

RH Petrogas Limited

Company Registration No: 198701138Z

Unaudited Second Quarter and Half Year Financial Statements and Dividend Announcement for the Financial Period Ended 30 June 2020

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 Jun 2020	30 Jun 2019	%	30 Jun 2020	30 Jun 2019	%
	US\$'000	US\$'000	Change	US\$'000	US\$'000	Change
Revenue	10,196	16,222	(37.1%)	23,526	29,372	(19.9%)
Cost of sales	(12,866)	(14,061)	(8.5%)	(24,863)	(25,470)	(2.4%)
Gross (loss)/profit	(2,670)	2,161	N.M.	(1,337)	3,902	N.M.
Other income	217	145	49.7%	597	355	68.2%
Administrative expenses	(861)	(1,218)	(29.3%)	(1,790)	(2,593)	(31.0%)
Other expenses	(329)	(1,289)	(74.5%)	(272)	(559)	(51.3%)
Finance costs	(353)	(510)	(30.8%)	(779)	(949)	(17.9%)
(Loss)/Profit before tax	(3,996)	(711)	N.M.	(3,581)	156	N.M.
Income tax (expense)/credit	(720)	401	N.M.	(583)	(132)	N.M.
(Loss)/Profit for the financial period	(4,716)	(310)	N.M.	(4,164)	24	N.M.
Attributable to:						
Owners of the Company	(3,586)	(396)	N.M.	(2,993)	(14)	N.M.
Non-controlling interests	(1,130)	86	N.M.	(1,171)	38	N.M.
	(4,716)	(310)	N.M.	(4,164)	24	N.M.
Loss per share attributable to owners of the Company (cents per share)						
Basic	(0.49)	(0.05)	N.M.	(0.41)	-	N.M.
Diluted	(0.49)	(0.05)	N.M.	(0.41)	-	N.M.

N.M. : not meaningful

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

	Group (3 months ended)		Group (6 months ended)	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	US\$'000	US\$'000	US\$'000	US\$'000
Allowance for doubtful trade receivables	-	(1)	-	(1)
Depletion and amortisation of oil and gas properties	(2,190)	(1,647)	(4,695)	(3,754)
Depreciation of other plant and equipment	(3)	(5)	(6)	(11)
Depreciation of right-of-use assets	(1,126)	(1,703)	(2,285)	(3,355)
Foreign exchange (loss)/gain, net	(196)	(1,044)	238	(195)
Impairment loss on exploration and evaluation assets	-	(58)	(34)	(82)
Interest expense on lease liabilities	(148)	(342)	(255)	(606)
Interest income from bank deposits	5	23	37	46
Share-based payments	(17)	(25)	(39)	(47)
Unwinding of discount on decommissioning provisions	(205)	(168)	(523)	(342)

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

	Group (3 months ended)		Group (6 months ended)	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/Profit before tax	(3,996)	(711)	(3,581)	156
Depletion and amortisation of oil and gas properties	2,190	1,647	4,695	3,754
Depreciation of other plant and equipment	3	5	6	11
Impairment loss on exploration and evaluation assets	-	58	34	82
Interest expense on lease liabilities	148	342	255	606
Unwinding of discount on decommissioning provisions	205	168	523	342
	(1,450)	1,509	1,932	4,951

1(a)(iii) Consolidated Statement of Comprehensive Income for the financial period ended 30 June 2020

	Group (3 months ended)		Group (6 months ended)	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/Profit for the financial period	(4,716)	(310)	(4,164)	24
Other comprehensive income :				
<u>Item that may be reclassified subsequently to profit or loss:</u>				
Foreign currency translation	-	986	-	(43)
Other comprehensive income				
for the financial period, net of tax	-	986	-	(43)
Total comprehensive income for the financial period	(4,716)	676	(4,164)	(19)
Attributable to:				
Owners of the Company	(3,586)	590	(2,993)	(57)
Non-controlling interests	(1,130)	86	(1,171)	38
	(4,716)	676	(4,164)	(19)

