

M3ENERGY BERHAD

CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2009

(The figures have not been audited)

		2009	2008	2009	2008
	Note	Individual Quarter Current Year Quarter 30-Sept RM'000	Individual Quarter Preceding Year Corresponding Quarter 30-Sept RM'000	Cumulative Quarter Current Year to date 30-Sept RM'000	Cumulative Quarter Preceding Year Corresponding Period 30-Sept RM'000
Continuing Operations					
Revenue	A8	94,145	46,044	94,145	46,044
Other income		4,689	1,447	4,689	1,447
Operating expenses		(84,528)	(32,650)	(84,528)	(32,650)
Depreciation and amortisation		(7,677)	(6,327)	(7,677)	(6,327)
Impairment loss		-	(1,675)	-	(1,675)
Loss on disposal of investment		(63)	(219)	(63)	(219)
Interest income		142	347	142	347
Interest expense		(1,176)	(1,769)	(1,176)	(1,769)
Other finance costs		(309)	(214)	(309)	(214)
Profit before tax		5,223	4,984	5,223	4,984
Taxation	B5	(1,931)	(1,472)	(1,931)	(1,472)
Profit for the period		3,292	3,512	3,292	3,512
Attributable to:					
Equity holders of the parent		2,506	3,643	2,506	3,643
Minority Interest		786	(131)	786	(131)
		3,292	3,512	3,292	3,512
Earnings per share attributable to equity holders of the parent:					
Basic, for profit for the period (sen)		2.02	2.93	2.02	2.93
Diluted, for profit for the period (sen)		1.99	n/a	1.99	n/a

The condensed consolidated income statement should be read in conjunction with the audited financial statements for the financial year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements

M3ENERGY BERHAD**CONDENSED CONSOLIDATED BALANCE SHEET AS AT 30 SEPTEMBER 2009**

(The figures have not been audited)

		2009	2009
		Unaudited	Audited
		Financial	Preceding
		Period End	Financial
	Note	30-Sept	Year End
		RM'000	30-June
			RM'000
Assets			
Non-Current Assets			
Property, plant and equipment		506,226	453,839
Prepaid lease rental		4,567	4,569
Exploration and evaluation assets		26,849	14,690
Intangible assets		25,638	26,355
Other investments		506	506
Available-for-sale investment	A12	13,729	15,497
Deferred tax assets		16,112	16,659
		<u>593,627</u>	<u>532,115</u>
Current Assets			
Inventories		9,629	9,754
Trade and other receivables		130,011	126,131
Tax recoverable		677	1,550
Cash and bank balances		183,620	168,209
		<u>323,937</u>	<u>305,644</u>
Total Assets		<u>917,564</u>	<u>837,759</u>
Equity and Liabilities			
Equity Attributable to Equity Holders of the Parent			
Share capital	A6	125,583	125,324
Reserves		286,129	284,989
		<u>411,712</u>	<u>410,313</u>
Minority interest		17,037	16,098
Total Equity		<u>428,749</u>	<u>426,411</u>
Non-Current Liabilities			
Long term borrowings	B9	350,789	260,998
Other payables		13,473	13,473
Deferred tax liabilities		166	182
		<u>364,428</u>	<u>274,653</u>
Current Liabilities			
Overdraft and short term borrowings	B9	40,178	40,284
Trade and other payables		83,290	96,310
Taxation		919	101
		<u>124,387</u>	<u>136,695</u>
Total Liabilities		<u>488,815</u>	<u>411,348</u>
Total Equity and Liabilities		<u>917,564</u>	<u>837,759</u>
Net Assets Per Share Attributable to Ordinary Equity Holders of the Parent (RM)			
		3.44	3.43

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the financial year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

M3ENERGY BERHAD**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2009**

(The figures have not been audited)

