

RH Petrogas Limited

Company Registration No: 198701138Z

Unaudited Third Quarter Financial Statements and Dividend Announcement for the Financial Period Ended 30 September 2016

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)		
	30/9/2016	30/9/2015	%	30/9/2016	30/9/2015	%
	US\$'000	US\$'000	Change	US\$'000	US\$'000	Change
Revenue	13,543	11,233	21%	38,475	38,762	(1%)
Cost of sales	(14,577)	(13,976)	4%	(40,744)	(40,508)	1%
Gross loss	(1,034)	(2,743)	(62%)	(2,269)	(1,746)	30%
Other income	192	8	N.M.	332	456	(27%)
Administrative expenses	(873)	(1,325)	(34%)	(3,030)	(4,385)	(31%)
Other expenses	(423)	(77,618)	(99%)	(2,445)	(78,390)	(97%)
Finance costs	(461)	(632)	(27%)	(1,517)	(1,983)	(23%)
Loss before tax	(2,599)	(82,310)	(97%)	(8,929)	(86,048)	(90%)
Income tax credit	1,455	17,316	(92%)	5,413	18,361	(71%)
Loss for the financial period	(1,144)	(64,994)	(98%)	(3,516)	(67,687)	(95%)
Attributable to:						
Owners of the Company	(1,067)	(64,943)	(98%)	(3,260)	(67,621)	(95%)
Non-controlling interests	(77)	(51)	51%	(256)	(66)	N.M.
	(1,144)	(64,994)	(98%)	(3,516)	(67,687)	(95%)
Loss per share attributable to owners of the Company (cents per share)						
Basic	(0.15)	(8.84)	(98%)	(0.44)	(9.21)	(95%)
Diluted	(0.15)	(8.84)	(98%)	(0.44)	(9.21)	(95%)

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)	
	30/9/2016 US\$'000	30/9/2015 US\$'000	30/9/2016 US\$'000	30/9/2015 US\$'000
Amortisation of upfront fee paid for loans granted	(67)	(64)	(168)	(224)
Depletion and amortisation of oil and gas properties	(4,385)	(3,745)	(13,866)	(11,147)
Depreciation of other plant and equipment	(23)	(88)	(74)	(275)
Foreign exchange gain/(loss), net	2	(1,592)	(1,059)	(1,250)
Impairment loss on development expenditures	(277)	-	(991)	-
Impairment loss on exploration and evaluation assets	-	(15,367)	-	(15,367)
Impairment loss on goodwill	-	(43,580)	-	(43,580)
Impairment loss on oil and gas properties	-	(17,578)	-	(17,578)
Interest expense on bank loans	(160)	(344)	(661)	(1,120)
Interest income on bank deposits	5	8	7	26
Net fair value gain/(loss) on derivatives	16	(33)	83	(314)
Share-based payments	(51)	(69)	(162)	(185)
Unwinding of discount on decommissioning provisions	(301)	(288)	(856)	(863)
Write back of inventory obsolescence	-	716	-	716

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)	
	30/9/2016 US\$'000	30/9/2015 US\$'000	30/9/2016 US\$'000	30/9/2015 US\$'000
Loss before tax	(2,599)	(82,310)	(8,929)	(86,048)
Depletion and amortisation of oil and gas properties	4,385	3,745	13,866	11,147
Depreciation of other plant and equipment	23	88	74	275
Impairment loss on development expenditures	277	-	991	-
Impairment loss on exploration and evaluation assets	-	15,367	-	15,367
Impairment loss on goodwill	-	43,580	-	43,580
Impairment loss on oil and gas properties	-	17,578	-	17,578
Interest expense on bank loans	160	344	661	1,120
Unwinding of discount on decommissioning provisions	301	288	856	863
	<u>2,547</u>	<u>(1,320)</u>	<u>7,519</u>	<u>3,882</u>

1(a)(iii) Consolidated Statement of Comprehensive Income for the financial period ended 30 September 2016

	Group (3 months ended)		Group (9 months ended)	
	30/9/2016 US\$'000	30/9/2015 US\$'000	30/9/2016 US\$'000	30/9/2015 US\$'000
Loss for the financial period	(1,144)	(64,994)	(3,516)	(67,687)
Other comprehensive income :				
<u>Item that may be reclassified subsequently to profit or loss:</u>				
Foreign currency translation	114	99	960	83
Other comprehensive income for the financial period, net of tax	114	99	960	83
Total comprehensive income for the financial period attributable to owners of the Company	(1,030)	(64,895)	(2,556)	(67,604)
Attributable to:				
Owners of the Company	(953)	(64,844)	(2,300)	(67,538)
Non-controlling interests	(77)	(51)	(256)	(66)
	<u>(1,030)</u>	<u>(64,895)</u>	<u>(2,556)</u>	<u>(67,604)</u>

