

KENCANA PETROLEUM BERHAD

Company No. 667490-M
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

QUARTERLY REPORT : FINANCIAL PERIOD ENDED 30 APRIL 2009

PERIOD : 1 FEBRUARY 2009 TO 30 APRIL 2009

QUARTER : 3RD QUARTER

FINANCIAL YEAR END : 31 JULY 2009

FIGURES : UNAUDITED

KENCANA PETROLEUM BERHAD (667490-M)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2009**

	3rd Quarter		Cumulative Quarter	
	01.02.2009 to 30.04.2009 RM'000	01.02.2008 to 30.04.2008 RM'000	01.08.2008 to 30.04.2009 RM'000	01.08.2007 to 30.04.2008 RM'000
Revenue	290,170	298,121	882,752	1,144,512
Contract costs	(245,587)	(259,637)	(731,949)	(1,028,981)
Gross profit	44,583	38,484	150,803	115,531
Depreciation and amortisation	(4,190)	(2,838)	(11,680)	(7,898)
Operating expenses	(8,870)	(8,519)	(28,389)	(21,346)
Other operating income	4,781	3,684	6,504	5,003
Profit from operations	36,304	30,811	117,238	91,290
Interest expense	(2,290)	(2,088)	(6,702)	(4,985)
Interest income	944	1,198	3,080	3,437
Share of results of associates	101	38	277	156
Share of results of jointly controlled entities	(5)	5	(1)	15
Profit before taxation	35,054	29,964	113,892	89,913
Taxation	(7,414)	(7,956)	(25,940)	(28,208)
Net profit	27,640	22,008	87,952	61,705
Attributed to :				
- Equity holders of the Company	27,640	22,024	87,952	61,721
- Minority Interests	-	(16)	-	(16)
Net profit	27,640	22,008	87,952	61,705
Earnings per share :				
- basic (sen)	3.06	2.44	9.75	6.90
- diluted (sen)	3.05	2.43	9.72	6.86

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 July 2008 and the accompanying explanatory notes attached to the interim financial statements.

KENCANA PETROLEUM BERHAD (667490-M)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 APRIL 2009

	As at 30.04.2009 Unaudited RM'000	As at 31.07.2008 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	308,854	273,233
Goodwill	36,166	36,166
Investments in associates	58,145	28,375
Investments in jointly controlled entities	18	19
Other investment	67	68
	<u>403,250</u>	<u>337,861</u>
Current Assets		
Inventory	586	817
Receivables, deposits and prepayments	180,123	271,803
Current tax assets	-	628
Cash and cash equivalents	289,180	259,523
	<u>469,889</u>	<u>532,771</u>
Total assets	<u>873,139</u>	<u>870,632</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	90,200	90,200
Share premium	78,129	78,129
Other reserves	3,190	668
Retained profits	225,705	142,263
	<u>397,224</u>	<u>311,260</u>
Minority interests	-	-
Total equity	<u>397,224</u>	<u>311,260</u>
Non-current liabilities		
Long term borrowings	58,647	59,904
Deferred tax liability	23,856	22,793
	<u>82,503</u>	<u>82,697</u>
Current Liabilities		
Short term borrowings	147,136	90,977
Payables and accruals	245,018	383,167
Tax liabilities	1,258	2,531
Total current liabilities	<u>393,412</u>	<u>476,675</u>
Total liabilities	<u>475,915</u>	<u>559,372</u>
Total equity and liabilities	<u>873,139</u>	<u>870,632</u>
Net assets per share (RM)	<u>0.44</u>	<u>0.35</u>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 July 2008 and the accompanying explanatory notes attached to the interim financial statements.

KENCANA PETROLEUM BERHAD (667490-M)
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2009**

	-----Attributable to the equity holders of the Company -----					Minority Interests	Total Equity
	Share Capital RM'000	Share premium RM'000	Share option reserve RM'000	Distributable Retained profits RM'000	Total RM'000		
At 1 August 2007	89,150	73,510	123	57,153	219,936	-	219,936
Profit for the year	-	-	-	85,110	85,110	(40)	85,070
Share-based payment	-	-	965	-	965	-	965
Share options exercised	1,050	4,200	-	-	5,250	-	5,250
Transfer to share premium for share options exercised	-	420	(420)	-	-	-	-
Issuance of ordinary shares of a subsidiary to minority interest	-	-	-	-	-	40	40
Share issue expenses	-	(1)	-	-	(1)	-	(1)
At 31 July 2008	90,200	78,129	668	142,263	311,260	-	311,260
At 1 August 2008	90,200	78,129	668	142,263	311,260	-	311,260
Profit for the period	-	-	-	87,952	87,952	-	87,952
Share-based payment	-	-	2,522	-	2,522	-	2,522
Dividends	-	-	-	(4,510)	(4,510)	-	(4,510)
At 30 April 2009	90,200	78,129	3,190	225,705	397,224	-	397,224

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 July 2008 and the accompanying explanatory notes attached to the interim financial statements.