	<i>(3 months)</i> 30-Sep-09 RM'000	<i>(3 months)</i> 30-Sep-08 RM'000
Profit before tax	5,223	4,984
Adjustments:-		
Non-cash items	6,604	9,643
Operating profit before changes in working capital	<u>11,827</u>	<u>14,627</u>
Changes in working capital	(18,055)	(1,088)
Cash used in operations	<u>(1,514)</u>	<u>(1,989)</u>
Net cash flow (used in)/generated from operating activities	<u>(7,742)</u>	<u>11,550</u>
Investing Activities		
Purchase of property, plant and equipment	(59,270)	(3,933)
Exploration and evaluation expenditure	(12,296)	(301)
Proceeds from disposal of subsidiary	-	1,411
Proceeds from disposal of property, plant and equipment	-	1
Interest income received	219	347
Dividends received	(7)	37
	<u>(71,354)</u>	<u>(2,438)</u>
Financing Activities		
Drawdown of borrowings	121,250	6,333
Repayment of borrowings	(26,445)	(42,228)
Proceeds from issuance of shares	336	-
Purchase of treasury shares	-	(270)
(Placement)/ withdrawal of pledged deposits	(217)	(112)
	<u>94,924</u>	<u>(36,277)</u>
Net change in cash & cash equivalents	15,828	(27,165)
Cash and cash equivalents at beginning of the year	138,405	131,507
Effect of exchange rate changes	(553)	3,507
Cash and cash equivalents at end of the period	<u>153,680</u>	<u>107,849</u>
Cash and cash equivalents comprise:		
Cash on hand and at banks	58,004	31,592
Deposits with licensed banks	95,792	76,772
Bank overdrafts	(116)	(515)
	<u>153,680</u>	<u>107,849</u>
Deposits pledged with licensed banks	<u>29,824</u>	<u>22,373</u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 30 June 2009 and the accompanying explanatory notes attached to the interim financial statements.

M3NERGY BERHAD
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2009

(The figures have not been audited)

<----- Attributable to Equity Holders of the Parent ----->

	Share Capital RM'000	Share Premium RM'000	Treasury shares RM'000	Other Reserves RM'000	Share Option Reserve RM'000	Retained Earnings RM'000	Sub-Total RM'000	Minority Interest RM'000	Total Equity RM'000
3 months ended 30 September 2009									
At 1 July 2009	125,324	79,408	(724)	7,382	2,172	196,751	410,313	16,098	426,411
Currency translation differences	-	-	-	215	-	-	215	153	368
Fair value loss on available-for-sale investment	-	-	-	(1,768)	-	-	(1,768)	-	(1,768)
Net income recognised directly in equity	-	-	-	(1,553)	-	-	(1,553)	153	(1,400)
Profit for the period	-	-	-	-	-	2,506	2,506	786	3,292
Total recognised income and expense for the period	-	-	-	(1,553)	-	2,506	953	939	1,892
Share-based payment under ESOS	-	-	-	-	110	-	110	-	110
Share issue pursuant to ESOS	259	77	-	-	-	-	336	-	336
Transfer upon ESOS exercise	-	107	-	-	(107)	-	-	-	-
	259	184	-	(1,553)	3	2,506	1,399	939	2,338
At 30 September 2009	125,583	79,592	(724)	5,829	2,175	199,257	411,712	17,037	428,749
3 months ended 30 September 2008									
At 1 July 2008	125,064	79,211	(454)	5,743	1,815	211,268	422,647	33,475	456,122
Currency translation differences	-	-	-	688	-	-	688	219	907
Net income recognised directly in equity	-	-	-	688	-	-	688	219	907
Profit for the period	-	-	-	-	-	3,643	3,643	(131)	3,512
Total recognised income and expense for the period	-	-	-	688	-	3,643	4,331	88	4,419
Purchase of treasury shares	-	-	(270)	-	-	-	(270)	-	(270)
Share-based payment under ESOS	-	-	-	-	142	-	142	-	142
	-	-	(270)	688	142	3,643	4,203	88	4,291
At 30 September 2008	125,064	79,211	(724)	6,431	1,957	214,911	426,850	33,563	460,413

M3ENERGY BERHAD

NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2009

A1. Accounting Policies

The interim financial statements has been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standards (FRS) 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad (Bursa) Listing Requirements and should be read in conjunction with the Group's annual audited financial statements for the year ended 30 June 2009.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the audited financial statements for the year ended 30 June 2009.

The Group has not made an early adoption of FRS 139 (Financial Instruments: Recognition and Measurement) which is effective for accounting periods beginning on or after 1 January 2010. The transitional provision in FRS 139 exempts entities from disclosing the possible impact arising from the initial application of this standard on the financial statements of the Group.

A2. Audit Qualifications

The audit report of the preceding annual financial statements was not subject to any qualification.

A3. Seasonal or Cyclical Factors

There were no seasonal or cyclical events that had materially affected the nature of the operations for the period.

A4. Unusual Items

There were no significant unusual items affecting assets, liabilities, equity, net income, or cash flows of the Group since the last financial period except as disclosed in Notes A10.

A5. Changes in Estimates

There are no changes in estimates of amounts reported in prior interim periods or financial years that have a material effect in the current quarter.

A6. Debt and Equity Securities

i) For the period ended 30 September 2009, the issued and paid-up share capital of the Company was increased from 125,324,372 to 125,582,772 arising from the allotment and issue of 258,400 new ordinary shares of RM1.00 each from the exercise of Employee Share Option Scheme.

