,115                              | -                                   | N.M.        |
| Cost of sales   | (11,628)                            | -                                   | N.M.        |
| <b>Gross profit</b>   | <b>7,487</b>                        | <b>-</b>                            | <b>N.M.</b> |
| Other income  | -                                   | 6                                   | N.M.        |
| Administrative expenses   | (882)                               | (282)                               | N.M.        |
| Other expenses  | (682)                               | (19)                                | N.M.        |
| Finance costs   | (364)                               | (54)                                | N.M.        |
| <b>Profit/(Loss) before tax<br/>from continuing operations</b>  | <b>5,559</b>                        | <b>(349)</b>                        | <b>N.M.</b> |
| Income tax expense  | (4,353)                             | -                                   | N.M.        |
| <b>Profit/(Loss) from<br/>continuing operations, net of tax</b>   | <b>1,206</b>                        | <b>(349)</b>                        | <b>N.M.</b> |
| <b><u>DISCONTINUED OPERATION</u></b>  |                                     |                                     |             |
| <b>Loss from discontinued<br/>operation, net of tax</b>   | <b>-</b>                            | <b>(343)</b>                        | <b>N.M.</b> |
| <b>Profit/(Loss) after tax<br/>attributable to owners of the parent</b>   | <b>1,206</b>                        | <b>(692)</b>                        | <b>N.M.</b> |
| Basic and fully diluted earnings/(loss)<br>per share from <b>continuing operations</b><br>attributable to owners of the parent (cents<br>per share) | 0.26                                | (0.08)                              | N.M.        |
| Basic and fully diluted earnings/(loss)<br>per share attributable to owners of the<br>parent (cents per share)                                      | 0.26                                | (0.15)                              | N.M.        |

N.M. : not meaningful

1(a)(i) Loss from discontinued operation, net of tax comprises the following :

**Discontinued operation**

|   | Group      |              |             |
|---|------------|--------------|-------------|
|   | 31/3/2011  | 31/3/2010    | %           |
|   | (3 months) | (3 months)   | Change      |
|   | US\$'000   | US\$'000     | %           |
| <b>Revenue</b>                                      | -          | 1,061        | N.M.        |
| Cost of sales                                       | -          | (1,036)      | N.M.        |
| <b>Gross profit</b>                                 | -          | <b>25</b>    | N.M.        |
| Other income  | -          | -            | -           |
| Selling and distribution expenses                   | -          | (49)         | N.M.        |
| Administrative expenses                             | -          | (309)        | N.M.        |
| Other operating expenses                            | -          | (7)          | N.M.        |
| Finance costs                                       | -          | (3)          | N.M.        |
| <b>Loss before tax from discontinued operation</b>  | -          | <b>(343)</b> | <b>N.M.</b> |
| Income tax expense                                  | -          | -            | -           |
| <b>Loss from discontinued operation, net of tax</b> | -          | <b>(343)</b> | <b>N.M.</b> |

N.M. : not meaningful

1(a)(ii) Profit/(Loss) before tax is arrived after crediting/(charging) the following :

**Continuing operations**

|   | Group      |            |
|---|------------|------------|
|   | 31/3/2011  | 31/3/2010  |
|   | (3 months) | (3 months) |
|   | US\$'000   | US\$'000   |
| Depreciation of other plant and equipment                 | (111)      | (79)       |
| Depletion of oil and gas properties                       | (2,596)    | -          |
| Finance costs   | (364)      | (54)       |
| Loss on disposal of other plant and equipment             | (13)       | -          |
| Loss on crude oil commodity options                       | (753)      | -          |
| Fair value gain on ineffective portion of cash flow hedge | 523        | -          |
| Foreign exchange (loss)/gain                              | (101)      | 6          |

**Discontinued operation**

|   | Group      |            |
|---|------------|------------|
|   | 31/3/2011  | 31/3/2010  |
|   | (3 months) | (3 months) |
|   | US\$'000   | US\$'000   |
| Depreciation of other plant and equipment | -          | (51)       |
| Finance costs                             | -          | (3)        |
| Foreign exchange loss                     | -          | (12)       |