KENCANA PETROLEUM BERHAD (667490-M)
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2009**

	Current Year-to-date 01.08.2008 to 30.04.2009 RM'000	Preceding Year-to-date 01.08.2007 to 30.04.2008 RM'000
Net cash generated from operating activities	53,015	130,324
Net cash used in investing activities	(73,750)	(102,681)
Net cash generated from financing activities	<u>49,042</u>	<u>46,865</u>
Net increase in cash and cash equivalents	28,307	74,508
Cash and cash equivalents at beginning of financial period	226,640	101,886
Cash and cash equivalents at end of financial period	<u><u>254,947</u></u>	<u><u>176,394</u></u>
 Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	224,852	151,422
Short term deposits	64,328	80,174
Bank overdraft	<u>-</u>	<u>(330)</u>
Deposits pledged	289,180	231,266
	<u>(34,233)</u>	<u>(54,872)</u>
	<u><u>254,947</u></u>	<u><u>176,394</u></u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 July 2008 and the accompanying explanatory notes attached to the interim financial statements.

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Financial Reporting Standards (“FRS”) 134 : Interim Financial Reporting and disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 July 2008. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group.

2. CHANGES IN ACCOUNTING POLICIES

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 July 2008.

The adoption of the new or revised FRSs does not have significant financial impact on the Group.

3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors’ report on the financial statements of the Company and its subsidiaries for the financial year ended 31 July 2008 were not qualified.

4. SEGMENTAL INFORMATION

The Group mainly operates in Malaysia and the Malaysia-Thailand Joint Development Area (MTJDA). The Group considers these geographical areas to be significantly similar and therefore deemed them as a single geographical segment. Accordingly information by geographical segment is not presented.

The financial information by industrial segment is not presented as the Group operates in one business segment.

5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the current quarter and financial year-to-date.

6. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

There were no changes in estimates that have had a material effect in the current quarter and financial year-to-date results.

7. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

The Group's performance is not affected by any seasonal or cyclical factors.

8. DIVIDENDS PAID

During the nine months ended 30 April 2009, the first and final single tier dividend of 5% per ordinary share of 10 sen each in respect of the financial year ended 31 July 2008, amounting to RM4.51 million, was paid on 10 March 2009.

9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

There was no valuation of property, plant and equipment in the current quarter and financial year-to-date.

10. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter and financial year-to-date.

11. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter and financial year-to-date.

12. CHANGES IN CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Corporate Guarantee

Kencana Bestwide Sdn Bhd ("Kencana Bestwide"), a wholly-owned subsidiary of the Company, granted unsecured corporate guarantee amounting to RM1,500,000 to a financial institution for credit facilities granted to Best Wide Engineering (M) Sdn Bhd, an associated company of Kencana Bestwide.

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Material Litigation

- (a) Kencana Bestwide, a wholly-owned subsidiary of the Company, filed a Summons in the Kuala Lumpur High Court on 15 October 2003 against one of its customers for the sum of RM1,071,899.02 plus interest, being outstanding payment due and owing to Kencana Bestwide for work done and services rendered by Kencana Bestwide. The said customer in return, filed a counter-claim for the sum of RM2,122,573.08 plus interest, for damages allegedly suffered. Kencana Bestwide's solicitors are of the view that the customer's counter-claim is a mere assertion and lacks of substantial evidence in support. The full trial of this matter was first part heard in the Court on 11 and 12 May 2009. The Court has fixed 29 and 30 June 2009 and 1 July 2009 as the next dates for the continuing trial.
- (b) A claimant filed a Summons in the Kuala Lumpur High Court on 15 September 2008 against Kencana HL as the second defendant for inter-alia a sum of RM1,731,388.92, interest payment of RM1,131,635.90, damages and other costs being outstanding payment due and owing by Kencana HL for work done and services rendered by the said claimant and wrongful termination by Kencana HL of the said claimant as a sub-contractor for Kencana HL. Kencana HL, through its solicitors, has filed a Defence and served the same on the said claimant's solicitors. On 10 December 2008 the claimant's solicitors served a Reply to Kencana HL's Defence. No Court date has been fixed to date by the Court.

Save as disclosed above, there were no other material contingent liabilities that may, upon materialisation, have a material effect on the Group's financial results or position.

13. CAPITAL COMMITMENTS

The amount of commitments for the purchase of property, plant and equipment not provided for in the interim condensed financial statements as at 30 April 2009 were as follows:

	As at 30.04.2009 RM'000
Approved and contracted for	
Purchase of property, plant and equipment	<u>2,540</u>

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14. SUBSEQUENT EVENTS

(a) Employees Share Options Scheme (“ESOS”)

Subsequent to 30 April 2009, the Company issued 200,000 and 347,500 new ordinary shares of RM0.10 each, for cash, arising from the exercise of ESOS at exercise prices of RM1.35 and RM1.40 per ordinary share respectively.

