

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 2019

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

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

Consolidated Income Statement

	Group (3 months ended)			Group (6 months ended)		
	30/6/2019 US\$'000	30/6/2018 US\$'000	% Change	30/6/2019 US\$'000	30/6/2018 US\$'000	% Change
Revenue	16,222	9,501	71%	29,372	27,837	6%
Cost of sales	(14,061)	(7,294)	93%	(25,470)	(22,956)	11%
Gross profit	2,161	2,207	(2%)	3,902	4,881	(20%)
Other income	145	143	1%	355	263	35%
Administrative expenses	(1,218)	(1,250)	(3%)	(2,593)	(2,418)	7%
Other expenses	(1,289)	(1,727)	(25%)	(559)	(651)	(14%)
Finance costs	(510)	(131)	N.M.	(949)	(292)	N.M.
(Loss)/Profit before tax	(711)	(758)	(6%)	156	1,783	(91%)
Income tax credit/(expense)	401	(143)	N.M.	(132)	19	N.M.
(Loss)/Profit for the financial period	(310)	(901)	(66%)	24	1,802	(99%)
Attributable to:						
Owners of the Company	(396)	(872)	(55%)	(14)	1,862	N.M.
Non-controlling interests	86	(29)	N.M.	38	(60)	N.M.
	(310)	(901)	(66%)	24	1,802	(99%)
(Loss)/Earnings per share attributable to owners of the Company (cents per share)						
Basic	(0.05)	(0.12)	(58%)	-	0.25	(100%)
Diluted	(0.05)	(0.12)	(58%)	-	0.25	(100%)

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)	
	30/6/2019	30/6/2018	30/6/2019	30/6/2018
	US\$'000	US\$'000	US\$'000	US\$'000
Allowance for doubtful trade receivables	(1)	-	(1)	-
Depletion and amortisation of oil and gas properties	(1,647)	(1,597)	(3,754)	(3,177)
Depreciation of other plant and equipment	(5)	(25)	(11)	(36)
Depreciation of right-of-use assets	(1,703)	-	(3,355)	-
Foreign exchange loss, net	(1,044)	(1,631)	(195)	(458)
Impairment loss on development expenditures	-	(6)	-	(10)
Impairment loss on exploration and evaluation assets	(58)	-	(82)	-
Interest expense on lease liabilities	(342)	-	(606)	-
Interest income from bank deposits	23	11	46	20
Share-based payments	(25)	(22)	(47)	(35)
Unwinding of discount on decommissioning provisions	(168)	(131)	(342)	(292)

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)	
	30/6/2019	30/6/2018	30/6/2019	30/6/2018
	US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/Profit before tax	(711)	(758)	156	1,783
Depletion and amortisation of oil and gas properties	1,647	1,597	3,754	3,177
Depreciation of other plant and equipment	5	25	11	36
Impairment loss on development expenditures	-	6	-	10
Impairment loss on exploration and evaluation assets	58	-	82	-
Interest expense on lease liabilities	342	-	606	-
Unwinding of discount on decommissioning provisions	168	131	342	292
	1,509	1,001	4,951	5,298

1(a)(iii) Consolidated Statement of Comprehensive Income for the financial period ended 30 June 2019

	Group (3 months ended)		Group (6 months ended)	
	30/6/2019	30/6/2018	30/6/2019	30/6/2018
	US\$'000	US\$'000	US\$'000	US\$'000
(Loss)/Profit for the financial period	(310)	(901)	24	1,802
Other comprehensive income :				
<u>Item that may be reclassified subsequently to profit or loss:</u>				
Foreign currency translation	986	2,208	(43)	710
Other comprehensive income for the financial period, net of tax	986	2,208	(43)	710
Total comprehensive income for the financial period	676	1,307	(19)	2,512
Attributable to:				
Owners of the Company	590	1,336	(57)	2,572
Non-controlling interests	86	(29)	38	(60)
	676	1,307	(19)	2,512

