

RH Petrogas Limited

Company Registration No: 198701138Z

Unaudited First Quarter Financial Statements and Dividend Announcement for the Period Ended 31 March 2014

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2, & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

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

Consolidated Income Statement

	Group		% Change
	31/3/2014 (3 months) US\$'000	31/3/2013 (3 months) US\$'000	
Revenue	19,778	18,452	7%
Cost of sales	(15,689)	(13,063)	20%
Gross profit	4,089	5,389	(24%)
Other income	30	153	(80%)
Administrative expenses	(1,258)	(1,297)	(3%)
Other expenses	(387)	(447)	(13%)
Finance costs	(816)	(838)	(3%)
Profit before tax	1,658	2,960	(44%)
Income tax expense	(1,585)	(2,350)	(33%)
Profit for the period	73	610	(88%)
Earnings per share attributable to owners of the Company (cents per share)			
Basic	0.01	0.10	(90%)
Diluted	0.01	0.10	(90%)

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

	Group	
	31/3/2014	31/3/2013
	(3 months)	(3 months)
	US\$'000	US\$'000
Depletion and amortisation of oil and gas properties	(3,169)	(2,496)
Depreciation of other plant and equipment	(108)	(110)
Foreign exchange (loss)/gain, net	(204)	142
Interest expense	(560)	(644)
Interest income from bank deposits	28	4
Net fair value gain/(loss) on derivatives	64	(116)
Share-based payments	(30)	(182)
Unwinding of discount on decommissioning provisions	(256)	(194)

1(a)(ii) Group earnings before interest, taxation, depreciation, amortisation, exploration expenses and other non-recurring items (EBITDAX)

	Group	
	31/3/2014	31/3/2013
	(3 months)	(3 months)
	US\$'000	US\$'000
Profit before tax	1,658	2,960
Interest expense	560	644
Depreciation of other plant and equipment	108	110
Depletion and amortisation of oil and gas properties	3,169	2,496
Unwinding of discount on decommissioning provisions	256	194
	<u>5,751</u>	<u>6,404</u>

1(a)(iii) Consolidated Statement of Comprehensive Income for the period ended 31 March 2014

	Group	
	31/3/2014	31/3/2013
	(3 months)	(3 months)
	US\$'000	US\$'000
Profit for the period	73	610
Other comprehensive income :		
<u>Item that may be reclassified subsequently to profit or loss:</u>		
Foreign currency translation	15	24
Other comprehensive income for the period, net of tax	15	24
Total comprehensive income for the period attributable to owners of the Company	88	634

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

	Group		Company	
	31/3/2014 US\$'000	31/12/2013 US\$'000	31/3/2014 US\$'000	31/12/2013 US\$'000
Non-Current Assets				
Oil and gas properties	72,178	73,455	-	-
Other plant and equipment	1,576	1,593	81	87
Exploration and evaluation assets	65,649	59,519	-	-
Goodwill	111,115	111,115	-	-
Amounts due from subsidiaries	-	-	154,858	-
	250,518	245,682	154,939	87
Current Assets				
Inventories	1,080	953	-	-
Other current assets	552	621	96	51
Trade and other receivables	31,438	34,821	415	557
Amounts due from subsidiaries	-	-	-	148,042
Derivatives	-	1	-	-
Cash and short-term deposits	30,028	52,448	14,705	21,927
	63,098	88,844	15,216	170,577
Current Liabilities				
Income tax payable	2,250	2,190	-	-
Trade and other payables	45,524	64,079	686	780
Derivatives	193	257	-	-
Loans and borrowings	13,680	13,680	-	-
	61,647	80,206	686	780
Net Current Assets	1,451	8,638	14,530	169,797
Non-Current Liabilities				
Provisions	4,454	4,197	-	-
Deferred tax liabilities	38,468	38,066	-	-
Loans and borrowings	30,106	33,526	-	-
Other liabilities	1,301	1,301	-	-
	74,329	77,090	-	-
Net Assets	177,640	177,230	169,469	169,884
Equity attributable to owners of the Company				
Share capital	258,160	257,650	258,160	257,650
Reserves	(80,520)	(80,420)	(88,691)	(87,766)
Total Equity	177,640	177,230	169,469	169,884

1(b)(ii) In relation to the aggregate amount of the group's borrowings and debt securities, specify the following as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year:-