At the end of the quarter, there were 6.9 million unexercised options under the ESOS.

ii) During the current quarter under review. There was no buyback of shares, resale or cancellation of treasury shares.

As at 30 September 2009, the Company has 828,000 ordinary shares held as treasury shares.

	No. of shares	
	As at 30-Sep-09 '000	As at 30-Jun-09 '000
Outstanding Shares in Issue		
- Ordinary Shares of RM1 Each		
Issued and fully paid	125,583	125,324
Less: Treasury shares	(828)	(828)
At 30 September 2009/30 June 2009	<u>124,755</u>	<u>124,496</u>

A7. Dividends Paid

No dividend was paid during the current quarter.

A8. Segmental Reporting By Activity

	Segment Revenue		Segment Results	
	Year to date	Year to date	Year to date	Year to date
	30-Sep-09	30-Sep-08	30-Sep-09	30-Sep-08
	RM'000	RM'000	RM'000	RM'000
Oil and gas services	34,869	27,702	11,198	14,990
Trading and manufacturing	8,009	7,632	274	(350)
Engineering, procurement and construction	51,173	10,583	5,890	1,034
Investment holding	266	491	(1,816)	(1,234)
Oil and gas exploration and production	-	-	(343)	(441)
Others	-	-	(286)	(168)
	94,317	46,408	14,917	13,831
Consolidation adjustments/Eliminations	(172)	(364)	(310)	(739)
	94,145	46,044	14,607	13,092

Segment results is derived from earnings before interest income, interest expense, other finance costs, depreciation and amortisation.

A9. Valuations of Property, Plant and Equipment

The valuations of property, plant and equipment had been brought forward without any amendment from the previous annual financial statements.

A10. Subsequent Event

On 12 January 2009, the Company received a letter from Oil and Natural Gas Corporation ("ONGC") dated 6 January 2009 addressed to Prize Petroleum Co Ltd ("PPCL"), Hindustan Petroleum Corporation Ltd ("HPCL") and M3nergy Berhad ("Consortium") giving notice of termination of the contract for the development of offshore marginal fields of Cluster 7, off Mumbai, India ("Cluster 7 Project"). ONGC viewed that the Consortium partners could not meet their contractual obligations under the contract due to a perceived disharmony in the relationship amongst Consortium partners.

Despite all the appeals made to ONGC by the Consortium and the Company for the continuance of the project, on 23 April 2009, ONGC invoked a claim on the USD13.3 million performance bond that was issued on behalf of the Consortium by HPCL. In view of the termination of contract, a bank guarantee claim of RM13.2 million, being the Company's share of the claim, was paid during the year. The Company also wrote off related exploration and evaluation assets amounting to RM5.2 million in the financial statement for year ended 30 June 2009.

On 15 May 2009, the Company received a Notice of Arbitration ("Notice") from an Indian law firm, acting on behalf of HPCL claiming damages for loss of profit, reputation and further disputes with regards to the termination of the Cluster 7 Project by ONGC amounting to INR515 Crores (equivalent to approximately RM368 million). Based on legal opinion given by a Malaysian law firm, the Board has decided to defend any arbitration initiated by HPCL as well as to pursue a counterclaim ("Claim") for damages including all expenses incurred as Defendant and Plaintiff in relation to the Notice and Claim respectively, as well as repudiating the claims made under the Notice.

On 12 June 2009, the Company's appointed legal advisor issued a reply to HPCL's legal counsel stating the Company's stand on the issues, refuting HPCL's claims and allegations as well as to counterclaim against HPCL for losses incurred including all costs and expenses of the Cluster 7 project, and informed them of the Company's nominated arbitrator for the arbitration proceedings.

Based on legal advice obtained by the Company, the Directors are of the opinion that the Company would have a good prospect of proving that it was not liable for the termination of the contract for the development of the offshore marginal fields of Cluster 7, off Mumbai, India, and therefore no provision are required in the financial statement for year ended 30 June 2009.

On 15 October 2009, the solicitors of HPCL & PPCL served the Statement of Claim on the Company's solicitors and the Company is required to file its Defence Statement and Counterclaim by 21 November 2009.

A11. Changes in Composition of the Group

There are no material changes in the composition of the Group for the current year including business combinations, acquisitions or disposal of subsidiaries and long term investments, restructuring or discontinuing operations during the quarter under review.

A12. Investment Available-for-Sale

This pertains to the Company's investment in securities of Malaysian Merchant Marine Berhad ("MMM").

