

**PETRA ENERGY BERHAD ( Company No. 718388-H)  
(Incorporated in Malaysia)**

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2007**

**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	<b>Current Quarter Ended 30-Jun-07 RM'000</b>	<b>Corresponding Quarter Ended 30-Jun-06 RM'000 *</b>	<b>Current Year-to-date Ended 30-Jun-07 RM'000</b>	<b>Corresponding Year-to-date Ended 30-Jun-06 RM'000 *</b>
<b>Continuing Operations</b>				
Revenue	139,414	-	243,005	-
Cost of Sales	(112,152)	-	(186,402)	-
Gross Profit	27,262	-	56,603	-
Other income	804	-	1,195	-
Operating expenses	(8,364)	-	(15,703)	-
Finance costs	(2,561)	-	(5,214)	-
Profit before taxation	17,141	-	36,881	-
Income tax expense	(4,984)	-	(10,747)	-
<b>Profit for the period</b>	<b>12,157</b>	<b>-</b>	<b>26,134</b>	<b>-</b>
Attributable to:				
Equity holders of the parent	12,157	-	26,134	-
Minority interest	-	-	-	-
	12,157	-	26,134	-
<b>Earnings per share of RM0.50 each (sen)</b>				
a) Basic	14.47	N/A	31.11	N/A
b) Fully diluted	N/A	N/A	N/A	N/A

\* No comparative figures are presented in the preceding year corresponding quarter and year-to-date as this is the Group's second quarterly report on consolidated results in conjunction with its listing on the Main Board of Bursa Malaysia Securities Berhad.

**(The condensed Consolidated Income Statements should be read in conjunction with the proforma consolidated financial report and the accountants' report for the financial year ended 31 December 2006 as disclosed in the Prospectus dated 26 June 2007 and the accompanying explanatory notes attached to the interim financial statements)**

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2007**

**CONDENSED CONSOLIDATED BALANCE SHEET**

	<b>30-Jun-07 RM'000</b>
<b>Non-current assets</b>	
Property, plant and equipment	148,647
Prepaid lease payments	7,468
Deferred tax assets	6
	<u>156,121</u>
<b>Current assets</b>	
Inventories	46,112
Trade receivables	193,764
Other receivables	25,755
Amount due from customers for contract works	19,276
Fixed deposits with licensed bank	20,461
Cash and bank balances	4,026
	<u>309,394</u>
<b>Total Assets</b>	<b>465,515</b>
<b>EQUITY AND LIABILITIES</b>	
<b>Equity attributable to equity holders</b>	
Share capital	42,000
Reserves	72,226
<b>Total equity</b>	<b>114,226</b>
<b>Non-current liabilities</b>	
Long term borrowings	574
Deferred taxation	22,607
	<u>23,181</u>
<b>Current liabilities</b>	
Trade payables	55,352
Other payables	14,646
Amount owing to holding company	176,487
Amount owing to related companies	67,282
Borrowings	10,772
Provision for taxation	3,569
	<u>328,108</u>
<b>Total liabilities</b>	<b>351,289</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>465,515</b>
Net assets per share of RM0.50 each (RM)	1.36

No comparative figures are presented in the preceding year as this is the Group's second quarterly report on consolidated results in conjunction with its listing on the Main Board of Bursa Malaysia Securities Berhad.

