

# RH Petrogas Limited

Company Registration No: 198701138Z

## Unaudited Second Quarter and Half Year Financial Statements and Dividend Announcement for the Period Ended 30 June 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 (3 months ended)			Group (6 months ended)		
	30/6/2014 US\$'000	30/6/2013 US\$'000	% Change	30/6/2014 US\$'000	30/6/2013 US\$'000	% Change
Revenue	19,166	20,083	(5%)	38,944	38,535	1%
Cost of sales	(12,945)	(13,488)	(4%)	(28,634)	(26,551)	8%
<b>Gross profit</b>	<b>6,221</b>	<b>6,595</b>	<b>(6%)</b>	<b>10,310</b>	<b>11,984</b>	<b>(14%)</b>
Other income	5	377	(99%)	35	530	(93%)
Administrative expenses	(1,119)	(1,879)	(40%)	(2,377)	(3,176)	(25%)
Other expenses	(1,555)	(6,617)	(76%)	(1,942)	(7,064)	(73%)
Finance costs	(829)	(830)	(0%)	(1,645)	(1,668)	(1%)
<b>Profit/(Loss) before tax</b>	<b>2,723</b>	<b>(2,354)</b>	<b>N.M.</b>	<b>4,381</b>	<b>606</b>	<b>N.M.</b>
Income tax expense	(1,730)	(2,514)	(31%)	(3,315)	(4,864)	(32%)
<b>Profit/(Loss) for the period</b>	<b>993</b>	<b>(4,868)</b>	<b>N.M.</b>	<b>1,066</b>	<b>(4,258)</b>	<b>N.M.</b>
Earnings/(loss) per share attributable to owners of the Company (cents per share)						
Basic	0.14	(0.79)	N.M.	0.15	(0.69)	N.M.
Diluted	0.13	(0.79)	N.M.	0.14	(0.69)	N.M.

N.M. : not meaningful

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

	Group (3 months ended)		Group (6 months ended)	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	US\$'000	US\$'000	US\$'000	US\$'000
Amortisation of upfront fee paid for loans granted	-	(101)	-	(235)
Depletion and amortisation of oil and gas properties	(3,300)	(2,630)	(6,469)	(5,126)
Depreciation of other plant and equipment	(111)	(99)	(219)	(209)
Foreign exchange gain/(loss), net	2	360	(202)	502
Interest expense	(555)	(636)	(1,115)	(1,280)
Interest income from bank deposits	6	7	34	11
Net fair value (loss)/gain on derivatives	(25)	346	39	230
Share-based payments	(37)	(642)	(67)	(824)
Unwinding of discount on decommissioning provisions	(274)	(194)	(530)	(388)
Unsuccessful exploration and evaluation expenditures	(1,266)	(6,580)	(1,266)	(6,580)

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

	Group (3 months ended)		Group (6 months ended)	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	US\$'000	US\$'000	US\$'000	US\$'000
Profit/(Loss) before tax	2,723	(2,354)	4,381	606
Interest expense	555	636	1,115	1,280
Depletion and amortisation of oil and gas properties	3,300	2,630	6,469	5,126
Depreciation of other plant and equipment	111	99	219	209
Unwinding of discount on decommissioning provisions	274	194	530	388
Unsuccessful exploration and evaluation expenditures	1,266	6,580	1,266	6,580
	<u>8,229</u>	<u>7,785</u>	<u>13,980</u>	<u>14,189</u>

**1(a)(iii) Consolidated Statement of Comprehensive Income for the period ended 30 June 2014**

	Group (3 months ended)		Group (6 months ended)	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	US\$'000	US\$'000	US\$'000	US\$'000
Profit/(Loss) for the period	993	(4,868)	1,066	(4,258)
<b>Other comprehensive income :</b>				
<u>Item that may be reclassified subsequently to profit or loss:</u>				
Foreign currency translation	1	53	16	77
<b>Other comprehensive income for the period, net of tax</b>	<b>1</b>	<b>53</b>	<b>16</b>	<b>77</b>
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>994</b>	<b>(4,815)</b>	<b>1,082</b>	<b>(4,181)</b>

