



PETRA ENERGY

PETRA ENERGY BERHAD (718388-H)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED
30 JUNE 2012**

14 August 2012

PETRA ENERGY BERHAD (718388-H)
(Incorporated in Malaysia)

Condensed Consolidated Statements of Comprehensive Income

	Note	<i>Current quarter 3 months ended</i>		<i>Cumulative quarter 6 months ended</i>	
		30 June 2012 Unaudited	30 June 2011 Unaudited (restated)	30 June 2012 Unaudited	30 June 2011 Unaudited (restated)
		RM'000	RM'000	RM'000	RM'000
Revenue		172,561	141,780	303,813	274,104
Cost of sales		(138,074)	(110,750)	(242,102)	(217,100)
Gross profit		34,487	31,030	61,711	57,004
Other income		661	1,374	1,756	2,960
Administrative expenses		(18,750)	(18,536)	(34,092)	(32,585)
Finance costs		(3,415)	(4,023)	(6,680)	(8,057)
Profit before taxation	13	12,983	9,845	22,695	19,322
Income tax expense	14	(3,919)	(3,275)	(6,589)	(5,916)
Profit net of tax, representing total comprehensive income for the period		9,064	6,570	16,106	13,406
Total comprehensive income attributable to:					
Owners of the parent		9,103	6,686	16,257	13,592
Non-controlling interests		(39)	(116)	(151)	(186)
		9,064	6,570	16,106	13,406
Earnings per share attributable to owners of the parent (sen per share)					
Basic	15	4.24	3.43	7.58	6.97

These condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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Condensed Consolidated Statements of Financial Position

	Note	30 June 2012 Unaudited RM'000	31 December 2011 Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	431,577	425,475
Deferred tax assets		1,031	1,031
		432,608	426,506
Current assets			
Inventories		12,285	11,761
Trade and other receivables		178,312	177,670
Amount due from customers		102,161	68,917
Tax recoverable		6,049	6,572
Cash and bank balances	17	58,768	108,834
		357,575	373,754
Total Assets		790,183	800,260
EQUITY AND LIABILITIES			
Share capital		107,250	107,250
Share premium		69,880	69,880
Merger reserve		(31,000)	(31,000)
Retained earnings		210,896	194,639
		357,026	340,769
Non-controlling interests		403	554
Total equity		357,429	341,323
Non-current liabilities			
Loans and borrowings	18	41,514	103,109
Hire purchase liabilities		16	27
Deferred taxation		33,115	30,037
		74,645	133,173
Current liabilities			
Loans and borrowings	18	174,818	116,217
Hire purchase liabilities		32	45
Trade and other payables		156,246	202,962
Provisions		643	643
Amount due to customers		19,606	2,308
Income tax payable		6,764	3,589
		358,109	325,764
Total liabilities		432,754	458,937
Total equity and liabilities		790,183	800,260
Net assets per share of RM0.50 each		1.66	1.59

These condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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Condensed Consolidated Statements of Changes in Equity

	← Attributable to Equity Holders of the Company →				→	Non-controlling interests	Total Equity
	← Share Capital RM'000	Non-distributable Share Premium RM'000	→ Merger Reserve RM'000	Distributable Retained Earnings RM'000			
Financial Period Ended 30 June 2012							
As at 1 January 2012	107,250	69,880	(31,000)	194,639	340,769	554	341,323
Total comprehensive income for the period	-	-	-	16,257	16,257	(151)	16,106
Balance as at 30 June 2012	107,250	69,880	(31,000)	210,896	357,026	403	357,429
Financial Period Ended 30 June 2011							
As at 1 January 2011 (restated)	97,500	62,062	(31,000)	192,080	320,642	780	321,422
Total comprehensive income							
As previously stated	-	-	-	9,124	9,124	(186)	8,938
Prior period adjustments (Note 22(a))	-	-	-	4,468	4,468	-	4,468
As restated	-	-	-	13,592	13,592	(186)	13,406
Balance as at 30 June 2011 (restated)	97,500	62,062	(31,000)	205,672	334,234	594	334,828

These condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

PETRA ENERGY BERHAD (718388-H)
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Condensed Consolidated Statements of Cash Flows

	<i>6 months ended</i>	
	30 June 2012	30 June 2011
	Unaudited	Unaudited
	RM'000	RM'000
		(restated)
Operating Activities		
Profit before tax	22,695	19,322
Adjustments for:		
Interest income	(405)	(777)
Finance costs	6,680	7,464
Unrealised foreign exchange (gain)/loss	(624)	(1,373)
Depreciation of property, plant and equipment	13,726	13,626
Loss/(gain) on disposal of property, plant and equipment	6	(33)
Recovery of bad debts previously written off	-	(81)
Total adjustments	19,383	18,826
Operating cash flows before changes in working capital	42,078	38,148
Changes in working capital		
Inventories	(524)	(1,525)
Trade and other receivables	(33,886)	399
Trade and other payables	(28,794)	6,939
Total changes in working capital	(63,204)	5,813
Cash flows (used in)/generated from operations	(21,126)	43,961
Income taxes refund/(paid)	184	(3,365)
Net cash flows (used in)/generated from operating activities	(20,942)	40,596
Investing activities		
Purchase of property, plant and equipment	(19,874)	(2,779)
Proceeds from disposal of property, plant and equipment	41	92
Interest received	405	777
Net cash flows used in investing activities	(19,428)	(1,910)
Financing activities		
Drawdown/(repayment) of loans and borrowings	3,095	(26,899)
Repayment of obligations under hire purchase	(24)	(46)
Repayment of obligations under finance lease	(5,390)	(6,752)
Interest paid	(6,680)	(7,464)
Net cash flows used in financing activities	(8,999)	(41,161)
Net changes in cash and cash equivalents	(49,369)	(2,475)
Net changes in cash restricted in use	39	5,005
Cash and cash equivalents at 1 January	88,649	50,035
Cash and cash equivalents at 30 June (Note 17)	39,319	52,565

These condensed consolidated statements of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. First-time adoption of Malaysian Financial Reporting Standards (“MFRS”)

These condensed consolidated interim financial statements have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards (“FRS”).

These condensed consolidated interim financial statements are the Group’s first MFRS condensed consolidated interim financial statements and hence MFRS 1 *First-Time Adoption of Malaysian Financial Reporting Standards* (“MFRS 1”) has been applied.

The explanatory notes attached to these condensed consolidated 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 2011.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), the Group has reviewed its accounting policies and concluded that the transition from FRS to MFRS did not give rise to any significant effects on the financial statements of the Group in the period of initial application.

2. Significant accounting policies

2.1 Application of MFRS 1

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. As such, the significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011.

2.2 MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

2. Significant Accounting Policies (cont'd)

2.2 MFRSs, Amendments to MFRSs and IC Interpretation issued but not yet effective

MFRSs, Amendments to MFRSs and IC Interpretation		Effective for annual periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits	1 January 2013
MFRS 127	Separate Financial Statements	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

3. Seasonal or Cyclical Factors

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

4. Unusual and Extraordinary Items

There were no unusual and extraordinary items affecting assets, liabilities, equity, net income or cash flows during the quarter ended 30 June 2012.

5. Material Changes in Estimates

There were no changes in estimates that have had a material effect in the current interim results.

6. Issuance and Repayment of Debts and Equity Securities

There were no issuance, repurchase and repayment of debts and equity securities during the quarter ended 30 June 2012.

7. Dividends

No interim ordinary dividend has been declared for the financial period ended 30 June 2012 (30 June 2011: Nil).

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PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

8. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter ended 30 June 2012 including business combination, acquisition or disposal of subsidiary and long-term investment, restructuring and discontinuing operation.

9. Valuation of Property, Plant and Equipment

There is no valuation of property, plant and equipment during the current quarter ended 30 June 2012.