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 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current assets				
Oil and gas properties	2,623	7,291	-	-
Other plant and equipment	23	29	20	26
Right-of-use assets	4,804	3,734	152	217
Cash and bank balances	3,186	2,560	-	-
Amounts due from subsidiaries	-	-	5,673	6,740
Other non-current assets	2,731	2,741	-	-
	13,367	16,355	5,845	6,983
Current assets				
Inventories	631	745	-	-
Other current assets	33	76	24	28
Trade and other receivables	10,733	15,369	659	578
Cash and bank balances	11,012	9,511	2,588	536
	22,409	25,701	3,271	1,142
Current liabilities				
Income tax payable	1,816	2,443	-	-
Provisions	213	171	-	-
Lease liabilities	4,527	4,043	127	123
Trade and other payables	29,944	33,226	553	939
Loans and borrowings	167	482	167	482
	36,667	40,365	847	1,544
Net current (liabilities)/assets	(14,258)	(14,664)	2,424	(402)
Non-current liabilities				
Provisions	785	725	26	27
Loan from non-controlling interest	13,632	15,825	-	-
Deferred tax liabilities	-	774	-	-
Lease liabilities	2,359	228	22	91
Loans and borrowings	12,464	10,145	10,050	7,731
	29,240	27,697	10,098	7,849
Net liabilities	(30,131)	(26,006)	(1,829)	(1,268)
Equity attributable to owners of the Company				
Share capital	258,160	258,160	258,160	258,160
Reserves	(273,900)	(270,946)	(259,989)	(259,428)
	(15,740)	(12,786)	(1,829)	(1,268)
Non-controlling interests	(14,391)	(13,220)	-	-
Total deficit	(30,131)	(26,006)	(1,829)	(1,268)

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 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	US\$'000	US\$'000	US\$'000	US\$'000
Unsecured				
Amount repayable in one year or less, or on demand	167	482	167	482
Amount repayable after one year	12,464	10,145	10,050	7,731
	12,631	10,627	10,217	8,213
Total				
Amount repayable in one year or less, or on demand				
Loans from related parties	167	482	167	482
	167	482	167	482
Amount repayable after one year, comprising				
Loans from related parties	12,464	10,145	10,050	7,731
	12,464	10,145	10,050	7,731
Total loans and borrowings	12,631	10,627	10,217	8,213

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 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities				
(Loss)/Profit before tax	(3,996)	(711)	(3,581)	156
Adjustments for:				
Allowance for doubtful trade receivables	-	1	-	1
Depletion and amortisation of oil and gas properties	2,190	1,647	4,695	3,754
Depreciation of other plant and equipment	3	5	6	11
Depreciation of right-of-use assets	1,126	1,703	2,285	3,355
Impairment loss on exploration and evaluation assets	-	58	34	82
Interest expense on lease liabilities	148	342	255	606
Interest income from bank deposits	(5)	(23)	(37)	(46)
Share-based payments	17	25	39	47
Unrealised foreign exchange loss/(gain)	184	113	(441)	236
Unwinding of discount on decommissioning provisions	205	168	523	342
Operating cash flows before changes in working capital	(128)	3,328	3,778	8,544
Changes in working capital				
Decrease/(Increase) in inventories	69	(551)	114	(499)
(Increase)/Decrease in trade and other receivables	(3,004)	2,823	4,689	5,364
Increase/(Decrease) in trade and other payables	1,502	1,527	(2,480)	(4,889)
Cash flows (used in)/from operations	(1,561)	7,127	6,101	8,520
Income tax paid	(1,635)	(888)	(1,985)	(1,458)
Interest received	5	23	37	46
Net cash flows (used in)/from operating activities	(3,191)	6,262	4,153	7,108
Investing activities				
Additions to exploration and evaluation assets	-	(58)	(34)	(82)
Additions to oil and gas properties	(47)	(439)	(253)	(925)
Cash call contributions for termination liabilities and decommissioning provisions	(340)	(474)	(1,076)	(474)
Purchase of other plant and equipment	-	(3)	-	(5)
Net cash flows used in investing activities	(387)	(974)	(1,363)	(1,486)
Financing activities				
(Increase)/Decrease in deposits pledged	(313)	(312)	4,374	(625)
Loan from/(Repayment to) non-controlling interest	73	65	(2,193)	128
Payment of lease liabilities	(375)	(1,471)	(663)	(1,731)
(Repayment of advances to)/Loan from related parties	(73)	(65)	2,193	(128)
Net cash flows (used in)/from financing activities	(688)	(1,783)	3,711	(2,356)
Net (decrease)/increase in cash and cash equivalents	(4,266)	3,505	6,501	3,266
Effect of exchange rate changes on cash and cash equivalents	-	(3)	-	-
Cash and cash equivalents at beginning of the financial period	15,278	7,184	4,511	7,420
Cash and cash equivalents at end of the financial period	11,012	10,686	11,012	10,686

