

# RH Petrogas Limited

Company Registration No: 198701138Z

## Unaudited Third Quarter Financial Statements and Dividend Announcement for the Period Ended 30 September 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 (9 months ended)		
	30/9/2014 US\$'000	30/9/2013 US\$'000	% Change	30/9/2014 US\$'000	30/9/2013 US\$'000	% Change
Revenue	18,680	19,221	(3%)	57,624	57,756	(0%)
Cost of sales	(15,487)	(11,932)	30%	(44,121)	(38,483)	15%
<b>Gross profit</b>	<b>3,193</b>	<b>7,289</b>	(56%)	<b>13,503</b>	<b>19,273</b>	(30%)
Other income	6	156	(96%)	41	686	(94%)
Administrative expenses	(1,166)	(1,462)	(20%)	(3,543)	(4,638)	(24%)
Other expenses	(20,645)	(18,494)	12%	(22,587)	(25,558)	(12%)
Finance costs	(756)	(877)	(14%)	(2,401)	(2,545)	(6%)
<b>Loss before tax</b>	<b>(19,368)</b>	<b>(13,388)</b>	45%	<b>(14,987)</b>	<b>(12,782)</b>	17%
Income tax expense	(103)	2,473	N.M.	(3,418)	(2,391)	43%
<b>Loss for the period</b>	<b>(19,471)</b>	<b>(10,915)</b>	78%	<b>(18,405)</b>	<b>(15,173)</b>	21%
Loss per share attributable to owners of the Company (cents per share)						
Basic	(2.65)	(1.77)	50%	(2.51)	(2.47)	2%
Diluted	(2.65)	(1.77)	50%	(2.50)	(2.46)	2%

N.M. : not meaningful

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

	Group (3 months ended)		Group (9 months ended)	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	US\$'000	US\$'000	US\$'000	US\$'000
Allowance for doubtful debts, net	(84)	(102)	(84)	(102)
Allowance for inventory obsolescence	-	(3,790)	-	(3,790)
Amortisation of upfront fee paid for loans granted	-	(107)	-	(342)
Depletion and amortisation of oil and gas properties	(4,818)	(2,576)	(11,287)	(7,702)
Depreciation of other plant and equipment	(106)	(90)	(325)	(299)
Foreign exchange (loss)/gain, net	(25)	154	(227)	656
Impairment loss on goodwill	(20,474)	-	(20,474)	-
Interest expense	(490)	(682)	(1,605)	(1,962)
Interest income from bank deposits	6	3	40	14
Loss on disposal of other property, plant and equipment	(1)	-	(1)	-
Net fair value gain/(loss) on derivatives	53	(326)	92	(96)
Share-based payments	(37)	(244)	(104)	(1,068)
Unwinding of discount on decommissioning provisions	(266)	(195)	(796)	(583)
Unsuccessful exploration and evaluation expenditures	-	(14,043)	(1,266)	(20,623)

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

	Group (3 months ended)		Group (9 months ended)	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	US\$'000	US\$'000	US\$'000	US\$'000
Loss before tax	(19,368)	(13,388)	(14,987)	(12,782)
Impairment loss on goodwill	20,474	-	20,474	-
Interest expense	490	682	1,605	1,962
Depletion and amortisation of oil and gas properties	4,818	2,576	11,287	7,702
Depreciation of other plant and equipment	106	90	325	299
Unwinding of discount on decommissioning provisions	266	195	796	583
Unsuccessful exploration and evaluation expenditures	-	14,043	1,266	20,623
	6,786	4,198	20,766	18,387