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	
	30/9/2016 US\$'000	31/12/2015 US\$'000	30/9/2016 US\$'000	31/12/2015 US\$'000
Non-Current Assets				
Oil and gas properties	15,275	29,372	-	-
Development expenditures	-	-	-	-
Other plant and equipment	552	587	54	78
Exploration and evaluation assets	2,536	2,536	-	-
Amount due from subsidiaries	-	-	33,559	29,221
	18,363	32,495	33,613	29,299
Current Assets				
Inventories	2,252	2,299	-	-
Other current assets	143	253	41	46
Trade and other receivables	15,937	19,384	662	413
Derivatives	-	3	-	-
Cash and bank balances	10,613	6,280	363	383
	28,945	28,219	1,066	842
Current Liabilities				
Income tax payable	641	155	-	-
Trade and other payables	40,468	42,645	483	616
Derivatives	11	32	-	-
Loans and borrowings	9,586	19,846	-	-
	50,706	62,678	483	616
Net Current (Liabilities)/Assets	(21,761)	(34,459)	583	226
Non-Current Liabilities				
Provisions	3,838	3,616	-	-
Loan from non-controlling interest	9,763	9,406	-	-
Deferred tax liabilities	357	6,527	-	-
Loans and borrowings	14,775	8,224	14,775	8,224
	28,733	27,773	14,775	8,224
Net (Liabilities)/Assets	(32,131)	(29,737)	19,421	21,301
Equity attributable to owners of the Company				
Share capital	258,160	258,160	258,160	258,160
Reserves	(280,663)	(278,525)	(238,739)	(236,859)
	(22,503)	(20,365)	19,421	21,301
Non-controlling interest	(9,628)	(9,372)	-	-
Total (Deficit)/Equity	(32,131)	(29,737)	19,421	21,301

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	
	30/9/2016 US\$'000	31/12/2015 US\$'000	30/9/2016 US\$'000	31/12/2015 US\$'000
Secured				
Amount repayable in one year or less, or on demand	9,586	19,846	-	-
Amount repayable after one year	-	-	-	-
	9,586	19,846	-	-
Unsecured				
Amount repayable in one year or less, or on demand	-	-	-	-
Amount repayable after one year	14,775	8,224	14,775	8,224
	14,775	8,224	14,775	8,224
Total				
Amount repayable in one year or less, or on demand				
USD - bank loans	9,586	19,846	-	-
	9,586	19,846	-	-
Amount repayable after one year, comprising				
USD - bank loans	-	-	-	-
Loans from related parties	14,775	8,224	14,775	8,224
	14,775	8,224	14,775	8,224
Total loans and borrowings	24,361	28,070	14,775	8,224

Details of any collateral

The secured borrowings of US\$9.6 million (31 December 2015: US\$19.8 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)	
	30/9/2016	30/9/2015	30/9/2016	30/9/2015
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities				
Loss before tax	(2,599)	(82,310)	(8,929)	(86,048)
Adjustments for:				
Amortisation of upfront fee paid for loans granted	67	64	168	224
Depletion and amortisation of oil and gas properties	4,385	3,745	13,866	11,147
Depreciation of other plant and equipment	23	88	74	275
Impairment loss on development expenditures	277	-	991	-
Impairment loss on goodwill	-	43,580	-	43,580
Impairment loss on oil and gas properties	-	17,578	-	17,578
Impairment loss on exploration and evaluation assets	-	15,367	-	15,367
Interest expense on bank loans	160	344	661	1,120
Interest income on bank deposits	(5)	(8)	(7)	(26)
Net fair value (gain)/loss on derivatives	(16)	33	(83)	314
Share-based payments	51	69	162	185
Unrealised exchange loss	152	-	228	-
Unwinding of discount on decommissioning provisions	301	288	856	863
Write back of inventory obsolescence	-	(716)	-	(716)
Operating cash flows before changes in working capital	2,796	(1,878)	7,987	3,863
<u>Changes in working capital</u>				
Decrease in inventories	21	692	45	1,299
Decrease/(Increase) in trade and other receivables	3,994	7,002	3,372	(3,653)
Increase/(Decrease) in trade and other payables	549	2,597	(301)	(5,565)
Cash flows from/(used in) operations	7,360	8,413	11,103	(4,056)
Income tax paid	-	(782)	(271)	(2,116)
Interest paid	(160)	(344)	(661)	(1,120)
Interest received	5	8	7	26
Net cash flows from/(used in) operating activities	7,205	7,295	10,178	(7,266)
Investing activities				
Additions to development expenditures	(277)	(839)	(991)	(2,469)
Additions to exploration and evaluation assets	-	(192)	-	(484)
Additions to oil and gas properties	(479)	805	(773)	(2,114)
Cash call contributions for assets retirement obligations	(328)	(217)	(571)	(550)
Purchase of other plant and equipment	-	(5)	-	(23)
Net cash flows used in investing activities	(1,084)	(448)	(2,335)	(5,640)
Financing activities				
Loan from non-controlling interest	173	1,950	357	3,698
(Repayment of advances)/loan from related parties	(173)	2,829	6,323	2,829
Proceeds from crude oil commodity options	-	-	65	287
Purchase of crude oil commodity options	-	(32)	-	(32)
Repayment of loans and borrowings	(3,420)	(3,420)	(10,260)	(10,260)
Net cash (used in)/from financing activities	(3,420)	1,327	(3,515)	(3,478)
Net increase/(decrease) in cash and cash equivalents	2,701	8,174	4,328	(16,384)
Effect of exchange rate changes on cash and cash equivalents	1	(54)	5	(50)
Cash and cash equivalents at beginning of the financial period	5,144	9,396	3,513	33,950
Cash and cash equivalents at end of the financial period	7,846	17,516	7,846	17,516