1(a)(iii) Adjustment for under provision of tax in respect of prior years :

|  | Group      |            |
|--|------------|------------|
|  | 31/3/2011  | 31/3/2010  |
|  | (3 months) | (3 months) |
|  | US\$'000   | US\$'000   |
| Adjustment for under provision of tax in respect of prior year | 1,115      | -          |

1(a)(iv) Group earnings before interest, taxation, depreciation and amortisation (EBITDA)

|        | Group      |            |
|--------|------------|------------|
|        | 31/3/2011  | 31/3/2010  |
|        | (3 months) | (3 months) |
|        | US\$'000   | US\$'000   |
| EBITDA | 8,630      | (505)      |

1(a)(v) Consolidated Statement of Comprehensive Income for the period ended 31 March 2011

|   | Group           |              |
|---|-----------------|--------------|
|   | 31/3/2011       | 31/3/2010    |
|   | (3 months)      | (3 months)   |
|   | US\$'000        | US\$'000     |
| Profit/(Loss) after tax   | 1,206           | (692)        |
| Other comprehensive income :  |                 |              |
| Foreign currency translation  | 33              | (99)         |
| Fair value loss on cash flow hedges   | (11,389)        | -            |
| <b>Other comprehensive income for the period, net of tax</b>                          | <b>(11,356)</b> | <b>(99)</b>  |
| <b>Total comprehensive income for the period attributable to owners of the parent</b> | <b>(10,150)</b> | <b>(791)</b> |

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

|   | Group           |                 | Company        |                |
|---|-----------------|-----------------|----------------|----------------|
|   | 31/3/2011       | 31/12/2010      | 31/3/2011      | 31/12/2010     |
|   | US\$'000        | US\$'000        | US\$'000       | US\$'000       |
| <b>Non-Current Assets</b>               |                 |                 |                |                |
| Oil and gas properties                  | 63,935          | 63,080          | -              | -              |
| Other plant and equipment               | 1,427           | 1,560           | 63             | 66             |
| Exploration and evaluation assets       | 38,335          | 37,018          | -              | -              |
| Goodwill                                | 139,872         | 139,872         | -              | -              |
| Investment in subsidiaries              | -               | -               | -              | -              |
| Restricted cash                         | 16,424          | 16,359          | -              | -              |
|   | <b>259,993</b>  | <b>257,889</b>  | <b>63</b>      | <b>66</b>      |
| <b>Current Assets</b>                   |                 |                 |                |                |
| Inventories                             | 4,652           | 7,308           | -              | -              |
| Other current assets                    | 1,623           | 1,387           | 577            | 272            |
| Trade and other receivables             | 22,831          | 26,303          | 480            | 496            |
| Amount due from subsidiaries            | -               | -               | 154,489        | 150,080        |
| Cash and short-term deposits            | 22,361          | 5,571           | 10,552         | 458            |
|   | <b>51,467</b>   | <b>40,569</b>   | <b>166,098</b> | <b>151,306</b> |
| <b>Current Liabilities</b>              |                 |                 |                |                |
| Income tax payable                      | 3,470           | 2,177           | 112            | 112            |
| Derivatives                             | 10,866          | -               | -              | -              |
| Trade and other payables                | 57,891          | 74,562          | 1,107          | 12,408         |
|   | <b>72,227</b>   | <b>76,739</b>   | <b>1,219</b>   | <b>12,520</b>  |
| <b>Net Current (Liabilities)/Assets</b> | <b>(20,760)</b> | <b>(36,170)</b> | <b>164,879</b> | <b>138,786</b> |
| <b>Non-Current Liabilities</b>          |                 |                 |                |                |
| Provisions                              | 19,271          | 19,207          | -              | -              |
| Deferred tax liabilities                | 31,972          | 31,471          | -              | -              |
| Loans and borrowings                    | 80,015          | 52,916          | 53,515         | 26,416         |
| Other liabilities                       | 9,081           | 9,081           | 7,780          | 7,780          |
|   | <b>140,339</b>  | <b>112,675</b>  | <b>61,295</b>  | <b>34,196</b>  |
| <b>Net Assets</b>                       | <b>98,894</b>   | <b>109,044</b>  | <b>103,647</b> | <b>104,656</b> |
| <b>Capital and Reserves</b>             |                 |                 |                |                |
| Share capital                           | 137,616         | 137,616         | 137,616        | 137,616        |
| Reserves                                | (38,722)        | (28,572)        | (33,969)       | (32,960)       |
| <b>Total Equity</b>                     | <b>98,894</b>   | <b>109,044</b>  | <b>103,647</b> | <b>104,656</b> |