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

	Group (3 months ended)		Group (9 months ended)	
	30/9/2014	30/9/2013	30/9/2014	30/9/2013
	US\$'000	US\$'000	US\$'000	US\$'000
Loss for the period	(19,471)	(10,915)	(18,405)	(15,173)
<b>Other comprehensive income :</b>				
<u>Item that may be reclassified subsequently to profit or loss:</u>				
Foreign currency translation	(8)	20	8	97
<b>Other comprehensive income for the period, net of tax</b>	<b>(8)</b>	<b>20</b>	<b>8</b>	<b>97</b>
<b>Total comprehensive income for the period attributable to owners of the Company</b>	<b>(19,479)</b>	<b>(10,895)</b>	<b>(18,397)</b>	<b>(15,076)</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	
	30/9/2014 US\$'000	31/12/2013 US\$'000	30/9/2014 US\$'000	31/12/2013 US\$'000
<b>Non-Current Assets</b>				
Oil and gas properties	78,862	73,455	-	-
Other plant and equipment	1,436	1,593	62	87
Exploration and evaluation assets	58,902	59,519	-	-
Goodwill	90,641	111,115	-	-
Amount due from subsidiaries	-	-	158,396	-
Investment in subsidiaries	-	-	273	-
	<b>229,841</b>	<b>245,682</b>	<b>158,731</b>	<b>87</b>
<b>Current Assets</b>				
Inventories	1,803	953	-	-
Other current assets	425	621	57	51
Trade and other receivables	26,918	34,821	415	557
Amount due from subsidiaries	-	-	-	148,042
Derivatives	5	1	-	-
Cash and short-term deposits	31,972	52,448	9,420	21,927
	<b>61,123</b>	<b>88,844</b>	<b>9,892</b>	<b>170,577</b>
<b>Current Liabilities</b>				
Income tax payable	1,565	2,190	-	-
Trade and other payables	44,037	64,079	713	780
Derivatives	122	257	-	-
Loans and borrowings	13,680	13,680	-	-
	<b>59,404</b>	<b>80,206</b>	<b>713</b>	<b>780</b>
<b>Net Current Assets</b>	<b>1,719</b>	<b>8,638</b>	<b>9,179</b>	<b>169,797</b>
<b>Non-Current Liabilities</b>				
Provisions	4,389	4,197	-	-
Loan from non-controlling interest	3,503	-	-	-
Deferred tax liabilities	37,086	38,066	-	-
Loans and borrowings	23,266	33,526	-	-
Other liabilities	1,301	1,301	-	-
	<b>69,545</b>	<b>77,090</b>	<b>-</b>	<b>-</b>
<b>Net Assets</b>	<b>162,015</b>	<b>177,230</b>	<b>167,910</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	(98,136)	(80,420)	(90,250)	(87,766)
	160,024	177,230	167,910	169,884
Non-controlling interest	1,991	-	-	-
<b>Total Equity</b>	<b>162,015</b>	<b>177,230</b>	<b>167,910</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	
	30/9/2014 US\$'000	31/12/2013 US\$'000	30/9/2014 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	23,266	33,526	-	-
	<b>36,946</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	23,266	33,526	-	-
	<b>23,266</b>	<b>33,526</b>	-	-
<b>Total loans and borrowings</b>	<b>36,946</b>	<b>47,206</b>	-	-

#### Details of any collateral

The secured borrowings of US\$36.9 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 (9 months ended)	
	30/9/2014 US\$'000	30/9/2013 US\$'000	30/9/2014 US\$'000	30/9/2013 US\$'000
<b>Operating activities</b>				
<b>Loss before tax</b>	(19,368)	(13,388)	(14,987)	(12,782)
Adjustments for:				
Allowance for doubtful debts, net	84	102	84	102
Allowance for inventory obsolescence	-	3,790	-	3,790
Amortisation of upfront fee paid for loans granted	-	107	-	342
Depletion and amortisation of oil and gas properties	4,818	2,576	11,287	7,702
Depreciation of other plant and equipment	106	90	325	299
Impairment loss on goodwill	20,474	-	20,474	-
Interest expense	490	682	1,605	1,962
Interest income on bank deposits	(6)	(3)	(40)	(14)
Loss on disposal of other property, plant and equipment	1	-	1	-
Net fair value (gain)/loss on derivatives	(53)	326	(92)	96
Share-based payments	37	244	104	1,068
Unwinding of discount on decommissioning provisions	266	195	796	583
Unsuccessful exploration and evaluation expenditures	-	14,043	1,266	20,623
<b>Operating cash flows before changes in working capital</b>	<b>6,849</b>	<b>8,764</b>	<b>20,823</b>	<b>23,771</b>
<b>Changes in working capital</b>				
(Increase)/Decrease in inventories	(140)	535	(851)	827
Decrease/(Increase) in trade and other receivables	3,912	4,724	8,011	(3,635)
Increase/(Decrease) in trade and other payables	227	5,093	(19,807)	1,433
<b>Cash flows from operations</b>	<b>10,848</b>	<b>19,116</b>	<b>8,176</b>	<b>22,396</b>
Income tax paid	(1,455)	(772)	(5,023)	(5,081)
Interest paid	(490)	(682)	(1,605)	(1,962)
Interest received	6	3	40	14
<b>Net cash flows from operating activities</b>	<b>8,909</b>	<b>17,665</b>	<b>1,588</b>	<b>15,367</b>
<b>Investing activities</b>				
Additions to exploration and evaluation assets	(3,768)	(5,288)	(13,024)	(14,304)
Additions to oil and gas properties	(1,194)	(5,690)	(4,581)	(12,237)
Cash call contributions for assets retirement obligations	(4)	(46)	(548)	(625)
Proceeds from disposal of subsidiary	2,786	-	2,786	-
Purchase of other plant and equipment	(20)	(108)	(179)	(123)
<b>Net cash flows used in investing activities</b>	<b>(2,200)</b>	<b>(11,132)</b>	<b>(15,546)</b>	<b>(27,289)</b>
<b>Financing activities</b>				
Decrease in short-term deposit pledged	-	-	-	884
Loan from non-controlling interest	3,503	-	3,503	-
Proceeds from loans and borrowings	-	-	-	10,900
Purchase of crude oil commodity options	(48)	(300)	(48)	(300)
Proceeds from exercise of employee share options	-	-	292	-
Repayment on loans and borrowings	(3,420)	(1,320)	(10,260)	(3,960)
Share issuance expenses	-	-	-	-
<b>Net cash from/(used in) financing activities</b>	<b>35</b>	<b>(1,620)</b>	<b>(6,513)</b>	<b>7,524</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>6,744</b>	<b>4,913</b>	<b>(20,471)</b>	<b>(4,398)</b>
Effect of exchange rate changes on cash and cash equivalents	-	6	(6)	14
Cash and cash equivalents at beginning of the period	22,461	15,662	49,682	24,965
<b>Cash and cash equivalents at end of the period</b>	<b>29,205</b>	<b>20,581</b>	<b>29,205</b>	<b>20,581</b>