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2007**

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	<b>30-Jun-07 RM'000</b>
<b>Cash flow from operating activities</b>	
Profit before taxation	36,881
<b>Adjustments for:</b>	
Depreciation	7,238
Gain on disposal of property, plant and equipment	(6)
Interest expense	5,214
Interest income	(483)
Operating profit before working capital changes	48,844
Increase in inventories	(13,713)
Increase in trade and other receivables	(48,715)
Increase in trade and other payables	20,653
Net cash generated from operation	7,069
Tax paid	(1,830)
Net cash generated from operating activities	5,239
<b>Cash flow from investing activities</b>	
Addition of prepaid lease payments	(186)
Purchase of property, plant and equipment	(3,466)
Proceeds from disposal of property, plant and equipment	6
Interest income received	483
Net cash used in investing activities	(3,163)
<b>Cash flow from financing activities</b>	
Proceeds from borrowings	773
Repayment of borrowings	(1,556)
Repayment of hire purchase loan	(136)
Interest paid	(5,214)
Net cash used in financing activities	(6,133)
Net change in cash and cash equivalents	(4,057)
Cash & cash equivalents at beginning of period	28,223
Cash & cash equivalents at end of period	24,166
<b>Cash and cash equivalents</b>	
Cash in hand and at bank	4,026
Fixed deposits with licensed bank	20,461
	24,487
Less: Fixed deposits pledged as security	(321)
	24,166

No comparative figures are presented in the preceding year corresponding quarter as this is the Group's second quarterly report on consolidated results in conjunction with its listing on the Main Board of Bursa Malaysia Securities Berhad.

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**PETRA ENERGY BERHAD (Company No. 7138388-H)**  
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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2007**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	<b>Share Capital RM'000</b>	<b>Share Premium RM'000</b>	<b>Merger Reserve RM'000</b>	<b>Retained Profits RM'000</b>	<b>Total RM'000</b>	<b>Minority Interest RM'000</b>	<b>Total Equity RM'000</b>
<b>Financial year ending 31 December 2007</b>							
As at 31 December 2006	42,000	-	(31,000)	77,092	88,092	-	88,092
Add / (Less): Net profit for the period	-	-	-	26,134	26,134	-	26,134
<b>Balance as at 30 June 2007</b>	<u>42,000</u>	<u>-</u>	<u>(31,000)</u>	<u>103,226</u>	<u>114,226</u>	<u>-</u>	<u>114,226</u>

No comparative figures are presented in the preceding year corresponding quarter and year-to-date as this is the Group's second quarterly report on consolidated results in conjunction with its listing on the Main Board of Bursa Malaysia Securities Berhad.

**(The condensed Consolidated Income Statements should be read in conjunction with the proforma consolidated financial report and the accountants' report for the financial year ended 31 December 2006 as disclosed in the Prospectus dated 26 June 2007 and the accompanying explanatory notes attached to the interim financial statements)**

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2007**

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**PART A: EXPLANATORY NOTES PURSUANT TO FRS 134**

**1. Basis of Preparation**

The interim financial statements have been prepared in accordance with Financial Reporting Standards (“FRS”) 134: “Interim Financial Reporting” issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statement should be read in conjunction with the proforma consolidated financial information and the accountants’ report for the financial year ended 31 December 2006 as disclosed in the Prospectus dated 26 June 2007 and the accompanying explanatory notes. These 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 since the year ended 31 December 2006.

**2. Changes in Accounting Policies**

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2006 except for the adoption of the following new/revised FRS effective for financial period beginning 1 January 2007:

FRS 117	Leases
FRS 124	Related Party Disclosures

The Group has not adopted FRS 139 Financial Instruments: Recognition and Measurement as its effective date has been deferred.

The adoption of the abovementioned FRSs does not have significant financial impact on the Group. The principal effects of the changes in accounting policies resulting from the adoption of the new/revised FRSs are disclosed below:

a. FRS 117: Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease payments and are amortised on a straight-line basis over the lease term. A lease of land and building is apportioned into a lease of land and a lease of building in proportion to the relative fair values of the leasehold interests in the land element and the building element of the lease at the inception of the lease. Prior to 1 January 2007, leasehold land was classified as property, plant and equipment less accumulated depreciation and impairment losses.

Upon the adoption of the revised FRS 117 at 1 January 2007, the reclassification of leasehold land as prepaid lease payments has been accounted for retrospectively and as disclosed as follows, with the comparatives restated to conform with the current period’s presentation.