10. Contingencies

As at 30 June 2012, the Company has given corporate guarantees amounting to approximately RM393.9 million to licensed financial institutions for facilities granted to subsidiary companies. Arising from this, the Company is contingently liable for the amount utilised by its subsidiary companies of approximately RM200.5 million.

Apart from the material litigation disclosed under Note 28, there were no other contingencies during the quarter ended 30 June 2012.

11. Commitments

	30 June 2012 RM'000	31 December 2011 RM'000
Capital expenditure		
Approved and contracted for:		
- Property, plant and equipment	2,500	-
Approved but not contracted for:		
- Property, plant and equipment	10,297	-
	12,797	-

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. Segment Information

(i) Current Quarter Ended 30 June 2012 (3 months)

	Integrated Brownfield, Maintenance and Engineering Services		Onshore Civil Engineering Services		Marine Offshore Support Services		Design, Fabrication, Supply And Installation Services		Investment Holding		Adjustments and eliminations		Group	
	30 June 2012	30 June 2011 (restated)	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011 (restated)
Revenue (RM'000)														
External customers	141,823	95,468	-	6,221	20,251	27,402	10,487	12,689	-	-	-	-	172,561	141,780
Inter-segment	21,565	25,491	-	-	-	-	1,727	1,254	10,840	840	(34,132)	(27,585)	-	-
Total revenue	163,388	120,959	-	6,221	20,251	27,402	12,214	13,943	10,840	840	(34,132)	(27,585)	172,561	141,780
Results (RM'000)														
Segment results	22,316	20,484	795	104	516	194	(1,264)	(3,072)	8,195	(2,405)	(14,160)	(1,437)	16,398	13,868
Finance costs	(5,801)	(3,811)	(1)	(104)	(252)	(12)	(270)	(12)	-	-	2,909	(84)	(3,415)	(4,023)
Segment profit/(loss) before tax	16,515	16,673	794	-	264	182	(1,534)	(3,084)	8,195	(2,405)	(11,251)	(1,521)	12,983	9,845

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. Segment Information

(ii) Current Year-to-date Ended 30 June 2012 (6 months)

	Integrated Brownfield, Maintenance and Engineering Services		Onshore Civil Engineering Services		Marine Offshore Support Services		Design, Fabrication, Supply And Installation Services		Investment Holding		Adjustments and eliminations		Group	
	30 June 2012	30 June 2011 (restated)	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011	30 June 2012	30 June 2011 (restated)
Revenue (RM'000)														
External customers	251,333	190,534	-	8,202	35,236	54,342	17,244	21,026	-	-	-	-	303,813	274,104
Inter-segment	44,258	44,145	-	-	-	-	3,280	5,011	11,680	1,680	(59,218)	(50,836)	-	-
Total revenue	295,591	234,679	-	8,202	35,236	54,342	20,524	26,037	11,680	1,680	(59,218)	(50,836)	303,813	274,104
Results (RM'000)														
Segment results	30,643	33,368	6,566	180	984	1,824	(739)	(3,563)	8,372	(3,834)	(16,451)	(596)	29,375	27,379
Finance costs	(11,007)	(7,751)	(33)	(180)	(597)	(12)	(436)	(30)	-	-	5,393	(84)	(6,680)	(8,057)
Segment profit/(loss) before tax	19,636	25,617	6,533	-	387	1,812	(1,175)	(3,593)	8,372	(3,834)	(11,058)	(680)	22,695	19,322

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. Segment Information (cont'd)

Current quarter compared to the corresponding quarter of the preceding year (three-months)

For the current quarter under review, the Group recorded a turnover of RM172.6 million, an increase of 21.7% as compared with RM141.8 million reported in the second quarter of the financial period ended 2011. Correspondingly, profit before taxation increased by 31.9% principally due to lower losses from Design, Fabrication, Supply and Installation Services Segment.