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

	Group	
	<u>30/9/2014</u>	<u>30/9/2013</u>
	US\$'000	US\$'000
Cash and short-term deposits	31,972	23,348
Less:		
Charge over project accounts	(2,767)	(2,767)
<b>Cash and cash equivalents</b>	<b><u>29,205</u></b>	<b><u>20,581</u></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	Equity reserves	Employee share option reserve	Total reserves	Non-controlling interest	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Group</b>									
At 1 January 2013	199,640	2,886	(4,467)	(17,763)	-	732	(18,612)	-	181,028
Loss for the period	-	-	-	(4,258)	-	-	(4,258)	-	(4,258)
Other comprehensive income for the period	-	-	77	-	-	-	77	-	77
Total comprehensive income for the period	-	-	77	(4,258)	-	-	(4,181)	-	(4,181)
<u>Contribution by and distributions to owners</u>									
Share-based payments									
- Award of performance shares	397	-	-	-	-	-	-	-	397
- Grant of equity-settled share options	-	-	-	-	-	427	427	-	427
At 30 June 2013	200,037	2,886	(4,390)	(22,021)	-	1,159	(22,366)	-	177,671
Loss for the period	-	-	-	(10,915)	-	-	(10,915)	-	(10,915)
Other comprehensive income for the period	-	-	20	-	-	-	20	-	20
Total comprehensive income for the period	-	-	20	(10,915)	-	-	(10,895)	-	(10,895)
<u>Contribution by and distributions to owners</u>									
Share-based payments									
- Grant of equity-settled share options	-	-	-	-	-	244	244	-	244
At 30 September 2013	200,037	2,886	(4,370)	(32,936)	-	1,403	(33,017)	-	167,020