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

	Group	
	30/9/2016	30/9/2015
	US\$'000	US\$'000
Cash and bank balances	10,613	20,283
Less:		
Charge over project accounts	(2,767)	(2,767)
Cash and cash equivalents	<u>7,846</u>	<u>17,516</u>

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 Reserve	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
Group									
At 1 January 2015	258,160	2,886	(640)	(111,862)	795	631	(108,190)	1,910	151,880
Loss for the financial period	-	-	-	(2,678)	-	-	(2,678)	(15)	(2,693)
Other comprehensive income for the financial period	-	-	(16)	-	-	-	(16)	-	(16)
Total comprehensive income for the financial period	-	-	(16)	(2,678)	-	-	(2,694)	(15)	(2,709)
<u>Contributions by and distributions to owners</u>									
Share-based payments - Grant of equity-settled share options	-	-	-	-	-	116	116	-	116
At 30 June 2015	258,160	2,886	(656)	(114,540)	795	747	(110,768)	1,895	149,287
Loss for the financial period	-	-	-	(64,943)	-	-	(64,943)	(51)	(64,994)
Other comprehensive income for the financial period	-	-	99	-	-	-	99	-	99
Total comprehensive income for the financial period	-	-	99	(64,943)	-	-	(64,844)	(51)	(64,895)
<u>Contributions by and distributions to owners</u>									
Share-based payments - Grant of equity-settled share options	-	-	-	-	-	69	69	-	69
At 30 September 2015	258,160	2,886	(557)	(179,483)	795	816	(175,543)	1,844	84,461
At 1 January 2016	258,160	2,886	(482)	(282,612)	795	888	(278,525)	(9,372)	(29,737)
Loss for the financial period	-	-	-	(2,193)	-	-	(2,193)	(179)	(2,372)
Other comprehensive income for the financial period	-	-	846	-	-	-	846	-	846
Total comprehensive income for the financial period	-	-	846	(2,193)	-	-	(1,347)	(179)	(1,526)
<u>Contributions by and distributions to owners</u>									
Share-based payments - Grant of equity-settled share options	-	-	-	-	-	111	111	-	111
At 30 June 2016	258,160	2,886	364	(284,805)	795	999	(279,761)	(9,551)	(31,152)
Loss for the financial period	-	-	-	(1,067)	-	-	(1,067)	(77)	(1,144)
Other comprehensive income for the financial period	-	-	114	-	-	-	114	-	114
Total comprehensive income for the financial period	-	-	114	(1,067)	-	-	(953)	(77)	(1,030)
<u>Contributions by and distributions to owners</u>									
Share-based payments - Grant of equity-settled share options	-	-	-	-	-	51	51	-	51
- Expiry of employee share options	-	-	-	88	-	(88)	-	-	-
At 30 September 2016	258,160	2,886	478	(285,784)	795	962	(280,663)	(9,628)	(32,131)