- Integrated Brown Field Maintenance and Engineering Services Segment

The increase in the turnover for the current quarter by 48.6.% is largely due to the higher activities from the umbrella Hook-up, Construction and Commissioning (HuCC) contract with PETRONAS Carigali Sdn Bhd and the timing of completion of certain work orders.

The segment recorded slightly lower profit before taxation of 0.9% from RM16.7 million to RM16.5 million mainly due to slightly lower contribution from Top-side Major Maintenance/Hook-up, Construction and Commissioning (TMM/HuCC) contract with Sarawak & Sabah Shell Petroleum Co. Ltd., mitigated by higher contribution from HuCC contract with PCSB. In addition, there was an unrealised foreign exchange loss of RM0.27 million this quarter as compared with unrealised foreign exchange gain of RM1.6 million in last similar quarter.

- Onshore Civil Engineering Services Segment

There was no revenue contribution from Onshore Civil Engineering Services segment due to completion of Kumang Project in the third quarter of the last financial year.

Nevertheless, the segment reported profit before taxation of RM0.8 million arising from amicable resolution of certain claims with suppliers which were previously provided for in the prior years' financial statements.

- Marine Offshore Support Services Segment

Marine Offshore Support Services segment revenue for the current quarter was lower by 26.1% from RM27.4 million in the quarter 2 of 2011 to RM20.3 million. The reduction was principally due to lower utilisation rate for 3 vessels out of 4 vessels as compared with full utilisation of all 4 vessels during last year second quarter. In addition, there was a downward revision in the daily charter hire rate for 2 vessels.

However, profit before taxation increased by 45.1% as certain costs is no longer required.

- Design, Fabrication, Supply and Installation Services Segment

Revenue contribution from Design, Fabrication, Supply and Installation Services segment decreased by 17.4% mainly due to lower orders secured and performed for the Boilers division this quarter as compared to the same quarter last year.

However, the segment recorded a lower loss before taxation due to lower legal and arbitration fees incurred as compared with last year similar quarter of RM1.6 million, with respect to the legal case with United Palm Oil Industry Public Co. Ltd (UPOIPC).

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. Segment Information (cont'd)

Current financial period compared to last financial period (six-months)

For the current financial period under review, the Group recorded a turnover of RM303.8 million, an increase by 10.8% as compared with RM274.1 million reported in the second quarter of the financial period ended 2011. Correspondingly, profit before taxation increased by 17.5% mainly due to favorable contribution from Onshore Civil Engineering Services and Design, Fabrication, Supply and Installation Services segments.

- Integrated Brown Field Maintenance and Engineering Services Segment

The increase in the turnover for the current financial period by 31.9% is largely due to the higher activities from the umbrella Hook-up, Construction and Commissioning (HuCC) contract with PETRONAS Carigali Sdn Bhd and the timing of completion of certain work orders.

The segment recorded lower profit before taxation from RM25.6 million to RM19.6 million mainly due to lower contribution from Top-side Major Maintenance/Hook-up, Construction and Commissioning (TMM/HuCC) contract with Sarawak & Sabah Shell Petroleum Co. Ltd. during quarter 1, 2012.

- Onshore Civil Engineering Services Segment

There was no revenue contribution from Onshore Civil Engineering Services segment due to completion of Kumang Project in the third quarter of the last financial year.

Nevertheless, the segment reported profit before taxation of RM6.5 million arising from amicable resolutions of certain claims with suppliers which were previously provided for in the prior years' financial statements.

- Marine Offshore Support Services Segment

Marine Offshore Support Services segment revenue for the current financial period was lower by 35.2% from RM54.3 million in the same period 2011 to RM35.2 million. The reduction was principally due to lower utilisation of vessels during the period as compared with similar period last year and the effect of revision in the daily charter hire rate for 2 vessels. As a result, profit before taxation also reduced accordingly.

- Design, Fabrication, Supply and Installation Services Segment

Revenue contribution from Design, Fabrication, Supply and Installation Services segment decreased by 18% mainly due to lower orders secured and performed by the Boilers division this period as compared to the same period last year.