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a. FRS 117: Leases (cont'd)

	<b>Audited RM'000</b>	<b>FRS 117 Note 2 (a)</b>	<b>Restated RM'000</b>
<b>At 31 December 2006</b>			
<b>Balance Sheet</b>			
Property, plant and equipment	159,701	(7,348)	152,353
Prepaid lease payments	-	7,348	7,348

b. FRS 124: Related Party Disclosures

This standard affects the identification of related parties, and results in additional related party disclosures presented in the financial statements.

**3. Qualification of financial statements**

The preceding annual financial statements of the Group were not subject to any qualification.

**4. Seasonal or cyclical factors**

Seasonal and cyclical factors do not have any material impact on the Group's business operations.

**5. Unusual and extraordinary items**

There are no unusual and extraordinary items affecting assets, liabilities, equity, net income, or cash flows during the current quarter.

**6. Material changes in estimates**

There are no material changes in the estimates of amounts reported in the current quarter.

**7. Issuance and repayment of debts and equity securities**

There have been no cancellation, repurchase, resale and repayment of debts and equity securities in the current quarter.

**8. Dividends paid**

There were no dividend paid during the current quarter.

**9. Segmental information**

The Group is principally involved in the oil and gas industry where its activities were carried out within the boundaries of Malaysia. Therefore, no segmental reporting was prepared.

**10. Valuation of property, plant and equipment**

There is no valuation of property, plant and equipment during the current quarter.

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**11. Material events subsequent to the balance sheet date**

There were no material events subsequent to the end of the interim period reported which have not been reflected in the financial statements.

**12. Changes in composition of the group**

There are no changes in composition of the group during the current quarter.

**13. Changes in contingent liabilities and contingent assets**

There were no material changes in contingent liabilities or contingent assets of the group since the last annual balance sheet as at 31 December 2006.

**14. Significant related party transactions**

**a. Intercompany transactions**

	<b>Current Quarter ended 30 June 07 RM'000</b>	<b>Current Year-to-date ended 30 June 07 RM'000</b>
Rental paid to holding company	149	293
Loan interest paid to holding company	2,194	4,389
Management fee to holding company	810	1,620
Charter hire fee paid to related companies	14,735	28,420

The directors of the Petra Energy are of the opinion that the above transactions have been entered into the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

**b. Compensation of key management personnel**

The remuneration of directors and other members of key management are as follows:

	<b>Current Quarter ended 30 June 07 RM'000</b>	<b>Current Year-to-date ended 30 June 07 RM'000</b>
Short-term employee benefits	499	894

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

**15. Review of performance**

For the 6 months period ended 30 June 2007, the Group reported a turnover of RM243.0 million and profit before taxation of RM36.9 million. The results are in line with the Group's forecasted turnover and profit before taxation of RM450.9 million and RM47.6 million respectively for the year ending 31 December 2007 contained in its prospectus dated 26 June 2007.

No comparative figures are presented in the preceding year corresponding quarter as this is the Group's second quarterly report on consolidated results in conjunction with its listing on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities").

**16. Comparison with immediate preceding quarter**

The Group's turnover in the current quarter increased by 34.6% to RM139.4 million from the last quarter of RM103.6 million. However, the profit before taxation has shown a reduction of 13.2%, from RM19.7 million in the first quarter of 2007 to RM17.1 million in the second quarter of 2007.

The decrease in profit in the current quarter in spite of the increase in turnover is due to the lower margin contribution of sales mix.

**17. Prospects**

The prospects for the integrated brownfield services look promising in the years ahead. Considering the increasing number of mature oil fields and aged platforms that require rejuvenation to extend their productive lives, coupled with increased oil prices, are providing ample growth opportunities for brown field services.

Barring any unforeseen circumstances, the Board of Directors is confident that the prospects of the Group remain positive and bright.

**18. Profit Forecast**

Save for the profit after tax forecast of RM34.5 million included in the Company's Prospectus dated 26 June 2007, the Group did not issue any forecast for the current financial quarter. Disclosure on explanatory notes for the variance between actual and forecast results would be provided in the final quarter announcement for the current financial year ending 31 December 2007.