	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 2015	258,160	2,886	(165,669)	631	(162,152)	96,008
Loss for the financial period, representing total comprehensive income for the financial period	-	-	(2,129)	-	(2,129)	(2,129)
<u>Contributions by and distributions to owners</u>						
Share-based payments						
- Grant of equity-settled share options	-	-	-	116	116	116
At 30 June 2015	258,160	2,886	(167,798)	747	(164,165)	93,995
Loss for the financial period, representing total comprehensive income for the financial period	-	-	(824)	-	(824)	(824)
<u>Contributions by and distributions to owners</u>						
Share-based payments						
- Grant of equity-settled share options	-	-	-	69	69	69
At 30 September 2015	258,160	2,886	(168,622)	816	(164,920)	93,240
At 1 January 2016	258,160	2,886	(240,633)	888	(236,859)	21,301
Loss for the financial period, representing total comprehensive income for the financial period	-	-	(1,835)	-	(1,835)	(1,835)
<u>Contributions by and distributions to owners</u>						
Share-based payments						
- Grant of equity-settled share options	-	-	-	111	111	111
At 30 June 2016	258,160	2,886	(242,468)	999	(238,583)	19,577
Loss for the financial period, representing total comprehensive income for the financial period	-	-	(207)	-	(207)	(207)
<u>Contributions by and distributions to owners</u>						
Share-based payments						
- Grant of equity-settled share options	-	-	-	51	51	51
- Expiry of employee share options	-	-	88	(88)	-	-
At 30 September 2016	258,160	2,886	(242,587)	962	(238,739)	19,421

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 period ended 30 September 2016 (third quarter period ended 30 September 2015: Nil) pursuant to the RHP Share Option Scheme 2011.

The unissued shares of the Company under option as at 30 September 2016 are as follows:

Date of grant of options	Exercise price per share	Balance as at 01.07.2016	Granted during the financial period	Exercised during the financial period	Cancelled/ lapsed during the financial period	Number of options outstanding as at 30.09.2016	Number of options outstanding as at 30.09.2015	Exercise period
22.07.2011	S\$0.590	310,000	-	-	(310,000)	-	310,000	23.07.2013 to 21.07.2016
02.03.2012	S\$0.370	284,000	-	-	-	284,000	284,000	03.03.2014 to 01.03.2017
05.03.2013	S\$0.420	2,048,500	-	-	-	2,048,500	2,048,500	06.03.2015 to 04.03.2018
07.03.2014	S\$0.420	629,200	-	-	-	629,200	635,900	08.03.2016 to 06.03.2019
06.03.2015	S\$0.275	2,900,000	-	-	-	2,900,000	2,930,000	07.03.2017 to 05.03.2020
		<u>6,171,700</u>	<u>-</u>	<u>-</u>	<u>(310,000)</u>	<u>5,861,700</u>	<u>6,208,400</u>	

PERFORMANCE SHARE PLAN

There were no shares awarded in the third quarter period ended 30 September 2016 (third quarter period ended 30 September 2015: 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 2016 (third quarter period ended 30 September 2015: Nil).

There were no shares held as treasury shares as at 30 September 2016 (as at 30 September 2015: 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 30 September 2016 was 734,277,400 (31 December 2015: 734,277,400).

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 2015.

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 2016.

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	
	30/9/2016 (3 months) Cents	30/9/2015 (3 months) Cents	30/9/2016 (9 months) Cents	30/9/2015 (9 months) Cents
Loss per ordinary share for the financial period based on net loss attributable to owners of the Company				
(i) Based on the weighted average number of ordinary shares on issue; and	(0.15)	(8.84)	(0.44)	(9.21)
(ii) On a fully diluted basis	(0.15)	(8.84)	(0.44)	(9.21)

Basic loss per share 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 2015 : 734,277,400 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 financial 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		No. of Shares Group	
	30/9/2016 (3 months)	30/9/2015 (3 months)	30/9/2016 (9 months)	30/9/2015 (9 months)
Weighted average number of ordinary shares for basic loss per share computation	734,277,400	734,277,400	734,277,400	734,277,400
Effects of dilution:				
- Share options	-	-	-	110,973
Weighted average number of ordinary shares for diluted loss per share computation	734,277,400	734,277,400	734,277,400	734,388,373

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	
	30/9/2016 Cents	31/12/2015 Cents	30/9/2016 Cents	31/12/2015 Cents
Net asset value per ordinary share capital	(3.06)	(2.77)	2.64	2.90

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\$13,543,000 for the third quarter ended 30 September 2016 ("3Q 2016") as compared to US\$11,233,000 in the third quarter ended 30 September 2015 ("3Q 2015"). The increase in revenue is mainly due to the additional production from TBA field in Island production sharing contracts ("PSC"). However the average realised oil price has declined by 9% from US\$47 per barrel in 3Q 2015 to US\$43 per barrel in 3Q 2016.