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

	Group (6 months ended)	
	30 Jun 2020	30 Jun 2019
	US\$'000	US\$'000
Cash and bank balances	14,198	17,620
Less:		
Short-term deposits pledged	-	(5,000)
Long-term deposits pledged	(3,186)	(1,934)
Cash and cash equivalents	11,012	10,686

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 capitalisation 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 interests	Total deficit
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group									
At 1 January 2019	258,160	2,886	1,694	(278,315)	1,764	596	(271,375)	(9,817)	(23,032)
Profit/(Loss) for the financial period	-	-	-	382	-	-	382	(48)	334
Other comprehensive income for the financial period	-	-	(1,028)	-	-	-	(1,028)	-	(1,028)
Total comprehensive income for the financial period	-	-	(1,028)	382	-	-	(646)	(48)	(694)
<u>Contributions by and distributions to owners</u>									
Share-based payments									
- Grant of equity-settled share options	-	-	-	-	-	22	22	-	22
- Expiry of employee share options	-	-	-	174	-	(174)	-	-	-
At 31 March 2019	258,160	2,886	666	(277,759)	1,764	444	(271,999)	(9,865)	(23,704)
(Loss)/Profit for the financial period	-	-	-	(396)	-	-	(396)	86	(310)
Other comprehensive income for the financial period	-	-	986	-	-	-	986	-	986
Total comprehensive income for the financial period	-	-	986	(396)	-	-	590	86	676
<u>Contributions by and distributions to owners</u>									
Share-based payments									
- Expiry of employee share options	-	-	-	-	-	25	25	-	25
At 30 June 2019	258,160	2,886	1,652	(278,155)	1,764	469	(271,384)	(9,779)	(23,003)

	Share capital	Capital reduction reserve	Foreign currency translation reserve	Accumulated losses	Equity reserve	Employee share option reserve	Total reserves	Non-controlling interests	Total deficit
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group									
At 1 January 2020	258,160	2,886	(90)	(276,065)	1,764	559	(270,946)	(13,220)	(26,006)
Profit/(Loss) for the financial period, representing total comprehensive income for the financial period	-	-	-	593	-	-	593	(41)	552
<u>Contributions by and distributions to owners</u>									
Share-based payments									
- Grant of equity-settled share options	-	-	-	-	-	22	22	-	22
At 31 March 2020	258,160	2,886	(90)	(275,472)	1,764	581	(270,331)	(13,261)	(25,432)
Loss for the financial period, representing total comprehensive income for the financial period	-	-	-	(3,586)	-	-	(3,586)	(1,130)	(4,716)
<u>Contributions by and distributions to owners</u>									
Share-based payments									
- Grant of equity-settled share options	-	-	-	-	-	17	17	-	17
At 30 June 2020	258,160	2,886	(90)	(279,058)	1,764	598	(273,900)	(14,391)	(30,131)