(b) Joint Venture Company (“JVC”)

On 26 May 2009 Kencana HL entered into a Joint Venture Agreement with Global Offshore Malaysia Sdn Bhd (“GOMSB”) to form an incorporated JVC to jointly carry on the business of offshore installation and related activities in Malaysia.

The JVC will be incorporated in Malaysia as a private company limited by shares under the Companies Act, 1965 with an authorized share capital of RM500,000 divided into 500,000 ordinary shares of RM1 each and a paid-up share capital of RM100,000 divided into 100,000 ordinary shares of RM1 each. The shareholding of JVC shall be in the ratio of Kencana HL 51% and GOMSB 49%

Save as disclosed above, there were no other material events subsequent to the end of the current quarter.

PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

15. PERFORMANCE REVIEW

For the current quarter under review, the Group recorded revenue of RM290.2 million and profit before taxation of RM35.1 million. Compared to the corresponding quarter ended 30 April 2008 of RM298.1 million, revenue had decreased by approximately 3% in the current quarter, mainly due to progress achieved for contracts in hand, which was in line with the project delivery schedule. Despite the decrease in revenue, profit before tax had gone up by 17% from RM30.0 million to RM35.1 million due to better management of costs.

16. MATERIAL CHANGE IN QUARTERLY RESULTS AS COMPARED TO THE IMMEDIATE PRECEDING QUARTER

Profit before tax for the current quarter under review of RM35.1 million closely approximates that of the immediate preceding quarter of RM34.9 million.

17. COMMENTARY ON PROSPECTS

The Board of Directors believes that capital spending in the upstream oil and gas sector is expected to be resilient despite the lower world oil prices. This belief is based on continued active exploration and production activities by the oil and gas companies.

Based on this expectation, the Group expects the demand for its core business of engineering and fabrication of oil and gas production facilities, both offshore and onshore to remain strong. In addition, the Group's activities in the marine engineering in respect of the construction of offshore mobile drilling units and rig conversion work are expected to expand the earnings base of the Group. Barring unforeseen circumstances, the Board of Directors is reasonably confident that the prospect of the Group remains positive.

18. PROFIT FORECAST

The Group has not issued any profit forecast for the current financial year and therefore no comparison is available.

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19. TAXATION

	3rd Quarter		Cumulative Quarter	
	01.02.2009 To 30.04.2009 RM'000	01.02.2008 To 30.04.2008 RM'000	01.08.2008 To 30.04.2009 RM'000	01.08.2007 To 30.04.2008 RM'000
Income tax expense	6,732	7,465	24,877	27,253
Deferred tax expense	682	491	1,063	955
	<u>7,414</u>	<u>7,956</u>	<u>25,940</u>	<u>28,208</u>

The effective tax rate of the Group for the financial year to-date closely approximates the statutory tax rate.

20. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no sales of unquoted investments and/or properties in the current quarter and financial year-to-date.

21. INVESTMENTS IN QUOTED SECURITIES

There were no dealings by the Group in quoted securities for the current quarter and financial year-to-date. The Group did not hold any investments in quoted securities as at 30 April 2009.

22. CORPORATE PROPOSALS

(a) On 13 September 2007, the Company announced the following proposed corporate exercises:

- (i) private placement of up to 10% of the issued and paid-up share capital of the Company ("Proposed Private Placement"); and
- (ii) increase in the authorised share capital from RM100,000,000 comprising 1,000,000,000 shares to RM200,000,000 comprising 2,000,000,000 shares ("Proposed Increase in Authorised Share Capital").

The proposals were approved by the Company's shareholders at an extraordinary general meeting held on 26 October 2007. The Proposed Increase in Authorised Share Capital was effected on 26 October 2007. The Proposed Private Placement was approved by the Securities Commission ("SC") vide its letter dated 26 October 2007 and the Company is to implement the Proposed Private Placement within 6 months from the date of approval of the SC, i.e. 25 April 2008.

In view of the prevailing weak and volatile equity market condition, the Company had sought extension of time from the SC for the Proposed Private Placement and the SC had vide its letters dated 4 April 2008 and 25 September 2008 granted the Company an extension of time until 25 April 2009, to implement the Proposed Private Placement. Without further extension, the Proposed Private Placement had lapsed on 25 April 2009. A new application will be made to the SC in the event that the Company wishes to pursue the Proposed Private Placement.