The cost of sales increased by 4% in 3Q 2016 as compared to 3Q 2015 mainly due to increase in depletion and amortisation of oil and gas properties in Basin PSC and Island PSC.

In line with the higher revenue, partially offset by an increase in depletion and amortisation of oil and gas properties, the Group recorded lower gross loss of US\$1,034,000 in 3Q 2016 as compared to gross loss of US\$2,743,000 in 3Q 2015.

The increase in other income for 3Q 2016 as compared to that for 3Q 2015 is mainly due to the net fair value gain on derivatives of US\$16,000 and head office overhead charged to partners in Basin PSC of US\$171,000 in 3Q 2016.

The decrease in administrative expenses for 3Q 2016 as compared to that for 3Q 2015 is mainly due to the decrease in staff costs, professional fees and other monthly overheads.

Other expenses for 3Q 2016 have decreased significantly compared to that of 3Q 2015 mainly due to absence of impairment loss on goodwill of US\$43,580,000, impairment loss on oil and gas properties of US\$17,578,000 and impairment loss on exploration and evaluation assets of US\$15,367,000 as well as the absence of foreign exchange loss of US\$1,592,000 which was recorded in 3Q 2015.

Finance costs for 3Q 2016 are lower than that for 3Q 2015 mainly due to the decrease in interest expense as a result of the reduction in bank borrowings.

The income tax credit arises from the derecognition of deferred tax liabilities of US\$1,676,000 as a result of depletion and amortisation of oil and gas properties for Basin PSC and Island PSC in 3Q 2016, partially offset by the income tax expenses for 3Q 2016 of US\$221,000 and under provision of income tax for prior year of US\$115,000 in Basin PSC.

As a result of the above, the Group recorded a net loss of US\$1,144,000 and EBITDAX (see Paragraph 1(a)(ii)) of US\$2,547,000 for 3Q 2016 compared to net loss of US\$64,994,000 and negative EBITDAX of US\$1,320,000 in 3Q 2015.

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

8.2.3 The decrease in trade and other receivables is mainly due to the adjustment for the under-lift of hydrocarbon against the Group's entitlement. Included in trade and other receivables is the sale and lifting of crude oil of US\$10,296,000 from the Basin PSC and Island PSC in September 2016 with the proceeds received in October 2016.

8.2.4 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.

8.2.5 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 of the interest rate swaps is recognised as derivative liabilities in the balance sheet.

8.2.6 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.

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 in the current liabilities have decreased due to repayment of the bank loan of US\$10,260,000 in the nine months period ended 30 September 2016.

8.3 Cash Flow

The Group recorded net operating cash flows of US\$7,205,000 in 3Q 2016. This was used to fund the Group's development and production activities and repayment of bank loan.

Whilst the Group is in a negative working capital position as at 30 September 2016, the Group believes that its business operations would be able to generate sufficient cash flows to meet its short-term obligations as and when they fall due. For the nine months period ended 30 September 2016, the Group has recorded net operating cash flows of US\$10,178,000.

In addition, the Group has embarked on several cost cutting programs for cost optimization and to improve its operational efficiency. As disclosed in Note 2 on page 45 of RH Petrogas Limited's (the "**Company**") Annual Report 2015, the Group has received an undertaking from the Company's controlling shareholder to provide adequate funds to the Group until 30 June 2017 to meet all the Group's forecasted future cash obligations as and when they fall due. From 1 June 2015 to 30 September 2016, the Group had received a total of approximately US\$14.8 million in interest free loans from the controlling shareholder.

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.

Concerns over crude oil stockpile and weakening demand growth continued to affect the oil market in the third quarter of 2016 ("3Q 2016"). Oil prices declined substantially at the beginning of the quarter but managed to recover its losses by the end of the quarter, with Brent price recording an average of US\$46 per barrel for 3Q 2016.

OPEC (Organization of Petroleum Exporting Countries) has recently announced its plan to cut production for the first time in 8 years, though details of the production cut and the success of its implementation remain uncertain. The success and extent of OPEC's implementation of the production cut, as well as collaboration from major non-OPEC producers, would be a key factor to watch in the near term. Under this challenging environment, the Group continues to put its focus on cost reduction and enhancing its operational efficiency.

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 period ended 30 September 2016.

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. 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 financial period ended 30 September 2016 to be false or misleading in any material aspect.

15. Confirmation of undertaking pursuant to Rule 720(1).

The Group has procured undertakings from all its directors and executive officers pursuant to Rule 720(1).

BY ORDER OF THE BOARD

Chang Cheng-Hsing Francis
Group CEO & Executive Director

10 November 2016