	Group		Company	
	31/3/2014 US\$'000	31/12/2013 US\$'000	31/3/2014 US\$'000	31/12/2013 US\$'000
Secured				
Amount repayable in one year or less, or on demand	13,680	13,680	-	-
Amount repayable after one year	30,106	33,526	-	-
	43,786	47,206	-	-
Unsecured				
Amount repayable in one year or less, or on demand	-	-	-	-
Amount repayable after one year	-	-	-	-
	-	-	-	-
Total				
Amount repayable in one year or less, or on demand				
USD - bank loans	13,680	13,680	-	-
	13,680	13,680	-	-
Amount repayable after one year, comprising				
USD - bank loans	30,106	33,526	-	-
	30,106	33,526	-	-
Total loans and borrowings	43,786	47,206	-	-

Details of any collateral

The secured borrowings of US\$43.8 million (31 December 2013: US\$47.2 million) relates to the bank loans 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 statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	31/3/2014	31/3/2013
	(3 months)	(3 months)
	US\$'000	US\$'000
Operating activities		
Profit before tax	1,658	2,960
Adjustments for:		
Depletion and amortisation of oil and gas properties	3,169	2,496
Depreciation of other plant and equipment	108	110
Interest expense	560	644
Interest income on bank deposits	(28)	(4)
Net fair value (gain)/loss on derivatives	(64)	116
Share-based payments	30	182
Unwinding of discount on decommissioning provisions	256	194
Operating cash flows before changes in working capital	5,689	6,698
<u>Changes in working capital</u>		
(Increase)/Decrease in inventories	(129)	342
Decrease/(Increase) in trade and other receivables	3,448	(21,572)
Decrease in trade and other payables	(18,267)	(1,627)
Cash flows used in operations	(9,259)	(16,159)
Income tax paid	(1,123)	(1,476)
Interest paid	(560)	(644)
Interest received	28	4
Net cash flows used in operating activities	(10,914)	(18,275)
Investing activities		
Additions to oil and gas properties	(1,891)	(5,805)
Additions to exploration and evaluation assets	(6,376)	(954)
Cash call contributions for assets retirement obligations	(4)	(38)
Purchase of other plant and equipment	(102)	(6)
Net cash flows used in investing activities	(8,373)	(6,803)
Financing activities		
Decrease on short-term deposit pledged	-	884
Proceeds from loans and borrowings	-	10,900
Proceeds from exercise of employee share options	292	-
Repayment of loans and borrowings	(3,420)	(1,320)
Net cash (used in)/from financing activities	(3,128)	10,464
Net decrease in cash and cash equivalents	(22,415)	(14,614)
Effect of exchange rate changes on cash and cash equivalents	(5)	3
Cash and cash equivalents at beginning of the period	49,681	24,965
Cash and cash equivalents at end of the period	27,261	10,354

Breakdown of Cash & Cash Equivalents at end of the period

	Group	
	31/3/2014	31/3/2013
	(3 months)	(3 months)
	US\$'000	US\$'000
Cash and short-term deposits	30,028	13,121
Less:		
Short-term deposits pledged	-	-
Charge over project accounts	(2,767)	(2,767)
Cash and cash equivalents	27,261	10,354

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 capital	Capital reduction reserve	Foreign currency translation reserve	Accumulated losses	Cash flow hedge reserve	Employee share option reserve	Total reserves	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group								
At 1 January 2013	199,640	2,886	(4,467)	(17,763)	-	732	(18,612)	181,028
Profit for the period	-	-	-	610	-	-	610	610
Other comprehensive income for the period	-	-	24	-	-	-	24	24
Total comprehensive income for the period	-	-	24	610	-	-	634	634
Share-based payments								
- Grant of equity-settled share options	-	-	-	-	-	182	182	182
At 31 March 2013	199,640	2,886	(4,443)	(17,153)	-	914	(17,796)	181,844
At 1 January 2014	257,650	2,886	(393)	(83,646)	-	733	(80,420)	177,230
Profit for the period	-	-	-	73	-	-	73	73
Other comprehensive income for the period	-	-	15	-	-	-	15	15
Total comprehensive income for the period	-	-	15	73	-	-	88	88
Share-based payments								
- Grant of equity-settled share options	510	-	-	-	-	(188)	(188)	322
At 31 March 2014	258,160	2,886	(378)	(83,573)	-	545	(80,520)	177,640

	Share capital	Capital reduction reserve	Accumulated losses	Employee share option reserve	Total reserves	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Company						
At 1 January 2013	199,640	2,886	(44,338)	732	(40,720)	158,920
Loss for the period, representing total comprehensive income for the period	-	-	(1,069)	-	(1,069)	(1,069)
Share-based payments						
- Grant of equity-settled share options	-	-	-	182	182	182
At 31 March 2013	199,640	2,886	(45,407)	914	(41,607)	158,033
At 1 January 2014	257,650	2,886	(91,385)	733	(87,766)	169,884
Loss for the period, representing total comprehensive income for the period	-	-	(737)	-	(737)	(737)
Share-based payments						
- Grant of equity-settled share options	510	-	-	(188)	(188)	322
At 31 March 2014	258,160	2,886	(92,122)	545	(88,691)	169,469

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.