**1(b)(ii) Aggregate amount of group's borrowings and debt securities.**

Amount repayable in one year or less, or on demand

| As at 31/03/2011 |           | As at 31/12/2010 |           |
|------------------|-----------|------------------|-----------|
| Secured          | Unsecured | Secured          | Unsecured |
| US\$'000         | US\$'000  | US\$'000         | US\$'000  |
| -                | -         | -                | -         |

Amount repayable after one year

| As at 31/03/2011 |           | As at 31/12/2010 |           |
|------------------|-----------|------------------|-----------|
| Secured          | Unsecured | Secured          | Unsecured |
| US\$'000         | US\$'000  | US\$'000         | US\$'000  |
| 26,500           | 53,515    | 26,500           | 26,416    |

|                                       | Group         |               | Company       |               |
|---------------------------------------|---------------|---------------|---------------|---------------|
|                                       | 31/3/2011     | 31/12/2010    | 31/3/2011     | 31/12/2010    |
|                                       | US\$'000      | US\$'000      | US\$'000      | US\$'000      |
| <b>Borrowings (Non-current)</b>       |               |               |               |               |
| USD - bank loans                      | 26,500        | 26,500        | -             | -             |
| Loan from a related party             | 50,000        | 18,901        | 50,000        | 18,901        |
| Loan from a corporate shareholder     | 3,515         | 7,515         | 3,515         | 7,515         |
| <b>Total Borrowings (Non-current)</b> | <b>80,015</b> | <b>52,916</b> | <b>53,515</b> | <b>26,416</b> |
| <b>Total loans and borrowings</b>     | <b>80,015</b> | <b>52,916</b> | <b>53,515</b> | <b>26,416</b> |

**Details of any collateral**

The bank loans are secured by way of a fixed charge over a subsidiary's bank accounts and all amounts standing to the credit of these accounts and a pledge of shares in certain subsidiaries of the Group.

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

|   | Group                 |                       |
|---|-----------------------|-----------------------|
|   | 31/3/2011<br>US\$'000 | 31/3/2010<br>US\$'000 |
| <b>Operating activities</b>                                   |                       |                       |
| Profit/(Loss) before tax from continuing operations           | 5,559                 | (349)                 |
| Loss before tax from discontinued operation                   | -                     | (343)                 |
| <b>Profit/(loss) before tax, total</b>                        | <b>5,559</b>          | <b>(692)</b>          |
| Adjustments for:  |                       |                       |
| Depreciation of other plant and equipment                     | 111                   | 130                   |
| Depletion of oil and gas properties                           | 2,596                 | -                     |
| Loss on disposal of other plant and equipment                 | 13                    | -                     |
| Finance costs   | 364                   | 57                    |
| <b>Operating cash flows before changes in working capital</b> | <b>8,643</b>          | <b>(505)</b>          |
| <u>Changes in working capital</u>                             |                       |                       |
| Decrease/(Increase) in inventories                            | 2,656                 | (118)                 |
| Decrease in trade and other receivables                       | 3,237                 | 58                    |
| Decrease in trade and other payables                          | (7,129)               | (785)                 |
| <b>Cash flows from/(used in) operations</b>                   | <b>7,407</b>          | <b>(1,350)</b>        |
| Income tax paid   | (2,560)               | -                     |
| Interest paid   | (364)                 | (57)                  |
| <b>Net cash flows from/(used in) operating activities</b>     | <b>4,483</b>          | <b>(1,407)</b>        |
| <b>Investing activities</b>                                   |                       |                       |
| Additions to exploration and evaluation assets                | (1,318)               | (752)                 |
| Additions to oil and gas properties                           | (3,451)               | -                     |
| Purchase of other plant and equipment                         | (9)                   | (22)                  |
| <b>Net cash flows used in investing activities</b>            | <b>(4,778)</b>        | <b>(774)</b>          |
| <b>Financing activities</b>                                   |                       |                       |
| Repayment of term loans                                       | -                     | (199)                 |
| Proceeds from loan and borrowings                             | 31,099                | -                     |
| (Repayment to)/proceeds from a corporate shareholder          | (4,000)               | 856                   |
| Repayment of amount due to related parties                    | (10,000)              | (77)                  |
| Increase in restricted cash                                   | (65)                  | -                     |
| <b>Net cash from financing activities</b>                     | <b>17,034</b>         | <b>580</b>            |
| Net increase/(decrease) in cash and cash equivalents          | 16,739                | (1,601)               |
| Effect of exchange rate changes on cash and cash equivalents  | 51                    | (111)                 |
| Cash and cash equivalents at beginning of the period          | 2,897                 | 17,172                |
| <b>Cash and cash equivalents at end of the period</b>         | <b>19,687</b>         | <b>15,460</b>         |