	Share capital	Capital reduction reserve	Foreign currency translation reserve	Accumulated losses	Equity reserves	Employee share option reserve	Total reserves	Non-controlling interest	Total equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Group</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>-</b>	<b>177,230</b>
Profit for the period	-	-	-	1,066	-	-	1,066	-	1,066
Other comprehensive income for the period	-	-	16	-	-	-	16	-	16
Total comprehensive income for the period	-	-	16	1,066	-	-	1,082	-	1,082
<u>Contribution by and distributions to owners</u>									
Share-based payments									
- Grant of equity-settled share options	510	-	-	-	-	(151)	(151)	-	359
<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>-</b>	<b>178,671</b>
Loss for the period	-	-	-	(19,471)	-	-	(19,471)	-	(19,471)
Other comprehensive income for the period	-	-	(8)	-	-	-	(8)	-	(8)
Total comprehensive income for the period	-	-	(8)	(19,471)	-	-	(19,479)	-	(19,479)
<u>Contribution by and distributions to owners</u>									
Share-based payments									
- Grant of equity-settled share options	-	-	-	-	-	37	37	-	37
<u>Changes in ownership interest in subsidiaries</u>									
Disposal of subsidiary without a change in control	-	-	-	-	795	-	795	1,991	2,786
<b>At 30 September 2014</b>	<b>258,160</b>	<b>2,886</b>	<b>(385)</b>	<b>(102,051)</b>	<b>795</b>	<b>619</b>	<b>(98,136)</b>	<b>1,991</b>	<b>162,015</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	-	-	(6,318)	-	(6,318)	(6,318)
Share-based payments						
- Award of performance shares	397	-	-	-	-	397
- Grant of equity-settled share options	-	-	-	427	427	427
<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>
Loss for the period, representing total comprehensive income for the period	-	-	(1,091)	-	(1,091)	(1,091)
Share-based payments						
- Grant of equity-settled share options	-	-	-	244	244	244
<b>At 30 September 2013</b>	<b>200,037</b>	<b>2,886</b>	<b>(51,747)</b>	<b>1,403</b>	<b>(47,458)</b>	<b>152,579</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	-	-	(1,572)	-	(1,572)	(1,572)
Share-based payments						
- Grant of equity-settled share options	510	-	-	(151)	(151)	359
<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>
Loss for the period, representing total comprehensive income for the period	-	-	(798)	-	(798)	(798)
Share-based payments						
- Grant of equity-settled share options	-	-	-	37	37	37
<b>At 30 September 2014</b>	<b>258,160</b>	<b>2,886</b>	<b>(93,755)</b>	<b>619</b>	<b>(90,250)</b>	<b>167,910</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 third quarter ended 30 September 2014 (third quarter ended 30 September 2013: Nil) pursuant to the RHP Share Option Scheme 2011.

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

Date of grant of options	Exercise price per share	Number of options					Balance as at 30.09.14	Balance as at 30.09.13	Exercise period
		Balance as at 01.07.14	Granted during the period	Exercised during the period	Cancelled/lapsed during the period				
22.07.2011	S\$0.59	325,000	-	-	(5,000)	320,000	2,337,000	23.07.2013 to 21.07.2016	
02.03.2012	S\$0.37	303,000	-	-	(5,000)	298,000	2,317,000	03.03.2014 to 01.03.2017	
05.03.2013	S\$0.42	2,098,500	-	-	(30,000)	2,068,500	3,598,500	06.03.2015 to 04.03.2018	
07.03.2014	S\$0.42	711,800	-	-	(20,000)	691,800	-	08.03.2016 to 06.03.2019	
		3,438,300	-	-	(60,000)	3,378,300	8,252,500		

### **PERFORMANCE SHARE PLAN**

There were no shares awarded in the third quarter ended 30 September 2014 (third quarter ended 30 September 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 third quarter period ended 30 September 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 September 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	
	30/9/2014 (3 months)	30/9/2013 (3 months)	30/9/2014 (9 months)	30/9/2013 (9 months)
	Cents	Cents	Cents	Cents
<b>Loss per ordinary share for the period based on net loss attributable to owners of the Company</b>				
(i) Based on the weighted average number of ordinary shares on issue; and	(2.65)	(1.77)	(2.51)	(2.47)
(ii) On a fully diluted basis	(2.65)	(1.77)	(2.50)	(2.46)

Basic loss per share for the third quarter period ended 30 September 2014 is calculated with reference to loss net of tax attributable to owners of the Company and the weighted average number of ordinary shares of 734,277,400 (30 September 2013 : 615,277,400 shares).

Diluted loss per share are calculated by dividing 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	
	30/9/2014 (3 months)	30/9/2013 (3 months)	30/9/2014 (9 months)	30/9/2013 (9 months)
Weighted average number of ordinary shares for basic loss per share computation	734,277,400	615,277,400	734,230,671	614,636,374
Effects of dilution: - Share options	1,571,885	1,285,814	1,334,144	1,143,127
Weighted average number of ordinary shares for diluted loss per share computation	735,849,285	616,563,214	735,564,815	615,779,501

**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	
	30/9/2014	31/12/2013	30/9/2014	31/12/2013
	Cents	Cents	Cents	Cents
Net asset value per ordinary share capital	21.79	24.17	22.87	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\$18,680,000 for the third quarter ended 30 September 2014 ("3Q 2014") as compared to US\$19,221,000 in the third quarter ended 30 September 2013 ("3Q 2013"). The decrease in revenue is mainly due to the decrease in average realised oil prices and lower Group's oil and gas entitlement from the cost recovery for 3Q 2014 under the terms of the production sharing contracts ("PSC") of the Basin and Island PSCs.