However, the segment reported a lower loss before taxation of 67.3% due to lower legal and arbitration fees incurred as compared with last financial period of RM2.1 million with respect to the legal case with United Palm Oil Industry Public Co. Ltd (UPOIPC).

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

13. Profit before tax

Included in the profit before tax are the following items:

	<i>Current quarter 3 months ended</i>		<i>Cumulative quarter 6 months ended</i>	
	30 June 2012	30 June 2011 (restated)	30 June 2012	30 June 2011 (restated)
	RM'000	RM'000	M'000	RM'000
Interest income	(117)	(589)	(405)	(777)
Interest expense	3,415	4,023	6,680	8,057
Rental income	-	-	-	1,789
Loss on foreign exchange -realised	-	196	230	100
(Gain)/loss on foreign exchange - unrealised	276	(1,647)	(624)	(1,373)
(Gain)/loss on disposal of property, plant and equipment	8	(33)	6	(33)
Depreciation of property, plant and equipment	7,125	6,740	13,726	13,626

Save as disclosed above, the other items required under Appendix 9B, Part A (16) of the Bursa Listing Requirements are not applicable.

14. Income tax expense

	<i>Current quarter 3 months ended</i>		<i>Cumulative quarter 6 months ended</i>	
	30 June 2012	30 June 2011 (restated)	30 June 2012	30 June 2011 (restated)
	RM'000	RM'000	RM'000	RM'000
Current tax:				
Malaysian income tax	2,194	3,813	4,085	5,437
Deferred tax	1,725	(538)	2,504	479
	3,919	3,275	6,589	5,916

The effective tax rate for the current interim period and corresponding interim period were higher than the statutory tax rate principally due to certain expenses which are not deductible for tax purposes.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

15. Earnings per share

Basic earnings per share are calculated by dividing profit for the financial period, net of tax, attributable to owners of the parent of RM16,257,000 (2011: RM13,592,000) by the weighted average number of ordinary shares outstanding during the financial period of 214,500,000 (2011: 195,000,000).

For the current quarter ended (3 months), basic earnings per share are calculated by dividing profit for the quarter ended, net of tax, attributable to owners of the parent of RM9,103,000 (2011: RM6,686,000) by the weighted average number of ordinary shares outstanding during the quarter of 214,500,000 (2011: 195,000,000).

The Group has no potential ordinary shares in issue as at reporting date and therefore diluted earnings per share has not been presented.

16. Property, plant and equipment

Acquisitions and disposals

During the six months ended 30 June 2012, the Group acquired assets at a cost of RM19,874,000 (30 June 2011: RM2,779,000).

Assets with a carrying amount of RM47,000 were disposed by the Group during the six months ended 30 June 2012 (30 June 2011: RM59,000), resulting in a loss on disposal of RM6,000 (30 June 2011: Gain of RM33,000), recognised and included in administrative expenses/other income in the statements of comprehensive income.

17. Cash and bank balances

	30 June 2012 RM'000	31 December 2011 RM'000
Short term deposits with licensed banks	43,062	51,170
Cash at banks and on hand	15,706	57,664
	58,768	108,834

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following at the reporting date:

	30 June 2012 RM'000	31 December 2011 RM'000
Cash and bank balances	58,768	108,834
Less: Bank overdrafts	-	(697)
Cash and cash equivalents	58,768	108,137
Less: Cash restricted in use		
- Debt Service Reserve Account	(19,126)	(19,165)
- Fixed deposits pledged for borrowing	(323)	(323)
Net cash and cash equivalents	39,319	88,649

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

18. Loans and borrowings

All borrowings are denominated in Ringgit Malaysia except for obligations under finance lease, which is denominated in US Dollar ("USD")

Short term borrowings

	30 June 2012 RM'000	31 December 2011 RM'000
Secured	111,008	97,639
Unsecured	6,122	2,810
Finance lease commitment - unsecured	57,688	15,768
	174,818	116,217