SHARE OPTIONS

During the first quarter ended 31 March 2014, 711,800 (first quarter ended 31 March 2013: 3,638,500) options were granted under the RHP Share Option Scheme 2011. These options are exercisable after the second anniversary of the grant date and expire on the fifth anniversary of such grant date.

The unissued shares of the Company under option as at 31 March 2014 are as follows:

Date of grant of options	Exercise price per share	Number of options						Exercise period
		Balance as at 01.01.2014	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Balance as at 31.03.2014	Balance as at 31.03.2013	
22.07.2011	S\$0.59	325,000	-	-	-	325,000	2,362,000	23.07.2013 to 21.07.2016
02.03.2012	S\$0.37	1,303,000	-	(1,000,000)	-	303,000	2,345,000	03.03.2014 to 01.03.2017
05.03.2013	S\$0.42	2,098,500	-	-	-	2,098,500	3,638,500	06.03.2015 to 04.03.2018
07.03.2014	S\$0.42	-	711,800	-	-	711,800	-	08.03.2016 to 06.03.2019
		3,726,500	711,800	(1,000,000)	-	3,438,300	8,345,500	

PERFORMANCE SHARE PLAN

There were no shares awarded in the first quarter ended 31 March 2014 (first quarter ended 31 March 2013: Nil) pursuant to the Performance Share Plan.

SHARE CAPITAL

During the first quarter ended 31 March 2014 (first quarter ended 31 March 2013: Nil), the Company issued 1,000,000 new ordinary shares pursuant to the RHP Share Options Scheme 2011.

The detail of changes in the Company's share capital were as follows:

	No. of ordinary shares	U\$'000
Balance as at 1 January 2014	733,277,400	257,650
Issuance of new shares pursuant to the RHP Share Option Scheme 2011	1,000,000	510
Balance as at 31 March 2014	734,277,400	258,160

There were no shares held as treasury shares as at 31 March 2014 (as at 31 March 2013: Nil).

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 2014 was 734,277,400 (31 December 2013: 733,277,400).

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 2013.

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.

The Group has adopted applicable Financial Reporting Standards ("FRS"), which became effective for financial years beginning on or after 1 January 2014.

The adoption of the new/revised FRS did not result in any material impact on the Group's results.

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	
	31/3/2014 (3 months) Cents	31/3/2013 (3 months) Cents
Earnings per ordinary share for the period based on net profit attributable to owners of the Company		
(i) Based on the weighted average number of ordinary shares on issue; and	0.01	0.10
(ii) On a fully diluted basis	0.01	0.10

Basic earnings per share is calculated with reference to profit net of tax attributable to owners of the Company and the weighted average number of ordinary shares of 733,954,819 (31 March 2013 : 614,277,400 shares).

Diluted earnings per share are calculated by dividing profit, net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares. The weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares were as follows:

	No. of Shares	
	31/3/2014 (3 months)	31/3/2013 (3 months)
Weighted average number of ordinary shares for basic earnings per share computation	733,954,819	614,277,400
Effects of dilution:		
- Share options	809,687	959,645
Weighted average number of ordinary shares for diluted earnings per share computation	734,764,506	615,237,045

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued share excluding treasury shares of the issuer at the end of the:-

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

	Group		Company	
	31/3/2014 Cents	31/12/2013 Cents	31/3/2014 Cents	31/12/2013 Cents
Net asset value per ordinary share capital	24.19	24.17	23.08	23.17

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 Consolidated Income Statement

The Group recorded revenue of US\$19,778,000 for the first quarter ended 31 March 2014 ("1Q 2014") as compared to US\$18,452,000 in the first quarter ended 31 March 2013 ("1Q 2013"). Though average realised oil prices for 1Q 2014 were lower than those for 1Q 2013, these were offset by the increase in production and Group's higher oil and gas entitlement from the cost recovery for 1Q 2014 under the terms of the production sharing contracts ("PSC") of the Basin and Island PSCs.

The cost of sales increased by 20% in 1Q 2014 as compared to 1Q 2013 mainly due to higher production costs as well as the increase in depletion and amortisation of oil and gas properties in Basin PSC and Island PSC.

In line with the higher cost of production, the gross profit decreased by 24% from US\$5,389,000 in 1Q 2013 to US\$4,089,000 in 1Q 2014.