	Share capital	Capital reduction reserve	Accumulated losses	Employee share option reserve	Total reserves	Total equity / (deficit)
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Company						
At 1 January 2019	258,160	2,886	(261,455)	596	(257,973)	187
Loss for the financial period, representing total comprehensive income for the financial period	-	-	(464)	-	(464)	(464)
<u>Contributions by and distributions to owners</u>						
Share-based payments						
- Grant of equity-settled share options	-	-	-	22	22	22
- Expiry of employee share options	-	-	174	(174)	-	-
At 31 March 2019	258,160	2,886	(261,745)	444	(258,415)	(255)
Loss for the financial period, representing total comprehensive income for the financial period	-	-	(357)	-	(357)	(357)
<u>Contributions by and distributions to owners</u>						
Share-based payments						
- Grant of equity-settled share options	-	-	-	25	25	25
At 30 June 2019	258,160	2,886	(262,102)	469	(258,747)	(587)
At 1 January 2020	258,160	2,886	(262,873)	559	(259,428)	(1,268)
Profit for the financial period, representing total comprehensive income for the financial period	-	-	65	-	65	65
<u>Contributions by and distributions to owners</u>						
Share-based payments						
- Grant of equity-settled share options	-	-	-	22	22	22
At 31 March 2020	258,160	2,886	(262,808)	581	(259,341)	(1,181)
Loss for the financial period, representing total comprehensive income for the financial period	-	-	(665)	-	(665)	(665)
<u>Contributions by and distributions to owners</u>						
Share-based payments						
- Grant of equity-settled share options	-	-	-	17	17	17
At 30 June 2020	258,160	2,886	(263,473)	598	(259,989)	(1,829)

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 period ended 30 June 2020 (second quarter period ended 30 June 2019: Nil) pursuant to the RHP Share Option Scheme 2011.

The unissued shares of the Company under option as at 30 June 2020 are as follows:

Date of grant of options	Exercise price per share	Balance as at 01.04.2020	Granted during the financial period	Exercised during the financial period	Cancelled/lapsed during the financial period	Number of options outstanding as at 30.06.2020	Number of options outstanding as at 30.06.2019	Exercise period
06.03.2015	S\$0.275	-	-	-	-	-	2,540,000	07.03.2017 to 05.03.2020
06.03.2017	S\$0.084	1,400,000	-	-	-	1,400,000	1,400,000	07.03.2019 to 05.03.2022
06.03.2018	S\$0.074	1,970,000	-	-	-	1,970,000	1,970,000	07.03.2020 to 05.03.2023
05.03.2019	S\$0.044	3,060,000	-	-	-	3,060,000	3,060,000	06.03.2021 to 04.03.2024
06.03.2020	S\$0.023	2,560,000	-	-	-	2,560,000	-	07.03.2022 to 05.03.2025
		8,990,000	-	-	-	8,990,000	8,970,000	

PERFORMANCE SHARE PLAN

There were no shares awarded in the second quarter period ended 30 June 2020 (second quarter period ended 30 June 2019: 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 2020 (second quarter period ended 30 June 2019: Nil).

There were no shares held as treasury shares by the Company and no subsidiary holdings, as at 30 June 2020 (as at 30 June 2019: 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 June 2020 was 734,277,400 (31 December 2019: 734,277,400).

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

Not applicable.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings 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 modifications or emphasis of a matter).

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue.

Not applicable. The audited financial statements for the year ended 31 December 2019 was not subjected to an adverse opinion, qualified opinion or disclaimer of opinion.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

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 2019.

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 Singapore Financial Reporting Standards (International) ("SFRS(I)") which became effective for the financial years beginning on or after 1 January 2020.