Long term borrowings

Secured	41,514	55,798
Unsecured	-	-
Finance lease commitment - unsecured	-	47,311
	41,514	103,109
	216,332	219,326

19. Related Party Transactions

The following table provides information on the transactions which have been entered into with related parties during the three-month period ended 30 June 2012 and 30 June 2011:

	30 June 2012 RM'000	30 June 2011 RM'000
Rental of vessels and rendering of services from a related company of a Corporate Shareholder	20,251	27,402
Rental of buildings paid to parties related to Corporate Shareholders	92	77

The Directors of the Company are of the opinion that the above transactions have been entered into in 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.

20. Material Events After the Reporting Period

Save as disclosed in Note 28, there was no other material events subsequent to the end of the interim period reported which has not been reflected in the financial statements.

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**PART B: EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A**

21. Performance review

Explanatory comment on the performance of each of the Group's business segments is provided in Note 12.

22. Comment on material change in profit before taxation for the quarter reported as compared with immediate preceding quarter

The Group registered a profit before taxation of RM12.9 million in the second quarter, 2012 as compared with profit before taxation of RM9.71 million recorded in the first quarter, 2012. The higher profit before taxation recorded in the current quarter is mainly due to marked improvement recorded by Integrated Brownfield, Maintenance and Engineering Services segment as activities picked up towards second quarter of the year. This was offset by lower contribution from Onshore Engineering Services segment as there was a recovery of costs previously provided in the prior years' financial statements for Kumang Project, arising from amicable resolutions of certain claims with suppliers recognised during first quarter, 2012.

(a) Prior period adjustments

As disclosed in the prior year's financial statements ended 31 December 2011 (Note 36 to the Financial Statements), the Group has accounted for the charter hire arrangement for a vessel under an operating lease arrangement instead of finance lease. The effect of the adjustments, had they been put through in the respective announced profit before taxation and profit after taxation in the individual quarters are as follows:

	Quarter 1 2011 RM'000	Quarter 2 2011 RM'000	Quarter 3 2011 RM'000	Quarter 4 2011 RM'000
Profit before taxation:				
As previously stated	6,502	6,365	(16,975)	12,181
Adjustments	2,975	3,480	(947)	(5,356)
As restated	9,477	9,845	(17,922)	6,825
	Quarter 1 2011 RM'000	Quarter 2 2011 RM'000	Quarter 3 2011 RM'000	Quarter 4 2011 RM'000
Profit after taxation:				
As previously stated	4,690	4,248	(13,681)	8,038
Adjustments	2,146	2,322	(761)	(3,694)
As restated	6,836	6,570	(14,442)	4,344

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**PART B: EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
REQUIREMENTS: CHAPTER 9, APPENDIX 9B, PART A**

23. Commentary on prospects

The prospects for the Group remain positive given the growth prospects of the oil and gas industry. In efforts to leverage on the growth prospects of the industry and to enhance its business capabilities, the Group has enhanced its business strategies i.e. business recovery initiatives and development initiatives. These initiatives, which are designed to enhance performance, operational efficiencies and profitability, are already beginning to show results as can be seen from recent developments i.e. improved implementation and completion of existing work orders and award of additional work orders under the PETRONAS Carigali Umbrella contract in quarter 2, 2012. The continuous improvement is expected to contribute positively to the Group's performance during the financial year.

In addition, the Group is also focused on strengthening its market presence in TMM and HuCC, whilst enhancing its capabilities to penetrate related market sectors in Underwater Inspection Maintenance Repair (IMR) & Sub-sea services and Marginal Field Development. Towards this end the Group has submitted various tender bids and is awaiting the outcome. As part of its effort moving forward, the Company recently leased a new fabrication yard located in close proximity to the Kemaman Supply Base to support its increasing role in oil and gas business. The prospects in these niche market sectors remain bright.

24. Profit Forecast

No profit forecast or profit guarantee has been issued by the Group.