**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	
	30/6/2014	31/12/2013	30/6/2014	31/12/2013
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-Current Assets</b>				
Oil and gas properties	70,373	73,455	-	-
Other plant and equipment	1,523	1,593	71	87
Exploration and evaluation assets	67,297	59,519	-	-
Goodwill	111,115	111,115	-	-
Amount due from subsidiaries	-	-	161,213	-
	<b>250,308</b>	<b>245,682</b>	<b>161,284</b>	<b>87</b>
<b>Current Assets</b>				
Inventories	1,662	953	-	-
Other current assets	442	621	56	51
Trade and other receivables	30,898	34,821	418	557
Amount due from subsidiaries	-	-	-	148,042
Derivatives	-	1	-	-
Cash and short-term deposits	25,228	52,448	8,187	21,927
	<b>58,230</b>	<b>88,844</b>	<b>8,661</b>	<b>170,577</b>
<b>Current Liabilities</b>				
Income tax payable	1,560	2,190	-	-
Trade and other payables	43,791	64,079	1,274	780
Derivatives	218	257	-	-
Loans and borrowings	13,680	13,680	-	-
	<b>59,249</b>	<b>80,206</b>	<b>1,274</b>	<b>780</b>
<b>Net Current (Liabilities)/ Assets</b>	<b>(1,019)</b>	<b>8,638</b>	<b>7,387</b>	<b>169,797</b>
<b>Non-Current Liabilities</b>				
Provisions	4,187	4,197	-	-
Deferred tax liabilities	38,443	38,066	-	-
Loans and borrowings	26,687	33,526	-	-
Other liabilities	1,301	1,301	-	-
	<b>70,618</b>	<b>77,090</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>178,671</b>	<b>177,230</b>	<b>168,671</b>	<b>169,884</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	258,160	257,650	258,160	257,650
Reserves	(79,489)	(80,420)	(89,489)	(87,766)
<b>Total Equity</b>	<b>178,671</b>	<b>177,230</b>	<b>168,671</b>	<b>169,884</b>

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	
	30/6/2014 US\$'000	31/12/2013 US\$'000	30/6/2014 US\$'000	31/12/2013 US\$'000
<b>Secured</b>				
Amount repayable in one year or less, or on demand	13,680	13,680	-	-
Amount repayable after one year	26,687	33,526	-	-
	<b>40,367</b>	<b>47,206</b>	-	-
<b>Unsecured</b>				
Amount repayable in one year or less, or on demand	-	-	-	-
Amount repayable after one year	-	-	-	-
	-	-	-	-
<b>Total</b>				
Amount repayable in one year or less, or on demand				
USD - bank loans	13,680	13,680	-	-
	<b>13,680</b>	<b>13,680</b>	-	-
Amount repayable after one year, comprising				
USD - bank loans	26,687	33,526	-	-
	<b>26,687</b>	<b>33,526</b>	-	-
<b>Total loans and borrowings</b>	<b>40,367</b>	<b>47,206</b>	-	-