**Breakdown of Cash & Cash Equivalents at end of the period**

|                                  | 31/3/2011     | 31/3/2010     |
|----------------------------------|---------------|---------------|
|                                  | US\$'000      | US\$'000      |
| Cash and short-term deposits     | 22,361        | 15,738        |
| Less:                            |               |               |
| Bank overdrafts                  | -             | (278)         |
| Short-term deposits pledged      | (1,774)       | -             |
| Charge over project accounts     | (900)         | -             |
| <b>Cash and cash equivalents</b> | <b>19,687</b> | <b>15,460</b> |

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

|  | Share<br>Capital | Capital<br>reduction<br>reserve | Assets<br>revaluation<br>reserve | Foreign<br>currency<br>translation<br>reserve | Hedging<br>reserve | Accumulated<br>losses | Total<br>equity/<br>(deficit) |
|--|------------------|---------------------------------|----------------------------------|---|--------------------|-----------------------|-------------------------------|
|  | US\$'000         | US\$'000                        | US\$'000                         | US\$'000                                      | US\$'000           | US\$'000              | US\$'000                      |
| <b>Group</b>                                 |                  |                                 |                                  |   |                    |                       |                               |
| <b>At 1 January 2010</b>                     | <b>137,616</b>   | <b>2,886</b>                    | <b>1,788</b>                     | <b>(4,297)</b>                                | <b>-</b>           | <b>(30,160)</b>       | <b>107,833</b>                |
| Loss net of tax                              | -                | -                               | -                                | -   | -                  | (692)                 | (692)                         |
| Other comprehensive income<br>for the period | -                | -                               | -                                | (99)  | -                  | -                     | (99)                          |
| Total comprehensive income<br>for the period | -                | -                               | -                                | (99)  | -                  | (692)                 | (791)                         |
| <b>At 31 March 2010</b>                      | <b>137,616</b>   | <b>2,886</b>                    | <b>1,788</b>                     | <b>(4,396)</b>                                | <b>-</b>           | <b>(30,852)</b>       | <b>107,042</b>                |
| <b>At 1 January 2011</b>                     | <b>137,616</b>   | <b>2,886</b>                    | <b>-</b>                         | <b>(4,659)</b>                                | <b>-</b>           | <b>(26,799)</b>       | <b>109,044</b>                |
| Profit after tax                             | -                | -                               | -                                | -   | -                  | 1,206                 | 1,206                         |
| Other comprehensive income<br>for the period | -                | -                               | -                                | 33  | (11,389)           | -                     | (11,356)                      |
| Total comprehensive income<br>for the period | -                | -                               | -                                | 33  | (11,389)           | 1,206                 | (10,150)                      |
| <b>At 31 March 2011</b>                      | <b>137,616</b>   | <b>2,886</b>                    | <b>-</b>                         | <b>(4,626)</b>                                | <b>(11,389)</b>    | <b>(25,593)</b>       | <b>98,894</b>                 |
| <b>Company</b>                               |                  |                                 |                                  |   |                    |                       |                               |
| <b>At 1 January 2010</b>                     | <b>137,616</b>   | <b>2,886</b>                    | <b>-</b>                         | <b>-</b>                                      | <b>-</b>           | <b>(32,091)</b>       | <b>108,411</b>                |
| Loss net of tax                              | -                | -                               | -                                | -   | -                  | (337)                 | (337)                         |
| Total comprehensive income<br>for the period | -                | -                               | -                                | -   | -                  | (337)                 | (337)                         |
| <b>At 31 March 2010</b>                      | <b>137,616</b>   | <b>2,886</b>                    | <b>-</b>                         | <b>-</b>                                      | <b>-</b>           | <b>(32,428)</b>       | <b>108,074</b>                |
| <b>At 1 January 2011</b>                     | <b>137,616</b>   | <b>2,886</b>                    | <b>-</b>                         | <b>-</b>                                      | <b>-</b>           | <b>(35,846)</b>       | <b>104,656</b>                |
| Loss net of tax                              | -                | -                               | -                                | -   | -                  | (1,009)               | (1,009)                       |
| Total comprehensive income<br>for the period | -                | -                               | -                                | -   | -                  | (1,009)               | (1,009)                       |
| <b>At 31 March 2011</b>                      | <b>137,616</b>   | <b>2,886</b>                    | <b>-</b>                         | <b>-</b>                                      | <b>-</b>           | <b>(36,855)</b>       | <b>103,647</b>                |