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- (b) On 27 November 2007, Kencana Petroleum Ventures and Mermaid Drilling (Singapore) Pte Ltd (“Mermaid”) had entered into a Letter of Agreement to clarify and confirm the principal understanding under which a second jointly-owned company, Mermaid Kencana Rig 2 Pte Ltd (“MKR-2”), would be incorporated in Singapore for the purpose of owning a second newbuild tender rig (any future shareholders’ agreement to be entered into by Kencana Petroleum Ventures in respect of MKR-2 shall hereinafter be referred to as the “MKR-2 Shareholders’ Agreements”). The Company’s shareholders have approved the MKR-2 Shareholders’ Agreements at an extraordinary general meeting held on 14 December 2007 and relevant approval from Bank Negara Malaysia has been received vide its letter dated 6 February 2008.
- (c) On 12 March 2009, Kencana Petroleum Ventures entered into Subscription and Shareholders’ Agreement (“SSA”) with Inno Serangkai Sdn Bhd (“ISSB”), Syed Mukhsin bin Syed Alwi, and Malaysian Engineering and Oilfield Services Sdn Bhd (“MEOSSB”) for the former to invest a total value of USD3 million in MEOSSB by way of purchase of 42,000 ordinary shares of RM1.00 each in MEOSSB which represents 21% of the issued and paid-up ordinary share capital of MEOSSB, and subscription of new redeemable preference shares of RM1.00 each in MEOSSB.

Additionally, Kencana Petroleum Ventures had on 12 March 2009, also entered into SSA with ISSB, Inno Senada Sdn Bhd, MEOSSB and Teras Muhibah Sdn Bhd (“TMSB”) for the former to invest a total value of USD14 million in TMSB by way of purchase of 27,000 ordinary shares of RM1.00 each in TMSB from Inno Senada Sdn Bhd which represents 27% of the issued and paid-up ordinary share capital of TMSB and subscription of new redeemable preference shares of RM1.00 each in TMSB.

Save as disclosed above, there is no other corporate proposal announced but not completed as at 22 June 2009.

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23. LOANS AND BORROWINGS

	As at 30.04.2009 RM'000	As at 31.07.2008 RM'000
Short-term borrowings		
Secured:		
Bankers' acceptance	313	4,298
Term loans	49,315	9,892
Hire purchase liabilities	14,034	9,974
Unsecured:		
Bank overdraft	-	339
Term loan	66,474	66,474
Revolving credits	17,000	-
	<u>147,136</u>	<u>90,977</u>
Long-term borrowings		
Secured:		
Term loans	33,305	41,135
Hire purchase liabilities	25,342	18,769
	<u>58,647</u>	<u>59,904</u>
Total borrowings	<u>205,783</u>	<u>150,881</u>

The Group borrowings in RM equivalent are denominated in the following currencies:

Ringgit Malaysia	166,645	150,881
US Dollar	39,138	-
Total	<u>205,783</u>	<u>150,881</u>

24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at 22 June 2009.

25. CHANGES IN MATERIAL LITIGATION

As at 22 June 2009, there was no material litigation against the Group except as disclosed in Note 12.

26. DIVIDEND PROPOSED

No interim dividend was proposed or declared for the current financial period under review.

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27. EARNINGS PER SHARE (“EPS”)

Basic EPS

Basic EPS is calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period.

	<u>3rd Quarter</u>		<u>Cumulative Quarter</u>	
	<u>01.02.2009</u> To <u>30.04.2009</u>	<u>01.02.2008</u> To <u>30.04.2008</u>	<u>01.08.2008</u> To <u>30.04.2009</u>	<u>01.08.2007</u> To <u>30.04.2008</u>
Net profit attributable to equity holders of the Company (RM'000)	27,640	22,024	87,952	61,721
Weighted average number of ordinary shares in issue ('000)	902,000	902,000	902,000	902,000
Basic EPS (sen)	<u>3.06</u>	<u>2.44</u>	<u>9.75</u>	<u>6.90</u>

Diluted EPS

Diluted EPS amount is calculated by dividing the net profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares in issue during the period after adjusting for the dilutive effects of all potential ordinary shares to be issued under the ESOS.

	<u>3rd Quarter</u>		<u>Cumulative Quarter</u>	
	<u>01.02.2009</u> To <u>30.04.2009</u>	<u>01.02.2008</u> To <u>30.04.2008</u>	<u>01.08.2008</u> To <u>30.04.2009</u>	<u>01.08.2007</u> To <u>30.04.2008</u>
Net profit attributable to equity holders of the Company (RM'000)	27,640	22,024	87,952	61,721
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	904,753	906,683	904,753	899,762
Diluted EPS (sen)	<u>3.05</u>	<u>2.43</u>	<u>9.72</u>	<u>6.86</u>

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28. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 22 June 2009.

BY ORDER OF THE BOARD

Ng Heng Hooi
(MAICSA 7048492)
Company Secretary
Kuala Lumpur
22 June 2009