The cost of sales increased by 30% in 3Q 2014 as compared to 3Q 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 lower revenue and increase in cost of production, the gross profit decreased from US\$7,289,000 in 3Q 2013 to US\$3,193,000 in 3Q 2014.

The decrease in other income for 3Q 2014 as compared to that for 3Q 2013 is mainly due to the absence of unrealised foreign exchange gain of US\$154,000 which was recorded in 3Q 2013.

The decrease in administrative expenses for 3Q 2014 as compared to that for 3Q 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 3Q 2014 have increased compared to that of 3Q 2013 mainly due to impairment loss on goodwill of US\$20,474,000 which arose from the acquisition of the working interest in Basin PSC and Island PSC, offset by the absence of write off for unsuccessful exploration wells drilled in the Basin PSC of US\$14,043,000 and allowance for inventory obsolescence of US\$3,790,000 in Basin PSC and Island PSC which was recorded in 3Q 2013.

Finance costs for 3Q 2014 are lower than that for 3Q 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 income tax expense credit arises in 3Q 2013 was due to write back of deferred tax liabilities as a result of the write off of the unsuccessful exploration wells.

As a result of the above, the Group recorded a net loss of US\$19,471,000 and EBITDAX (see Paragraph 1(a)(ii)) of US\$6,786,000 for 3Q 2014 compared to net loss of US\$10,915,000 and EBITDAX of US\$4,198,000 in 3Q 2013. Excluding the impairment loss on goodwill of US\$20,474,000, the Group would have recorded net profit of US\$1,003,000 in 3Q 2014.

### **8.2 Balance Sheet**

8.2.1 The increase in oil and gas properties is mainly due to transfer of exploration wells in Basin PSC to oil and gas properties which were put on production in 3Q 2014 (see Paragraph 8.2.2 below).

8.2.2 The decrease in exploration and evaluation assets is mainly due to exploration wells in Basin PSC being transferred to oil and gas properties (see Paragraph 8.2.1 above), partially offset by further exploration activities at SK331 PSC.

8.2.3 The decrease in goodwill is mainly due to the charge of goodwill impairment of US\$20,474,000 which arose from the acquisition of the working interest in Basin PSC and Island PSC.

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

8.2.5 Included in trade and other receivables is the sale and lifting of crude oil of US\$17,806,000 from the Basin PSC and Island PSC in September 2014 with the proceeds received in October 2014.

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

8.2.7 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.

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

8.2.9 The increase in loan from non-controlling interest is mainly due to cash call contribution for SK331 PSC from Tumbuh Tiasa Enterprises Sdn Bhd which holds 49% shareholding interest in RHP (Mukah) Pte Ltd (see Paragraph 8.3).

8.2.10 Loan and borrowings have decreased due to repayment of the bank loan of US\$10,260,000.

### **8.3 Cash Flow**

The Group recorded net operating cash flows of US\$8,909,000 in 3Q 2014. This was used to fund the Group's exploration and development activities and repayment of bank loan.

The Group received proceeds of US\$2,786,000 from disposal of 49% shareholding interest in RHP (Mukah) Pte Ltd to Tumbuh Tiasa Enterprises Sdn. Bhd. which was completed on 24 September 2014.

### **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.**

Brent oil price started the third quarter of the year at around US\$111 per barrel and declined steadily throughout the quarter to end at around US\$95 per barrel, averaging around US\$102 per barrel for the quarter. The price decline came at a time of strong supply from both OPEC and non-OPEC nations amid slowing demand growth due to a worsening global economy outlook. As of the date of this announcement, Brent crude price has declined further to US\$81 per barrel. Against this background, near-term outlook for oil price remains challenging which may impact the Group's performance in 2014.

### **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 third quarter period ended 30 September 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 31 October 2014 was approximately S\$68,026,000 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	(61,064)	2,176
Working capital	7,027	(6,962) <sup>(1)</sup>	65
<b>Total</b>	<b>70,267</b>	<b>(68,026)</b>	<b>2,241</b>

Note :

<sup>(1)</sup> The breakdown of the working capital of S\$6,962,000 utilised was as follows:

	S\$'000
Staff costs	4,631
Professional fees	1,016
Office expenses	502
Fixed assets	179
Other operating expenses	634
	<u>6,962</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 third quarter financial results for the period ended 30 September 2014 to be false or misleading in any material aspect.

#### BY ORDER OF THE BOARD

Chang Cheng-Hsing Francis  
Group CEO & Executive Director

12 November 2014