25. Corporate Proposals

Status of utilisation of proceeds from Private Placement

Purpose	Proposed Utilisation (RM'000)	Actual Utilisation (RM'000)	Intended Timeframe for Utilisation
Part finance a proposed acquisition of an accommodation work barge	17,405	-	By March 2013
Expenses related to the Private Placement	340	340	N/A
Total	17,745	340	

26. Derivative Financial Instruments

There were no derivative financial instruments for the current period ended 30 June 2012.

27. Gains and Losses Arising from Fair Value Changes of Financial Liabilities

The Group did not have any financial liabilities measured at fair value through profit or loss as at 30 June 2012.

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**PART B: EXPLANATORY NOTES PURSUANT TO BURSA MALAYSIA LISTING
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28. Changes in Material Litigations

(a) United Palm Oil Industry Public Co. Ltd (UPOIPC)'s Request of Arbitration

Petra Boilers Sdn. Bhd. (PBSB) has received a Request of Arbitration made on 1 December 2009 by UPOIPC, a Company incorporated under the Laws of Thailand. UPOIPC claimed that PBSB supplied a boiler which failed and was of out-of-service, and that PBSB failed to perform contractually obliged works pertaining to the boiler causing significant loss to UPOIPC. UPOIPC is claiming damages and penalty totaling USD11,258,335.00 together with interest, costs and such further or other relief as may be amended or added. On 25 August 2010, UPOIPC amended its Request for Arbitration increasing their claim to THB 697,267,258.21 (approximately USD21.46 million) together with additional continuing loss of profits, interest, costs and such further or other relief as may be amended or added. PBSB counter claimed for a sum of USD376,914.30 comprising of unpaid invoices for the balance of 30% of the Contract Price.

The ICC International Court of Arbitration had on 10 August 2012 notified parties of the Final Award rendered by the Arbitral Tribunal on 9 August 2012 ("the Final Award").

In the Final Award, the Arbitral Tribunal dismissed UPOIPC's claim for loss of profits in the sum of US\$21 million (from 1 September 2007 to 31 July 2010) in its entirety. However, the Tribunal held that Petra was liable to UPOIPC for the sum of US\$320,639 plus interest being:

- a. 5% of the Contract Price for the delay in the installation, testing and commissioning of the Boiler from 1 February 2008 until 31 July 2008;
- b. 5% of the Contract Price for the Boiler's failure to pass the particulate emission test; and
- c. US\$195,000 as the cost of installing a secondary dust collector on the Boiler.

The Tribunal also held that Petra was liable to UPOIPC of the sum of THB162,640 and RM58,240 plus interest being the costs of rectifying the Boiler.

The Tribunal also dismissed Petra's counterclaim in the sum of US\$376,914.30 being the balance 30% of the Contract Price on the basis that the Boiler failed to pass the Performance Guarantee Test.

The Tribunal also decided that parties are to bear their own costs and expenses of the arbitration.

The financial implication arising thereto will be reflected in the third quarter interim financial statements.

(b) Frontken Malaysia Sdn. Bhd. ("Frontken") – Writ of Summons for a total sum of RM3.3million, Shah Alam High Court Civil Suit No. 22 NCVC-1133-10/2011

For Civil Suit No. 22 NCVC-1133-10/2011, Frontken's application to strike out the counter claim was allowed by the Judge with cost of RM2,000.

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29. Dividend payable

There is no dividend proposed in respect of the current quarter ended 30 June 2012.

30. Breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group, into realised and unrealised earnings, is as follows:

	Current Period ended RM'000	Previous financial year ended RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realised	249,668	227,183
- Unrealised	(30,896)	(31,514)
	218,772	195,669
Less: Consolidated adjustments	(7,876)	(1,030)
Retained earnings as per financial statements	210,896	194,639

31. Qualification of Financial Statements

The auditors' report on the financial statements for the year ended 31 December 2011 was not qualified.

32. Authorisation For Issue

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors in accordance with a resolution of the Directors on 14 August 2012.