#### Details of any collateral

The secured borrowings of US\$40.4 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 (3 months ended)		Group (6 months ended)	
	30/6/2014	30/6/2013	30/6/2014	30/6/2013
	US\$'000	US\$'000	US\$'000	US\$'000
<b>Operating activities</b>				
<b>Profit/(Loss) before tax</b>	2,723	(2,354)	4,381	606
Adjustments for:				
Amortisation of upfront fee paid for loans granted	-	101	-	235
Depletion and amortisation of oil and gas properties	3,300	2,630	6,469	5,126
Depreciation of other plant and equipment	111	99	219	209
Interest expense	555	636	1,115	1,280
Interest income on bank deposits	(6)	(7)	(34)	(11)
Net fair value loss/(gain) on derivatives	25	(346)	(39)	(230)
Share-based payments	37	642	67	824
Unwinding of discount on decommissioning provisions	274	194	530	388
Unsuccessful exploration and evaluation expenditures	1,266	6,580	1,266	6,580
<b>Operating cash flows before changes in working capital</b>	<b>8,285</b>	<b>8,175</b>	<b>13,974</b>	<b>15,007</b>
<b>Changes in working capital</b>				
(Increase)/Decrease in inventories	(582)	(50)	(711)	292
Decrease/(Increase) in trade and other receivables	651	13,347	4,099	(8,359)
(Decrease) in trade and other payables	(1,767)	(2,033)	(20,034)	(3,660)
<b>Cash flows from/(used in) operations</b>	<b>6,587</b>	<b>19,439</b>	<b>(2,672)</b>	<b>3,280</b>
Income tax paid	(2,445)	(2,833)	(3,568)	(4,309)
Interest paid	(555)	(636)	(1,115)	(1,280)
Interest received	6	7	34	11
<b>Net cash flows from/(used in) operating activities</b>	<b>3,593</b>	<b>15,977</b>	<b>(7,321)</b>	<b>(2,298)</b>
<b>Investing activities</b>				
Additions to exploration and evaluation assets	(2,880)	(3,211)	(9,256)	(9,016)
Additions to oil and gas properties	(1,496)	(5,593)	(3,387)	(6,547)
Cash call contributions for assets retirement obligations	(540)	(541)	(544)	(579)
Purchase of other plant and equipment	(57)	(9)	(159)	(15)
<b>Net cash flows used in investing activities</b>	<b>(4,973)</b>	<b>(9,354)</b>	<b>(13,346)</b>	<b>(16,157)</b>
<b>Financing activities</b>				
Decrease in short-term deposit pledged	-	-	-	884
Proceeds from loans and borrowings	-	-	-	10,900
Proceeds from exercise of employee share options	-	-	292	-
Repayment on loans and borrowings	(3,420)	(1,320)	(6,840)	(2,640)
<b>Net cash (used in)/from financing activities</b>	<b>(3,420)</b>	<b>(1,320)</b>	<b>(6,548)</b>	<b>9,144</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(4,800)</b>	<b>5,303</b>	<b>(27,215)</b>	<b>(9,311)</b>
Effect of exchange rate changes on cash and cash equivalents	(1)	5	(6)	8
Cash and cash equivalents at beginning of the period	27,262	10,354	49,682	24,965
<b>Cash and cash equivalents at end of the period</b>	<b>22,461</b>	<b>15,662</b>	<b>22,461</b>	<b>15,662</b>

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

	Group	
	30/6/2014 US\$'000	30/6/2013 US\$'000
Cash and short-term deposits	25,228	18,429
Less:		
Charge over project accounts	(2,767)	(2,767)
<b>Cash and cash equivalents</b>	<b>22,461</b>	<b>15,662</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 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
<b>Group</b>								
<b>At 1 January 2013</b>	<b>199,640</b>	<b>2,886</b>	<b>(4,467)</b>	<b>(17,763)</b>	<b>-</b>	<b>732</b>	<b>(18,612)</b>	<b>181,028</b>
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
<b>At 31 March 2013</b>	<b>199,640</b>	<b>2,886</b>	<b>(4,443)</b>	<b>(17,153)</b>	<b>-</b>	<b>914</b>	<b>(17,796)</b>	<b>181,844</b>
Loss for the period	-	-	-	(4,868)	-	-	(4,868)	(4,868)
Other comprehensive income for the period	-	-	53	-	-	-	53	53
Total comprehensive income for the period	-	-	53	(4,868)	-	-	(4,815)	(4,815)
Share-based payments								
- Award of performance shares	397	-	-	-	-	-	-	397
- Grant of equity-settled share options	-	-	-	-	-	245	245	245
<b>At 30 June 2013</b>	<b>200,037</b>	<b>2,886</b>	<b>(4,390)</b>	<b>(22,021)</b>	<b>-</b>	<b>1,159</b>	<b>(22,366)</b>	<b>177,671</b>
<b>At 1 January 2014</b>	<b>257,650</b>	<b>2,886</b>	<b>(393)</b>	<b>(83,646)</b>	<b>-</b>	<b>733</b>	<b>(80,420)</b>	<b>177,230</b>
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
<b>At 31 March 2014</b>	<b>258,160</b>	<b>2,886</b>	<b>(378)</b>	<b>(83,573)</b>	<b>-</b>	<b>545</b>	<b>(80,520)</b>	<b>177,640</b>
Profit for the period	-	-	-	993	-	-	993	993
Other comprehensive income for the period	-	-	1	-	-	-	1	1
Total comprehensive income for the period	-	-	1	993	-	-	994	994
Share-based payments								
- Award of performance shares	-	-	-	-	-	-	-	-
- Grant of equity-settled share options	-	-	-	-	-	37	37	37
<b>At 30 June 2014</b>	<b>258,160</b>	<b>2,886</b>	<b>(377)</b>	<b>(82,580)</b>	<b>-</b>	<b>582</b>	<b>(79,489)</b>	<b>178,671</b>