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

	Group		Company	
	30/6/2019 US\$'000	31/12/2018 US\$'000	30/6/2019 US\$'000	31/12/2018 US\$'000
Non-current assets				
Oil and gas properties	8,795	9,305	-	-
Development expenditures	-	-	-	-
Other plant and equipment	18	24	11	8
Right-of-use assets	9,086	-	279	-
Exploration and evaluation assets	-	2,536	-	-
Cash and bank balances	1,934	1,308	-	-
Amounts due from subsidiaries	-	-	9,177	10,778
Other non-current assets	2,741	2,741	-	-
	22,574	15,914	9,467	10,786
Current assets				
Inventories	1,527	1,026	-	-
Other current assets	44	56	27	32
Trade and other receivables	7,985	13,336	529	567
Cash and bank balances	15,686	12,420	1,258	784
	25,242	26,838	1,814	1,383
Current liabilities				
Income tax payable	1,259	1,464	-	-
Lease liabilities	6,659	-	127	-
Trade and other payables	29,890	33,567	416	762
Loans and borrowings	2,500	2,500	2,500	2,500
	40,308	37,531	3,043	3,262
Net current liabilities	(15,066)	(10,693)	(1,229)	(1,879)
Non-current liabilities				
Provisions	2,414	2,189	-	-
Loan from non-controlling interest	12,852	12,724	-	-
Deferred tax liabilities	850	1,972	-	-
Lease liabilities	3,073	-	155	-
Loans and borrowings	11,322	11,368	8,670	8,720
	30,511	28,253	8,825	8,720
Net (liabilities)/assets	(23,003)	(23,032)	(587)	187
Equity attributable to owners of the Company				
Share capital	258,160	258,160	258,160	258,160
Reserves	(271,384)	(271,375)	(258,747)	(257,973)
	(13,224)	(13,215)	(587)	187
Non-controlling interests	(9,779)	(9,817)	-	-
Total (deficit)/equity	(23,003)	(23,032)	(587)	187

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

	Group		Company	
	30/6/2019 US\$'000	31/12/2018 US\$'000	30/6/2019 US\$'000	31/12/2018 US\$'000
Unsecured				
Amount repayable in one year or less, or on demand	2,500	2,500	2,500	2,500
Amount repayable after one year	11,322	11,368	8,670	8,720
	13,822	13,868	11,170	11,220
Total				
Amount repayable in one year or less, or on demand				
Loans from related parties	2,500	2,500	2,500	2,500
	2,500	2,500	2,500	2,500
Amount repayable after one year, comprising				
Loans from related parties	11,322	11,368	8,670	8,720
	11,322	11,368	8,670	8,720
Total loans and borrowings	13,822	13,868	11,170	11,220

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group (3 months ended)		Group (6 months ended)	
	30/6/2019	30/6/2018	30/6/2019	30/6/2018
	US\$'000	US\$'000	US\$'000	US\$'000
Operating activities				
(Loss)/Profit before tax	(711)	(758)	156	1,783
Adjustments for:				
Allowance for doubtful trade receivables	1	-	1	-
Depletion and amortisation of oil and gas properties	1,647	1,597	3,754	3,177
Depreciation of other plant and equipment	5	25	11	36
Depreciation of right-of-use assets	1,703	-	3,355	-
Impairment loss on development expenditures	-	6	-	10
Impairment loss on exploration and evaluation assets	58	-	82	-
Interest expense on lease liabilities	342	-	606	-
Interest income from bank deposits	(23)	(11)	(46)	(20)
Share-based payments	25	22	47	35
Unrealised foreign exchange loss/(gain)	113	(527)	236	(246)
Unwinding of discount on decommissioning provisions	168	131	342	292
Operating cash flows before changes in working capital	3,328	485	8,544	5,067
Changes in working capital				
(Increase)/Decrease in inventories	(551)	337	(499)	151
Decrease/(Increase) in trade and other receivables	2,823	(2,086)	5,364	(2,392)
Increase/(Decrease) in trade and other payables	1,527	(2,312)	(4,889)	(1,428)
Cash flows from/(used in) operations	7,127	(3,576)	8,520	1,398
Income tax paid	(888)	(797)	(1,458)	(1,757)
Interest received	23	11	46	20
Net cash flows from/(used in) operating activities	6,262	(4,362)	7,108	(339)
Investing activities				
Additions to development expenditures	-	(6)	-	(10)
Additions to exploration and evaluation assets	(58)	-	(82)	-
Additions to oil and gas properties	(439)	(997)	(925)	(1,334)
Cash call contributions for termination liabilities	(474)	(312)	(474)	(318)
Purchase of other plant and equipment	(3)	(37)	(5)	(41)
Net cash flows used in investing activities	(974)	(1,352)	(1,486)	(1,703)
Financing activities				
Increase in deposits pledged	(312)	-	(625)	-
Loan from non-controlling interest	65	29	128	74
Payment of lease liabilities	(1,471)	-	(1,731)	-
Repayment of advances to related parties	(65)	(29)	(128)	(74)
Net cash used in financing activities	(1,783)	-	(2,356)	-
Net increase/(decrease) in cash and cash equivalents	3,505	(5,714)	3,266	(2,042)
Effect of exchange rate changes on cash and cash equivalents	(3)	33	-	33
Cash and cash equivalents at beginning of the financial period	7,184	17,730	7,420	14,058
Cash and cash equivalents at end of the financial period	10,686	12,049	10,686	12,049