The adoption of the new/revised SFRS(I) 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 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	(3 months)	(3 months)	(6 months)	(6 months)
	Cents	Cents	Cents	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	(0.49)	(0.05)	(0.41)	-
(ii) On a fully diluted basis	(0.49)	(0.05)	(0.41)	-

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 June 2019: 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		No. of Shares	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	(3 months)	(3 months)	(6 months)	(6 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	- ⁽¹⁾	- ⁽¹⁾	- ⁽¹⁾	248,268
Weighted average number of ordinary shares for diluted loss per share computation	734,277,400	734,277,400	734,277,400	734,525,668

⁽¹⁾ The share options granted to employees are not included in the calculation because they are anti-dilutive.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares 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 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	Cents	Cents	Cents	Cents
Net asset value per ordinary share capital	(2.14)	(1.74)	(0.25)	(0.17)

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

8.1.1 The Group recorded revenue of US\$10,196,000 for the second quarter period ended 30 June 2020 ("2Q 2020"), a decrease of 37.1% as compared to the US\$16,222,000 recorded in the second quarter period ended 30 June 2019 ("2Q 2019"). The decrease in revenue was attributable to a 59% decrease in the average realised oil price for the period from US\$69 per barrel in 2Q 2019 to US\$28 per barrel in 2Q 2020, despite the higher lifting of crude oil in the Basin production sharing contract ("PSC") in 2Q 2020 as compared to 2Q 2019.

8.1.2 The cost of sales decreased by 8.5% in 2Q 2020 as compared to 2Q 2019 mainly due to the recognition of deferred expenses as a result of under-lifting for Basin PSC in 2Q 2020, partially offset by higher depletion and amortisation of oil and gas properties in the Basin PSC. Included in the cost of sales was depreciation expense on right-of-use assets of US\$1,094,000 for 2Q 2020 (2Q 2019 : US\$1,671,000).

8.1.3 As a result of the decrease in revenue and partially offset by the decrease in cost of sales, the Group recorded a gross loss of US\$2,670,000 in 2Q 2020 as compared to the gross profit of US\$2,161,000 in 2Q 2019.

8.1.4 Other income increased from US\$145,000 in 2Q 2019 to US\$217,000 in 2Q 2020 mainly due to cash grant received from the Government's Jobs Support Scheme during this period of economic uncertainty.

8.1.5 Administrative expenses for 2Q 2020 decreased by 29.3% to US\$861,000 as compared to 2Q 2019 due mainly to the absence of administrative expenses related to Kingworld Resources Ltd ("KRL") which was recorded in 2Q 2019. Mastique Investments Ltd, together with its wholly-owned subsidiary KRL ceased to be members of the Group following the completion of its disposal on 31 October 2019. Please refer to SGXNET Announcement No. SG190924OTHR6GHL and SG191031OTHRUB9 dated 24 September 2019 and 31 October 2019 respectively for more details.

8.1.6 The decrease in other expenses for 2Q 2020 was mainly due to lower foreign exchange loss recognised in the current quarter and absence of the impairment loss on exploration and evaluation assets for the SK331 PSC which was recorded in 2Q 2019.

8.1.7 Finance costs for 2Q 2020 were lower as compared to 2Q 2019 due to a lower interest expense on lease liabilities for the Basin PSC, partially offset by the increase in unwinding of discount on decommissioning provisions for both the Basin and Island PSCs.

8.1.8 The income tax expense in 2Q 2020 comprised the Group's share of the Basin and Island PSCs tax expense of US\$787,000, and partially offset by derecognition of deferred tax liabilities of US\$67,000 as a result of depletion and amortisation of oil and gas properties.

8.1.9 As a result of the above, the Group recorded a net loss of US\$4,716,000 and negative EBITDAX (see paragraph 1(a)(iii)) of US\$1,450,000 for 2Q 2020 as compared to net loss of US\$310,000 and EBITDAX of US\$1,509,000 for 2Q 2019.

8.2 Balance Sheet

8.2.1 The decrease in oil and gas properties was mainly due to depletion and amortisation for the Basin PSC. The oil and gas properties in relation to Basin PSC will be fully depreciated by 15 October 2020, the date on which the Basin PSC will expire.