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There had been no change in the company's share capital in the current reported financial period.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

Total number of issued shares excluding treasury shares as at 31 March 2011 was 455,821,443 (31 December 2010: 455,821,443).

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

**2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the Group has adopted the same accounting policies and methods of computation as the audited financial statements for the financial year ended 31 December 2010.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

To better reflect the underlying transactions of the Company's business environment and its net asset value, the Company has adopted United States dollars ("USD") as its functional currency with effect from 1 January 2011.

Prior to 1 January 2011, all transactions in currencies other than Singapore dollars ("SGD") were treated as transactions in foreign currencies and were recorded, on initial recognition, in SGD using the exchange rate at the transaction date by the Company.

The Company changed its measurement currency from SGD to USD with effect from 1 January 2011. Pursuant to *FRS21, The Effects of Changes in Foreign Exchange Rates*, the financial statements were measured prospectively in USD. With the adoption of USD, the financial statements of the Group and the Company are presented in USD.

The Group has adopted applicable Financial Reporting Standards ("FRS"), which became effective for financial years beginning on or after 1 January 2011.

The change in functional currency of the Company and the adoption of the new/revised FRS did not result in any material impact on the Group's results reported for the current or prior years.



**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

|  | Group              |                    |
|--|--------------------|--------------------|
|  | 31/3/2011<br>Cents | 31/3/2010<br>Cents |
| <b>Earnings/(Loss) per ordinary share for the period based on net profit/(loss) attributable to owners of the parent</b> |                    |                    |
| (i) Based on the weighted average number of ordinary shares on issue; and  | 0.26               | (0.15)             |
| (ii) On a fully diluted basis  | 0.26               | (0.15)             |

Basic earnings/(loss) per share is calculated with reference to the net profit/(loss) attributable to owners of the parent and the weighted average number of ordinary shares of 455,821,443 (31 March 2010 : 455,821,443 shares).

There are no potential dilutive ordinary shares outstanding during the period.

**7. Net asset value (for the issuer and group) per ordinary share based on the issued share capital of the issuer at the end of the:-**

- (a) current financial period reported on; and  
(b) immediately preceding financial year.**

|  | Group              |                     | Company            |                     |
|--|--------------------|---------------------|--------------------|---------------------|
|  | 31/3/2011<br>Cents | 31/12/2010<br>Cents | 31/3/2011<br>Cents | 31/12/2010<br>Cents |
| Net asset value per ordinary share capital | 21.70              | 23.92               | 22.74              | 22.96               |

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and  
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

**8.1 Oil and gas division – continuing operations**

The Group's participation in Production Sharing Contracts ("PSC") commenced in June 2010.

Revenue, cost of sales and gross profit for 1Q 2011 relate wholly to the Group's working interest in the Basin PSC and Island PSC.

Administrative expenses for 1Q 2011 are higher than that of 1Q 2010 mainly due to the increases in staff costs and other monthly overheads resulting from the expansion of the oil and gas division.