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

	Group (6 months ended)	
	30/6/2019	30/6/2018
	US\$'000	US\$'000
Cash and bank balances	17,620	12,049
Less:		
Short-term deposits pledged	(5,000)	-
Long-term deposits pledged	(1,934)	-
Cash and cash equivalents	10,686	12,049

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 2018	258,160	2,886	(569)	(282,483)	795	950	(278,421)	(10,202)	(30,463)
Profit for the financial period	-	-	-	2,734	-	-	2,734	(31)	2,703
Other comprehensive income for the financial period	-	-	(1,498)	-	-	-	(1,498)	-	(1,498)
Total comprehensive income for the financial period	-	-	(1,498)	2,734	-	-	1,236	(31)	1,205
<u>Contributions by and distributions to owners</u>									
Share-based payments									
- Grant of equity-settled share options	-	-	-	-	-	13	13	-	13
- Expiry of employee share options	-	-	-	415	-	(415)	-	-	-
At 31 March 2018	258,160	2,886	(2,067)	(279,334)	795	548	(277,172)	(10,233)	(29,245)
Loss for the financial period	-	-	-	(872)	-	-	(872)	(29)	(901)
Other comprehensive income for the financial period	-	-	2,208	-	-	-	2,208	-	2,208
Total comprehensive income for the financial period	-	-	2,208	(872)	-	-	1,336	(29)	1,307
<u>Contributions by and distributions to owners</u>									
Share-based payments									
- Grant of equity-settled share options	-	-	-	-	-	22	22	-	22
At 30 June 2018	258,160	2,886	141	(280,206)	795	570	(275,814)	(10,262)	(27,916)

	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 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 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									
- Grant of equity-settled 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	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 2018	258,160	2,886	(260,880)	950	(257,044)	1,116
Loss for the financial period, representing total comprehensive income for the financial period	-	-	(562)	-	(562)	(562)
<u>Contributions by and distributions to owners</u>						
Share-based payments						
- Grant of equity-settled share options	-	-	-	13	13	13
- Expiry of employee share options	-	-	415	(415)	-	-
At 31 March 2018	258,160	2,886	(261,027)	548	(257,593)	567
Profit for the financial period, representing total comprehensive income for the financial period	-	-	67	-	67	67
<u>Contributions by and distributions to owners</u>						
Share-based payments						
- Grant of equity-settled share options	-	-	-	22	22	22
At 30 June 2018	258,160	2,886	(260,960)	570	(257,504)	656
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)

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 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 ended 30 June 2019 (second quarter period ended 30 June 2018: Nil) pursuant to the RHP Share Option Scheme 2011.

The unissued shares of the Company under option as at 30 June 2019 are as follows:

Date of grant of options	Exercise price per share	Balance as at 01.04.2019	Granted during the financial period	Exercised during the financial period	Cancelled/lapsed during the financial period	Number of options outstanding as at 30.06.2019	Number of options outstanding as at 30.06.2018	Exercise period
07.03.2014	S\$0.420	-	-	-	-	-	566,700	08.03.2016 to 06.03.2019
06.03.2015	S\$0.275	2,540,000	-	-	-	2,540,000	2,620,000	07.03.2017 to 05.03.2020
06.03.2017	S\$0.084	1,400,000	-	-	-	1,400,000	1,450,000	07.03.2019 to 05.03.2022
06.03.2018	S\$0.074	1,970,000	-	-	-	1,970,000	2,000,000	07.03.2020 to 05.03.2023
05.03.2019	S\$0.044	3,060,000	-	-	-	3,060,000	-	06.03.2021 to 04.03.2024
		8,970,000	-	-	-	8,970,000	6,636,700	

PERFORMANCE SHARE PLAN

There were no shares awarded in the second quarter period ended 30 June 2019 (second quarter period ended 30 June 2018: 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 2019 (second quarter period ended 30 June 2018: Nil).

There were no shares held as treasury shares by the Company and no subsidiary holdings, as at 30 June 2019 (as at 30 June 2018: 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 2019 was 734,277,400 (31 December 2018: 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 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 2018.