	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
<b>Company</b>						
<b>At 1 January 2013</b>	<b>199,640</b>	<b>2,886</b>	<b>(44,338)</b>	<b>732</b>	<b>(40,720)</b>	<b>158,920</b>
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
<b>At 31 March 2013</b>	<b>199,640</b>	<b>2,886</b>	<b>(45,407)</b>	<b>914</b>	<b>(41,607)</b>	<b>158,033</b>
Loss for the period, representing total comprehensive income for the period	-	-	(5,249)	-	(5,249)	(5,249)
Share-based payments						
- Award of performance shares	397	-	-	-	-	397
- Grant of equity-settled share options	-	-	-	245	245	245
<b>At 30 June 2013</b>	<b>200,037</b>	<b>2,886</b>	<b>(50,656)</b>	<b>1,159</b>	<b>(46,611)</b>	<b>153,426</b>
<b>At 1 January 2014</b>	<b>257,650</b>	<b>2,886</b>	<b>(91,385)</b>	<b>733</b>	<b>(87,766)</b>	<b>169,884</b>
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
<b>At 31 March 2014</b>	<b>258,160</b>	<b>2,886</b>	<b>(92,122)</b>	<b>545</b>	<b>(88,691)</b>	<b>169,469</b>
Loss for the period, representing total comprehensive income for the period	-	-	(835)	-	(835)	(835)
Share-based payments						
- Grant of equity-settled share options	-	-	-	37	37	37
<b>At 30 June 2014</b>	<b>258,160</b>	<b>2,886</b>	<b>(92,957)</b>	<b>582</b>	<b>(89,489)</b>	<b>168,671</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.

### **SHARE OPTIONS**

There were no options granted in the second quarter ended 30 June 2014 (second quarter ended 30 June 2013: nil) pursuant to the RHP Share Option Scheme 2011.

The unissued shares of the Company under option as at 30 June 2014 are as follows:

Date of grant of options	Exercise price per share	Number of options				Balance as at 30.06.14	Balance as at 30.06.13	Exercise period
		Balance as at 01.04.14	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period			
22.07.2011	S\$0.59	325,000	-	-	-	325,000	2,337,000	23.07.2013 to 21.07.2016
02.03.2012	S\$0.37	303,000	-	-	-	303,000	2,317,000	03.03.2014 to 01.03.2017
05.03.2013	S\$0.42	2,098,500	-	-	-	2,098,500	3,598,500	06.03.2015 to 04.03.2018
07.03.2014	S\$0.42	711,800	-	-	-	711,800	-	08.03.2016 to 06.03.2019
		<u>3,438,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,438,300</u>	<u>8,252,500</u>	

### **PERFORMANCE SHARE PLAN**

There were no shares awarded in the second quarter ended 30 June 2014 (second quarter ended 30 June 2013: Nil) pursuant to the Performance Share Plan.

### **SHARE CAPITAL**

There were no changes to the Company's issued share capital and no shares on convertibles were issued in the second quarter period ended 30 June 2014.

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 30 June 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		Group	
	30/6/2014 (3 months) Cents	30/6/2013 (3 months) Cents	30/6/2014 (6 months) Cents	30/6/2013 (6 months) Cents
<b>Earnings/(Loss) per ordinary share for the period based on net profit/(loss) attributable to owners of the Company</b>				
(i) Based on the weighted average number of ordinary shares on issue; and	0.14	(0.79)	0.15	(0.69)
(ii) On a fully diluted basis	0.13	(0.79)	0.14	(0.69)

Basic earnings/(loss) per share is calculated with reference to profit/(loss) net of tax attributable to owners of the Company and the weighted average number of ordinary shares of 734,277,400 (30 June 2013 : 614,343,334 shares).