8.2.2 The right-of-use ("ROU") assets were mainly related to the leases of office and warehouse, motor vehicles, plant and machinery and other equipment for the Basin and Island PSCs. The increase in the ROU assets was due to recognition of additional ROU assets in the New Island PSC in 2Q 2020, and partially offset by the depreciation of the ROU assets.

8.2.3 The increase in cash and bank balances under the non-current assets was mainly due to additional deposits pledged for cash collateral requirement placed with the issuing bank of the performance bonds in relation to the signing of new 20-year PSCs for the Basin and Island blocks beyond their current contract expiry in 2020.

8.2.4 The decrease in inventories was mainly due to usage for well supplies, and materials for well workover and daily operating activities.

8.2.5 The decrease in trade and other receivables was mainly due to collection of the sale proceeds in January 2020 for the sale and lifting of crude oil completed in December 2019, partially offset by higher deferred expenses recognised in Basin PSC as well as the increase in the Group's share of joint venture receivables in both Basin and Island PSCs. Included in trade and other receivables was the sale and lifting of crude oil of US\$3,685,000 from Basin and New Island PSCs in June 2020 with the proceeds received in July 2020.

8.2.6 The Group recognised lease liabilities in both current liabilities and the non-current liabilities with the adoption of SFRS(I) 16 with effective from 1 January 2019. The increase in lease liabilities in both current liabilities and the non-current liabilities were due to recognition of lease liabilities in the New Island PSC, partially offset by payment of lease liabilities for the six months period ended 30 June 2020. As at 30 June 2020, the lease liabilities in the current liabilities and the non-current liabilities were US\$4,527,000 and US\$2,359,000 respectively.

8.2.7 The decrease in trade and other payables was mainly attributable to the decrease in other payables of Basin PSC, Island PSC and SK331 PSC.

8.2.8 The increase in provisions in the current liabilities was due to an increase in termination liabilities for Island PSC. The increase in provisions in the non-current liabilities was mainly due to the increase in decommissioning provisions in the Basin PSC.

8.2.9 The decrease in loan from non-controlling interest was due to the refund to Tumbuh Tiasa Enterprises Sdn Bhd ("TTE") of its 49% share of bank deposits pledged as collateral for the issuance of the bank guarantees to PETRONAS ("SK331 BG") together with the accumulated interest on such deposits totalling US\$2,494,000 and partially offset by its portion of cash call contribution of US\$301,000 for the SK331 PSC. TTE holds a 49% shareholding interest in RHP (Mukah) Pte Ltd.

8.2.10 The decrease in deferred tax liabilities was due to derecognition of deferred tax liabilities as a result of depletion and amortisation of oil and gas properties.

8.2.11 Total loans and borrowings increased due to the receipt of net advances of US\$2,004,000 from the related parties, partially offset by unrealised foreign exchange gain. Related parties are companies in which two directors have a substantial interest.

8.3 Cash Flow

8.3.1 The Group recorded net cash flows used in operating activities of US\$3,191,000 in 2Q 2020 as compared to net cash flows from operating activities of US\$6,262,000 in 2Q 2019. The decrease was mainly due to lower operating cash flows before changes in working capital and higher net working capital outflow in the current quarter.

8.3.2 Net cash flows used in investing activities was US\$387,000 in 2Q 2020. This comprised mainly (i) cash call contribution for termination liabilities and decommissioning costs of US\$340,000 for Basin PSC; and (ii) well workovers of US\$47,000 for Basin PSC.

8.3.3 Net cash flow used in financing activities of US\$688,000 in 2Q 2020 consisted of (i) additional deposits of US\$313,000 pledged as collateral with the issuing bank of the performance bonds in relation to the new 20-year PSCs for the Basin and Island blocks; and (ii) payment of lease liabilities of US\$375,000 for the Company and the Basin PSC.