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 the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 *Leases*, which took effect on 1 January 2019. SFRS(I) 16 require lessees to recognise most leases on balance sheet with the exception of "low value" assets and short-term leases.

At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying assets during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Accordingly, with the adoption of SFRS(I) 16, the Group recognised right-of-use assets of US\$11,864,000 in the non-current assets, lease liabilities of US\$7,773,000 in the current liabilities and US\$4,091,000 in the non-current liabilities in the statement of financial position as at 1 January 2019.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

	Group		Group	
	30/6/2019	30/6/2018	30/6/2019	30/6/2018
	(3 months)	(3 months)	(6 months)	(6 months)
	Cents	Cents	Cents	Cents
(Loss)/Earnings per ordinary share for the financial period based on net (loss)/profit attributable to owners of the Company				
(i) Based on the weighted average number of ordinary shares on issue; and	(0.05)	(0.12)	-	0.25
(ii) On a fully diluted basis	(0.05)	(0.12)	-	0.25

Basic (loss)/earnings per share is calculated with reference to (loss)/profit net of tax attributable to owners of the Company and the weighted average number of ordinary shares of 734,277,400 (30 June 2018: 734,277,400 shares).

Diluted (loss)/earnings per share are calculated by dividing (loss)/profit, 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	
	30/6/2019	30/6/2018	30/6/2019	30/6/2018
	(3 months)	(3 months)	(6 months)	(6 months)
Weighted average number of ordinary shares for basic (loss)/earnings per share computation	734,277,400	734,277,400	734,277,400	734,277,400
Effects of dilution:				
- Share options	-	244,865	248,268	294,473
Weighted average number of ordinary shares for diluted (loss)/earnings per share computation	734,277,400	734,522,265	734,525,668	734,571,873

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	
	30/6/2019	31/12/2018	30/6/2019	31/12/2018
	Cents	Cents	Cents	Cents
Net asset value per ordinary share capital	(1.80)	(1.80)	(0.08)	0.03

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 a revenue of US\$16,222,000 for the second quarter period ended 30 June 2019 ("2Q 2019"), an increase of US\$6,721,000 or 71% from the revenue of US\$9,501,000 recorded in the second quarter period ended 30 June 2018 ("2Q 2018"). The increase in revenue was due to higher volume of crude oil lifted during 2Q 2019 as compared to 2Q 2018, partially offset by a 5% decrease in the average realised oil price for the period from US\$73 per barrel in 2Q 2018 to US\$69 per barrel in 2Q 2019 in both Basin and Island production sharing contracts ("PSC").

The cost of sales increased by 93% in 2Q 2019 as compared to 2Q 2018 mainly due to the accrual for production expenses as a result of over-lifting in 2Q 2019 as compared to the recognition of deferred expenses as a result of under-lifting in 2Q 2018 for both Basin and Island PSCs. Following the adoption of SFRS(I) 16, the Group recognised depreciation expense of right-of-use assets of US\$1,671,000 in the cost of sales in 2Q 2019 (corresponding lease rental in 2Q 2018 was US\$1,525,000).

As a result of the higher cost of sales and offset by the increase in revenue, gross profit decreased marginally by 2% from US\$2,207,000 in 2Q 2018 to US\$2,161,000 in 2Q 2019.

Other income for 2Q 2019 increased marginally by 1% as compared to 2Q 2018 mainly due to interest received from deposits pledged to fulfil collateral requirement in relation to the issuance of bank guarantee for SK331 PSC, partially offset by lower head office overhead charged to partners in the Basin PSC.

Administrative expenses for 2Q 2019 decreased by 3% as compared to 2Q 2018 mainly due to decrease in professional fees and other monthly overheads.

The decrease in other expenses for 2Q 2019 was mainly due to a lower foreign exchange loss, partially offset by impairment loss on exploration and evaluation assets of US\$58,000 for SK331 PSC.

Finance costs for 2Q 2019 were higher than that for 2Q 2018 due to the recognition of interest expense on lease liabilities of US\$342,000 following the adoption of SFRS(I) 16 for Basin PSC, and the increase in unwinding of discount on decommissioning provisions.

The income tax credit of US\$401,000 in 2Q 2019 arose from the derecognition of deferred tax liabilities of US\$978,000 as a result of depletion and amortisation of oil and gas properties, partially offset by the Group's share of the Basin and Island PSCs tax expense of US\$577,000.

As a result of the above, the Group recorded a net loss of US\$310,000 and EBITDAX (see paragraph 1(a)(ii)) of US\$1,509,000 for 2Q 2019 as compared to net loss of US\$901,000 and EBITDAX of US\$1,001,000 for 2Q 2018.