The decrease in other income for 1Q 2014 as compared to that for 1Q 2013 is mainly due to the absence of unrealised foreign exchange gain of US\$142,000 which was recorded in 1Q 2013.

The decrease in administrative expenses for 1Q 2014 as compared to that for 1Q 2013 is mainly due to the decrease in share-based payments for the issuance of stock options to directors and employees.

Other expenses for 1Q 2014 have decreased compared to that of 1Q 2013 mainly due to the net fair value gain on derivatives and decrease in other miscellaneous expenses, partially offset by the unrealised foreign exchange loss.

Finance costs for 1Q 2014 are lower than that for 1Q 2013 mainly due to the decrease in interest expense as a result of the reduction in bank borrowings.

Income tax expense mainly comprises the Group's share of the Basin PSC and Island PSC's tax expense which is not relieved by the Group's expenses. The decrease in income tax expense is due to lower charges for the current income tax for Basin PSC and Island PSC in 1Q 2014.

As a result of the above, the Group recorded a net profit of US\$73,000 and EBITDAX (see Paragraph 1(a)(ii)) of US\$5,751,000 for 1Q 2014 compared to net profit of US\$610,000 and EBITDAX of US\$6,404,000 in 1Q 2013.

8.2 Balance Sheet

8.2.1 The decrease in oil and gas properties is mainly due to depletion and amortisation of oil and gas properties for Basin PSC and Island PSC.

8.2.2 The increase in exploration and evaluation assets is mainly due to further exploration activities at Basin PSC, Island PSC and SK331 PSC.

8.2.3 The increase in inventories is due to purchase of well supplies and raw materials for well drillings and daily operating activities.

8.2.4 Included in trade and other receivables is the sale and lifting of crude oil of US\$21,834,000 from the Basin PSC and Island PSC in March 2014 with the proceeds received in April 2014.

8.2.5 The decrease in trade and other payables is mainly attributable to the adjustment for the under-lift of hydrocarbon against the Group's entitlement and the decrease in trade creditors and other payables of Basin PSC and Island PSC.

8.2.6 As required under the loan facilities, the Group entered into interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. The fair value liability of the interest rate swaps is recognised as derivatives in the balance sheet.

8.2.7 The increase in provisions is mainly due to the increase in decommissioning provisions for Basin PSC and Island PSC.

8.2.8 Loan and borrowings have decreased due to repayment of the bank loan of US\$3,420,000 in the first quarter period ended 31 March 2014.

8.3 Cash Flow

The Group recorded net operating cash outflow of US\$10,914,000 in 1Q 2014. This was funded out of the cash balances brought forward from previous period.

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 price has remained relatively strong during the first quarter of 2014, with Brent crude trading at between US\$106-US\$111 per barrel during the period. Though pressure on the oil market has eased somewhat with the cooling of the Chinese economy, the market has been supported by other developments including an improving global economic outlook and supply disruptions in the MENA (Middle East and North Africa) region. Going forward, the risks in the oil market are likely to remain elevated. Coupled with the large projected increase in non-OPEC supplies, oil prices are likely to be volatile throughout the rest of the year.

11. If a decision regarding dividend has been made:-

(a) Whether an interim (final) ordinary has been declared (recommended); and

None.

(b) (i) Amount per share in cents.

Not applicable.

(ii) Previous corresponding period in cents.

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended for the quarter ended 31 March 2014.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for IPTs.

14. Update on Use of Proceeds from the Placement.

The net proceeds from the placement of 116,000,000 new ordinary shares at a price of S\$0.63 per share, which was completed on 16 October 2013, was approximately S\$70,267,000, out of which the amount utilised as at 5 May 2014 was approximately S\$59,507,000 as set out below:

Intended use of net proceeds	Net proceeds from placement of shares S\$'000	Amount utilised S\$'000	Balance S\$'000
To fund the operating expenditure and capital expenditure in relation to exploration, development or production activities of Salawati Basin and Salawati Island	63,240	(54,745)	8,495
Working capital	7,027	(4,762) ⁽¹⁾	2,265
Total	70,267	(59,507)	10,760

Note :

⁽¹⁾ The breakdown of the working capital of S\$4,762,000 utilised was as follows:

	S\$'000
Staff costs	3,356
Office expenses	421
Professional fees	527
Other operating expenses	458
	<u>4,762</u>

The use of proceeds from the placement is in accordance with the intended use.

15. Negative confirmation pursuant to Rule 705(5).

We, Chang Cheng-Hsing Francis 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 unaudited first quarter financial results for the period ended 31 March 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Chang Cheng-Hsing Francis
Group CEO & Executive Director

9 May 2014