Diluted earnings/(loss) per share are calculated by dividing profit/(loss), 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			
	Group		Group	
	30/6/2014 (3 months)	30/6/2013 (3 months)	30/6/2014 (6 months)	30/6/2013 (6 months)
Weighted average number of ordinary shares for basic earnings/(loss) per share computation	734,277,400	614,343,334	734,195,433	614,310,549
Effects of dilution:				
- Share options	1,528,336	1,191,860	1,192,426	1,071,784
Weighted average number of ordinary shares for diluted earnings/(loss) per share computation	735,805,736	615,535,194	735,387,859	615,382,333

**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	
	30/6/2014 Cents	31/12/2013 Cents	30/6/2014 Cents	31/12/2013 Cents
Net asset value per ordinary share capital	24.33	24.17	22.97	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\$19,166,000 for the second quarter ended 30 June 2014 ("2Q 2014") as compared to US\$20,083,000 in the second quarter ended 30 June 2013 ("2Q 2013"). The decrease in revenue mainly due to the lower Group's oil and gas entitlement from the cost recovery for 2Q 2014 under the terms of the production sharing contracts ("PSC") of the Basin and Island PSCs as well as the decrease in production in Island PSC primarily due to field's natural production decline, partially offset by the increase in production in Basin PSC and average realised oil prices for 2Q 2014.

The cost of sales decreased by 4% in 2Q 2014 as compared to 2Q 2013 mainly due to lower production costs, partially offset by the increase in depletion and amortisation of oil and gas properties in Basin PSC.

In line with the lower revenue, partially offset by a decrease in cost of production, the gross profit decreased from US\$6,595,000 in 2Q 2013 to US\$6,221,000 in 2Q 2014.

The decrease in other income for 2Q 2014 as compared to that for 2Q 2013 is mainly due to the absence of unrealised foreign exchange gain of US\$360,000 which was recorded in 2Q 2013.

The decrease in administrative expenses for 2Q 2014 as compared to that for 2Q 2013 is mainly due to the decrease in share-based payments for the issuance of stock options to directors and employees as well as the decrease in other monthly overheads.

Other expenses for 2Q 2014 have decreased compared to that of 2Q 2013 mainly due to lower write-off for unsuccessful exploration and evaluation expenditures and lower bank charges, partially offset by net fair value loss on derivatives. The write-off of unsuccessful exploration and evaluation expenditures of US\$1,266,000 in 2Q 2014 is related to additional cost incurred for unsuccessful exploration well drilled in Island PSC which was written off in 4Q 2013.

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 both deferred and current income taxes for Basin PSC and Island PSC in 2Q 2014.

As a result of the above, the Group recorded a net profit of US\$993,000 and EBITDAX (see Paragraph 1(a)(ii)) of US\$8,229,000 for 2Q 2014 compared to net loss of US\$4,868,000 and EBITDAX of US\$7,785,000 in 2Q 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\$22,125,000 from the Basin PSC and Island PSC in June 2014 with the proceeds received in July 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 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 Loan and borrowings have decreased due to repayment of the bank loan of US\$6,840,000.

### 8.3 Cash Flow

The Group recorded net operating cash flows of US\$3,593,000 in 2Q 2014. This was used to fund the Group's exploration and development activities.

#### **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 previously been 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 trended upward in the second quarter with Brent crude reaching a high of US\$115 per barrel in June. Concerns with the geopolitical tensions in the Middle East and the continuing instability in Ukraine were key factors contributing to the developments in the oil market during the quarter. The outlook of the oil market remains volatile although easing supply concerns and softening demand could impact on oil prices to some extent.

#### **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 second quarter period ended 30 June 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 30 July 2014 was approximately S\$67,890 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	(61,051)	2,189
Working capital	7,027	(6,839) <sup>(1)</sup>	188
<b>Total</b>	<b>70,267</b>	<b>(67,890)</b>	<b>2,377</b>

Note :

(1) The breakdown of the working capital of S\$6,839,000 utilised was as follows:

	S\$'000
Staff costs	4,449
Professional fees	1,016
Office expenses	502
Fixed assets	179
Other operating expenses	693
	<u>6,839</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 second quarter financial results for the period ended 30 June 2014 to be false or misleading in any material aspect.

#### BY ORDER OF THE BOARD

Chang Cheng-Hsing Francis  
Group CEO & Executive Director

7 August 2014