8.2 Balance Sheet

8.2.1 The decrease in oil and gas properties was mainly due to depletion and amortisation of oil and gas properties for the Basin PSC, partially offset by reclassification of exploration and evaluation assets of US\$2,536,000 to oil and gas properties.

8.2.2 As disclosed in paragraph 5 above, following the adoption of SFRS(I) 16 on 1 January 2019, the Group recognised right-of-use ("ROU") assets which mainly related to leases of motor vehicles, machineries and equipment for the Basin PSC. As at 30 June 2019, the balance for ROU assets was US\$9,086,000.

8.2.3 The increase in cash and bank balances in 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 increase in inventories was mainly due to purchase of repair and replacement parts for power plant, materials for well workovers and daily operating activities in Basin PSC.

8.2.5 The decrease in trade and other receivables was mainly due to the decrease in trade and other joint venture receivables, and deferred expenses recognised in both Basin and Island PSCs. Included in trade and other receivables was the sale and lifting of crude oil of US\$3,682,000 from the Basin and Island PSCs in June 2019 with the proceeds received in July 2019.

8.2.6 As disclosed in paragraph 5 above, following the adoption of SFRS(I) 16 on 1 January 2019, the Group also recognised lease liabilities in both current liabilities and the non-current liabilities. As at 30 June 2019, the lease liabilities in the current liabilities and the non-current liabilities were US\$6,659,000 and US\$3,073,000 respectively.

8.2.7 The decrease in trade and other payables was mainly attributable to the decrease in trade creditors and other payables of Basin and Island PSCs.

8.2.8 The increase in provisions was due to the increase in decommissioning provisions for Basin and Island PSCs.

8.2.9 The increase in loan from non-controlling interest was due to cash call contribution of US\$128,000 for SK331 PSC from Tumbuh Tiasa Enterprises Sdn Bhd which holds 49% shareholding interest in RHP (Mukah) Pte Ltd.

8.2.10 Loans and borrowings decreased due to repayment of advances of US\$128,000 to the related parties, partially offset by unrealised foreign exchange loss. Related parties are companies in which two directors have a substantial interest.

8.3 Cash Flow

The Group recorded net cash flows from operations of US\$6,262,000 in 2Q 2019 as compared to net operating cash outflows of US\$4,362,000 in 2Q 2018. The improvement was mainly due to the decrease in trade and other receivables and increase in trade and other payables for Basin and Island PSCs.

Net cash flows used in investing activities was US\$974,000 in 2Q 2019. This comprised mainly termination liabilities of US\$474,000, well workovers and other capital expenditure of US\$439,000 for Basin and Island PSCs.

Net cash flows used in financing activities of US\$1,783,000 in 2Q 2019 consisted of (i) additional deposits pledged of US\$312,000 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 and (ii) repayment of lease liabilities of US\$1,471,000 for Basin PSC.

Whilst the Group was in a negative working capital position as at 30 June 2019, 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 2Q 2019, the Group recorded positive operating cash flows of US\$6,262,000 and has cash and cash equivalents of US\$10,686,000 as at 30 June 2019. With no outstanding bank loan to service, the Group would be able to deploy its cash flow for its operational requirements and other areas.

As disclosed in Note 2 on page 53 of RH Petrogas Limited's (the "Company") Annual Report 2018, the Group had received a letter of financial support from a substantial shareholder to provide adequate funds to the Group till 30 June 2020 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.

Brent crude oil prices averaged US\$69 per barrel for the second quarter of 2019, an increase of 9.4% over the previous quarter and a decline of 7.4% as compared to the same quarter last year. Oil prices had recovered strongly since the start of the year before coming off around mid-May due to the escalating trade dispute between the United States (US) and China, and an unexpected build-up in US crude oil inventories. Oil prices thereafter recovered some of the lost ground towards end June on news of the resumption in US-China trade talks and the heightened tensions between US and Iran.

On the oil market outlook, Organization of the Petroleum Exporting Countries (OPEC) and other major energy agencies are reported to be expecting limited upside for oil prices for the rest of the year and in 2020 as they foresee ample oil supply due mainly to continued strong growth in the US oil and gas production. Global oil demand growth is also looking vulnerable with weak economic numbers from major economies suggesting a likely global economic slowdown.

Amid a challenging business environment, looming economic slowdown and volatile oil prices, the Group will continue to exercise prudence in managing its capital expenditure and operating costs.

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 2019. 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 2019 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

8 August 2019