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**19. Taxation**

The provision of taxation for the current quarter and financial period to date under review are as follows:

	<b>Current Quarter Ended 30-Jun-07 RM'000</b>	<b>Current Year-to-date Ended 30-Jun-07 RM'000</b>
Current tax charge	7,002	7,654
Deferred taxation	(2,018)	3,093
<b>Total</b>	<u>4,984</u>	<u>10,747</u>

The effective tax rate of the Group for current period under review is higher than the statutory tax rate due principally to certain expenses that were not deductible for tax purposes.

**20. Unquoted investment and properties**

There were no purchase or disposal of unquoted investment and properties for the current quarter and financial period to date.

**21. Quoted securities**

There were no purchases or disposals of quoted securities for the current quarter and financial period to date and the Group did not hold any quoted securities as at the end of financial period to date.

**22. a. Corporate proposals**

There were no corporate proposals announced but not completed as of 15 August 2007.

**b. Status of utilisation of listing proceeds**

As at 15 August 2007, the gross proceeds received from the Public Issue of RM120,520,000 was utilised for the following purposes:

<b>Purpose</b>	<b>Proposed utilisation RM'000</b>	<b>Balance unutilised RM'000</b>
Repayment of amount owing to Holding Group	100,000	-
Working capital	16,320	-
Listing expenses	4,200	1,567
<b>Total</b>	<u>120,520</u>	<u>1,567</u>

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**23. Borrowings**

Total Group's borrowings as at 30 June 2007 were as follows:

	<b>As at 30-Jun-07 RM'000</b>
<b>Secured borrowings</b>	
Short term	10,772
Long term	574
Total	<u>11,346</u>

The above borrowings are denominated in Ringgit Malaysia.

**24. Off balance sheet financial instruments**

The Group does not have any financial instruments with off-balance sheet risk as at 15 August 2007.

**25. Changes in material litigation**

The Group is not engaged in any material litigation as at 22 August 2007 except for the following:

- a. Petra Fabricators Sdn Bhd ("PFSB"), a wholly owned subsidiary of the Company, which has received a Writ of Summons and a Statement of Claims for a total sum of RM1,071,899 from Kencana Best Wide Sdn Bhd ("KBW") (formerly known as Best Wide Matrix Sdn Bhd), for goods and services rendered.

PFSB has filed a Defence and Counter-Claim for a sum of approximately RM2 million being the rectification cost incurred against KBW. PFSB's counter-claim and KBW's claim have been set down for further case management on 18 September 2007 for the parties to provide updates on the status of the preparation of relevant documents for the full hearing of the case set down for 7 to 9 January 2008. The Directors are of the opinion that the prospect of success in the defence and counter-claim is high.

- b. Petra Resources Sdn Bhd ("PRSB"), a wholly owned subsidiary of the Company has on 4 July 2006 served a Notice of Arbitration on ExxonMobil Exploration and Production Malaysia Inc. for payment of a balance sum of RM8,973,366 on disputed unit of measurement of work completed. As at to-date, the parties has appointed arbitrators and had attended preliminary meeting on 16 May 2007. The parties and the arbitrators have agreed to tentatively fix the arbitration hearing from 3 to 7 December 2007.

The Directors are of the opinion that PRSB has good grounds in demanding the payment and hence, has taken action in instituting the arbitration proceedings in the best interest of the Group.

**26. Dividends**

There is no dividend proposed in respect of the current quarter ended 30 June 2007.

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**27. Earnings per share**

**Basic / Fully diluted**

	<b>Current Quarter Ended 30 June 07 RM'000</b>	<b>Current Year-to-date Ended 30 June 07 RM'000</b>
Net profit attributable to shareholders	12,157	26,134
Number of ordinary shares of RM0.50 each	84,000	84,000
Earnings per ordinary share (sen)	14.47	31.11

**28. Authorisation for issue**

The interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 22 August 2007.