8.3.4 Whilst the Group was in a negative working capital position as at 30 June 2020, 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 six months period ended 30 June 2020, the Group recorded positive operating cash flows of US\$4,153,000 and has cash and cash equivalents of US\$11,012,000 as at 30 June 2020. With no outstanding bank loan to serve, barring unforeseen circumstances, the Group will be able to deploy its cash flow for its operational requirements.

As disclosed in Note 2 on page 54 of RH Petrogas Limited's (the "Company") Annual Report 2019, the Group had received a letter of financial support from a substantial shareholder to provide adequate funds to the Group till 30 June 2021 to meet the Group's working capital needs.

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.

Contending with the multiple impact of global lockdown due to the COVID-19 pandemic, the Saudi-Russia oil price war saga and the dwindling global oil storage capacities, the second quarter of 2020 saw huge swings in the oil markets with Brent crude oil prices crashing to a 21-year low of around US\$9 per barrel in late April before recovering to around US\$43 per barrel towards late June. As a result, Brent crude oil prices averaged around US\$30 per barrel in the second quarter of 2020, a decline of approximately 41% and 57% compared to the preceding quarter and the corresponding quarter in 2019 respectively. The oil price recovery towards the end of the second quarter was mainly driven by hopes of an uptick in oil demand as several countries began to ease their COVID-19 lockdown measures. The implementation of the historic production cuts of 9.7 million barrels per day from May to July 2020 by the OPEC+ alliance, coupled with the further commitment from Saudi Arabia to voluntarily slash its production output by an additional one million barrels per day in June, had also provided much support to oil prices.

The global economic recovery remains cautious as countries grapple with the impact of the COVID-19 pandemic. According to recent reports made by OPEC and other major agencies such as IEA and EIA in July, overall demand for oil is expected to improve in the second half of 2020 and into 2021, albeit still below pre-COVID-19 levels. However, the situation remains fluid and uncertain as the COVID-19 pandemic continues to evolve.

Global oil markets will continue to face headwinds on several fronts in the near to medium term. Oil prices will likely be subject to continued volatility and unpredictability. Key uncertainties such as how the pandemic situation develops and how countries respond, how global economies continue to function in this new norm, when an effective vaccine can be developed, the continued cooperation and commitment of the OPEC+ alliance and the ripple effects caused by the intensifying tensions between the US and China on a growing list of disputes, among many others.

Given this very challenging environment and uncertainties, the Group's financial conditions, as with most of its peers in the upstream oil industry, will be adversely impacted. The Group is conserving its cash reserves and will continue to exercise financial prudence and discipline in its spending during this difficult period. The Group has implemented the deferral of all discretionary and non-essential capital expenditures for rest of the year, as well as implemented cost reduction and optimisation programmes across its operations.

The safety and well-being of our staff and contractors are of top priority and concern to us. The Group and its operating subsidiaries have worked diligently to adhere to and implement the various COVID-19 health and safety measures issued by the relevant government and regulatory advisories at places where we operate, including work from home for all staff where possible. For field operations, the Group has developed and adopted an operating protocol that encompasses procedures for prevention, detection, control and mitigation of impact from the coronavirus. Under the protocol, proactive screening of field personnel is conducted and at the time of this report, the Group was able to detect and isolate 9 contractor personnel who were asymptomatic prior to their travel to the Group's field facilities. They were referred to the local health authorities who confirmed that they were infected and quarantined them. The Group will continue to review the situation and implement appropriate further measures as may be required. In the meantime, the Board wishes to advise shareholders of the Company and investors to exercise caution when dealing in the shares of the Company.

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

(a) Whether an interim (final) ordinary dividend 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 and the reason(s) for the decision.

No dividend has been proposed by the Board for the second quarter period ended 30 June 2020. The Group is conserving its cash towards funding the work programs of its assets and to grow its reserve and production base.

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 second quarter financial results for the financial period ended 30 June 2020 to be false or misleading in any material aspect.

15. Confirmation of undertakings 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

7 August 2020