Pursuant to the Supplemental Share Sale Agreement between the Company and Core Attributes (M) Sdn Bhd ("CASB") on 12 December 2007, CASB had an irrevocable option over 20,933,884 MMM ordinary shares ("Option OS") for RM20,515,206 in addition to the call option over MMM Islamic Preference Shares and Warrants held by the Company, which may be exercised by 31 December 2008. M3nergy Berhad also has a put option on CASB, Dato' Ramesh Rajaratnam ("DRR") and Datin SL. Sharlini Manickam ("DSM") to require them to purchase all the Option OS for RM20,515,206 by 31 December 2008 ("Put Option Agreement").

Subsequent to the Company's put option notice, CASB requested to extend the deadline of the Put Option Agreement from 31 December 2008 to 31 December 2009. The Company agreed to an extension of the deadline to only 31 March 2009 on certain terms and conditions. CASB did not accept the Company's counter proposal and later claimed that the put option has lapsed. On 18 February 2009, CASB requested for the call and put option over the Option OS to be extended to 31 December 2009 at the same purchase price of RM20,515,206 or at a mutually agreeable price if exercised before that date. The Company has rejected CASB request and sought legal advice on the matter.

On 26 March 2009, the Board of Directors decided not to proceed further with negotiations with CASB, DRR and DSM. The Company has informed CASB and DRR/DSM that it will be seeking other potential buyers for the Option OS and reserving and/or enforcing all its legitimate rights under the Share Sale Agreement as well as all its rights to claim damages from CASB.

Subsequently on 27 April 2009, the Company announced that it would take legal proceedings against CASB for damages for the breach of the Put Option Agreement. The Company has through its solicitors issued a letter of demand and to-date, a Writ of Summons and Statement of Claim had been extracted from the Court and the solicitors are attending to the service of the same on CASB.

A13. Changes in Contingent Liabilities and Contingent Assets

There were no material changes in contingent liabilities or contingent assets since the last financial statements as at 30 June 2009 except for the Claim from HPCL of INR515 Crores (equivalent to approximately RM368 million) as disclosed in Note A10.

A14. Capital Commitments

	At 30-Sep-09 RM'000	At 30-Jun-09 RM'000
Capital expenditure approved and contracted for:		
- Property, plant and equipment	61,509	100,042

ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD

B1. Performance Review

The Group revenue for the current quarter was RM94.1 million as compared to RM46.0 million for the corresponding quarter in the previous financial year. The major contributors came from the Engineering, Procurement and Construction division and Oil and Gas services division, contributing 54% and 37% respectively.

The Group profit before tax for quarter ended 30 September 2009 of RM5.2 million was marginally higher than the Group profit before tax of RM4.9 million for the corresponding period of the last financial year. The improvement is attributable to higher profit generated by Engineering, Procurement and Construction division. However, it was offset by higher maintenance and operating cost from the Oil and Gas division during the period under review.

B2. Material Change in Quarterly Profit Before Taxation

The profit before tax for the current quarter was RM5.2 million as compared to a profit before tax of RM1.5 million mainly due to lower operating expenses incurred for the current quarter.

B3. Prospects

The prospect of the Company remains positive. The installation and hooking-up of the FSO Ratu Songkhla has been completed and is now awaiting to receive condensate from Carigali-PTTEPI Operating Company Sdn Bhd to complete the commissioning process.

Based on the Company's track record in successfully delivering its second floating facility coupled with its current contract to lease, operate and maintain the FPSO Perintis as well as operating and maintaining a client-owned FSO facility, the Group continues its efforts in focusing on expanding its core business in providing FPSO/FSO facilities.

The Group also expects to generate revenue from its exploration and production segment in the next three to five years.

Apart from the oil and gas division, the Engineering, Procurement and Construction segment is also actively negotiating as well as bidding for new projects.

B4. Profit Forecast and Profit Guarantee

No profit forecast and/or profit guarantee have been issued by the Group.

B5. Taxation

	Group	
	Quarter ended	Year to date
	30-Sep-09	30-Sep-09
	RM'000	RM'000
Major components of tax expense:		
Current year provision	1,400	1,400
Deferred tax	531	531
	<hr/>	<hr/>
	1,931	1,931
Overprovision - prior years	-	-
	<hr/>	<hr/>
	1,931	1,931
Profit before taxation	<hr/>	<hr/>
	5,223	5,223
Taxation at the statutory income tax rate	1,306	1,306
Tax effect on timing differences, provisions and expenses not deductible for tax purposes	625	625
Tax expense	<hr/>	<hr/>
	1,931	1,931

B6. Sale of Unquoted Investments and/or Properties

There was no sale of unquoted investments or properties during the quarter.

B7. Purchase and Disposal of Quoted Securities

There was no purchase and disposal of quoted securities during the period.