Other expenses for 1Q 2011 have increased compared to that of 1Q 2010 mainly due to the following :

- (i) Management fee incurred pursuant to loan agreement for the sum of up to US\$50 million from a related party to fund the acquisition of the working interest in Basin PSC and Island PSC;
- (ii) Bank charges arising from the bank loans and loan from a related party;
- (iii) Loss on crude oil commodity options partially offset by the fair value gain on the ineffective portion of the cash flow hedge; and
- (iv) Foreign exchange loss.

Finance costs have increased due to interest expenses incurred for the bank loans obtained for the acquisition of the working interest in Basin PSC and Island PSC.

Included in income tax expense is US\$1,115,000 in relation to under provision of tax in respect of prior year for working interest in Basin PSC and Island PSC.

## **8.2 Electronics division – discontinued operations**

The disposal of this division was completed in FY2010.

## **8.3 Consolidated Statement of Comprehensive Income**

As part of the requirements of the bank loan agreement, the Group entered into a crude oil commodity option to hedge against the exposure to the variability in cash flows that is attributable to crude oil market price risk. The fair value of the cash flow hedge as at 31 March 2011 of US\$10,866,000 is recognised as derivatives in the balance sheet. Of which, fair value loss of US\$11,389,000 on the effective portion of the cash flow hedge is recognised in other comprehensive income and fair value gain of US\$523,000 on the ineffective portion of the cash flow hedge is recognised in profit or loss.

## **8.4 Balance Sheet**

8.4.1 The decrease in inventories is due to utilisation of well supplies and raw materials for well drillings and daily operating activities.

8.4.2 The decrease in trade and other receivables is mainly due to adjustment for the over-lift of hydrocarbon against the Group's entitlement.

8.4.3 The decrease in trade and other payables is mainly due to the repayment to trade and other creditors of Basin and Island PSCs and repayment of US\$10,000,000 to the related parties.

8.4.4 Included in income tax payable is US\$1,115,000 in relation to under provision of tax in respect of prior year for working interest in Basin PSC and Island PSC.

8.4.5 Loan and borrowings have increased mainly due to the drawdown of US\$31,099,000 from a US\$50,000,000 loan facility from a related party for the acquisition of the working interest in Basin PSC and Island PSC.

## **8.5 Cash Flow**

The Group generated a net operating cash inflow of US\$4,483,000 for 1Q 2011 which was used to fund its working capital requirements.

As mentioned in section 8.4.5, the Group has received the balance of loan from a related party of US\$31,099,000 in 1Q 2011. The Group has utilised US\$4,000,000 and US\$10,000,000 to repay the loan from a corporate shareholder and related parties respectively, which have advanced the loans in FY2010 for the purpose of the aforesaid acquisition.

## **9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

No forecast or prospect statement has been previously disclosed.

## **10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

Oil prices have climbed approximately 30% in the first four months of the year to reach their highest level since August 2008, before falling around 14% in the early part of May 2011. The volatility in oil prices is attributed to a number of factors including the political uprisings in the Middle East and North African regions, continued robust demand for oil, Japan's earthquake and nuclear crisis, and mounting inflationary pressure with concerns over its impact on global economic recovery. The Board believes that oil prices will continue to remain volatile for the rest of the year.

To strengthen its asset base, the Group will continue to actively seek and acquire strategic oil and gas exploration and producing properties in the near term. Acquisition opportunities will continue to be rigorously reviewed taking into account the current high and volatile oil price environment.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial year reported on? None

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding year of the immediately preceding financial year? None

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

**12. If no dividend has been declared/recommendeded, a statement to that effect.**

Not applicable.

**13. Interest Person Transactions**

Not applicable.

**14. Confirmation by the board pursuant to Rule 705(5)**

We, Dr Tan Jee-Theng, Tony and Dato' Sri Dr Tiong Ik King, being two Directors of **RH PETROGAS LIMITED** (the "Company"), do hereby confirm on behalf of the Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the first quarter financial results for the period ended 31 March 2011 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Dr Tan Jee-Theng, Tony  
Director

Dato' Sri Dr Tiong Ik King  
Director

**BY ORDER OF THE BOARD**

Tan Sri Datuk Sir Tiong Hiew King  
Executive Chairman

12 May 2011