Details of quoted securities held are as follows:

	Group	
	30-Sep-09 RM'000	30-Jun-09 RM'000
Purchase consideration		
Sale proceeds	-	-
Gain on disposal	-	-
Quoted securities held		
- at cost	73,034	73,034
- at carrying value	13,733	15,503
- at market value	14,384	16,478

B8. Status of Corporate Proposals

There were no outstanding corporate proposals except as disclosed below:

Since the disposal of Maveric Ltd's ("Maveric") (*formerly known as Total Automation Ltd*) core businesses in 2006, the company had not been successful in establishing any new business activities since then. In view of this, the Singapore Exchange Securities Trading Limited ("SGX-ST"), had required Maveric to make a cash exit offer to its shareholders in accordance with Rule 1309 of the Listing manual.

Therefore, in order to meet SGX-ST's requirement, Maveric has to resolve the outstanding warranty claim of SGD700,000 by Wartsila Corporation ("Wartsila") which had been provided for since 2007. This alleged warranty claim was for monetary compensation to rectify various alleged irregularities at several parts of the premises that was previously disposed to Wartsila. Subsequently, on 27 July 2009 and 17 September 2009, Wartsila highlighted other alleged irregularities of the same premise.

As a result, given that current uncertainty surrounding the alleged claim, notwithstanding the previous SGD700,000 provision made, an exit offer would be extremely difficult to conceptualise and implement until the full extent of the alleged claim can be determined from both technical and technical perspective. The board of Maveric has advised SGX-ST on this issue and will provide further updates to the alleged claim and the resulting exit offer once it become available.

B9. Group Borrowings

The details of Group borrowings are as follows:

Nature	Secured/ Unsecured	Group 30-Sep-09		Group 30-Jun-09	
		Repayable Within 12 Months RM'000	Repayable After 12 Months RM'000	Repayable Within 12 Months RM'000	Repayable After 12 Months RM'000
RC/Trade Loan/Overdraft	Secured	32,961	-	33,208	-
Term Loans	Secured	6,920	350,030	6,920	260,095
Hire-Purchase	Secured	297	759	156	903
		40,178	350,789	40,284	260,998

Included in term loans is a foreign currency loan amounting to USD 98.8 million (equivalent to RM343.4 million).

B10. Off Balance Sheet Financial Instruments

There is no Off Balance Sheet Financial Instruments held by the Company as at 30 September 2009.

B11. Material Litigation and Dispute

There is no other material litigation either as plaintiff or defendant and the Directors do not have any knowledge of any proceedings, pending or threatened, against the Company or its subsidiary companies or of facts likely to give rise to any proceedings which might materially affect the position or business of the Company or its subsidiary companies, financially or otherwise, except as disclosed in Note A10.

B12. Dividends

On 2 November 2009, the Board declared interim tax exempt dividend of 25 sen per ordinary share (30 June 2008: 2 sen per ordinary share) in respect of the financial year ending 30 June 2010 which is payable on 10 December 2009. The entitlement date has been fixed on 20 November 2009.

B13. Earnings Per Share**(a) Basic**

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares in issue has been adjusted to include the effects of shares buy back, as disclosed in notes A6.

	Group			
	Quarter ended 30-Sep-09 RM'000	Quarter ended 30-Sep-08 RM'000	Year to date 30-Sep-09 RM'000	Year to date 30-Sep-08 RM'000
Net profit attributable to ordinary equity holders of the parent	2,506	3,643	2,506	3,643
Weighted average number of ordinary shares in issue ('000)	124,363	124,281	124,363	124,281
Basic earnings per share (sen) for: profit for the period	2.02	2.93	2.02	2.93

B13. Earnings Per Share (contd)**(b) Diluted**

Diluted earnings per share for the current quarter is calculated by dividing the adjusted net profit attributable to equity holders of the parent by the adjusted weighted average number of ordinary shares in issue and issuable during the financial period. The weighted average number of shares in issue has been adjusted to include the effects of dilution of share options.

The dilutive potential ordinary shares of the Group are the employees share options.

	Group	
	Quarter ended	Year to date
	30-Sep-09	30-Sep-09
Net profit attributable to ordinary equity holders of the parent (RM'000)	2,506	2,506
Weighted average number of ordinary shares in issue	124,363	124,363
Effects of dilution - share options	1,759	1,759
Adjusted weighted average number of ordinary shares in issue	126,122	126,122
Diluted earnings per share (sen) for profit for the period	1.99	1.99

Diluted earnings per share for the corresponding previous period is not calculated as this is anti-dilutive.

B14. Authorised for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 19 November 2009.