

KENCANA PETROLEUM BERHAD

Company No. 667490-M
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

QUARTERLY REPORT : FINANCIAL PERIOD ENDED 30 APRIL 2011

PERIOD : 1 FEBRUARY 2011 TO 30 APRIL 2011

QUARTER : 3RD QUARTER

FINANCIAL YEAR END : 31 JULY 2011

FIGURES : UNAUDITED

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

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2011**

	3rd Quarter		Cumulative Quarter	
	01.02.2011 to 30.04.2011 RM'000	01.02.2010 to 30.04.2010 RM'000	01.08.2010 to 30.04.2011 RM'000	01.08.2009 to 30.04.2010 RM'000
Revenue	377,828	280,373	1,067,281	811,514
Contract costs	(287,090)	(224,658)	(801,253)	(643,291)
Gross profit	90,738	55,715	266,028	168,223
Depreciation and amortisation	(6,533)	(4,633)	(17,815)	(13,328)
Operating expenses	(22,246)	(16,735)	(61,120)	(40,226)
Other operating income	11,470	4,389	23,694	10,857
Profit from operations	73,429	38,736	210,787	125,526
Interest expense	(6,017)	(3,819)	(14,730)	(9,574)
Interest income	2,492	1,638	4,051	3,992
Share of results of associates	(131)	(21)	(250)	165
Share of results of jointly controlled entities	-	(2)	(2)	(3)
Profit before taxation	69,773	36,532	199,856	120,106
Taxation	(13,349)	(5,355)	(40,468)	(25,899)
Net profit	56,424	31,177	159,388	94,207
Other comprehensive income, net of tax				
Foreign currency translation differences for foreign operations	(9,236)	-	(15,794)	-
Total comprehensive income	47,188	31,177	143,594	94,207
Net profit attributable to :				
- Owners of the Company	56,424	31,177	159,388	94,300
- Non-controlling interests	-	-	-	(93)
Net profit	56,424	31,177	159,388	94,207
Total comprehensive income attributable to:				
- Owners of the Company	47,188	31,177	143,594	94,300
- Non-controlling interests	-	-	-	(93)
Total comprehensive income	47,188	31,177	143,594	94,207
Earnings per share :				
- basic (sen)	3.08	1.92	9.13	8.27
- diluted (sen)	2.52	1.91	7.42	8.22

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 July 2010 and the accompanying explanatory notes attached to the interim financial statements.

KENCANA PETROLEUM BERHAD (667490-M)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2011**

	As at 30.04.2011 Unaudited RM'000	As at 31.07.2010 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,183,151	485,891
Goodwill	38,235	37,335
Investments in associates	2,028	53,857
Investments in jointly controlled entities	2	4
Investment in redeemable preference shares	1,352	1,352
Other investment	1	1
Deferred tax asset	74	74
	<u>1,224,843</u>	<u>578,514</u>
Current assets		
Inventory	18,655	27,311
Receivables, deposits and prepayments	327,708	537,345
Current tax assets	550	5,763
Cash and cash equivalents	809,504	222,390
Assets held for sale	-	3,773
	<u>1,156,417</u>	<u>796,582</u>
Total assets	<u>2,381,260</u>	<u>1,375,096</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	183,748	165,797
Share premium	587,277	197,544
Other reserves	(14,946)	2,561
Retained profits	538,641	387,588
	<u>1,294,720</u>	<u>753,490</u>
Non-controlling interests	1,863	1,895
Total equity	<u>1,296,583</u>	<u>755,385</u>
Non-current liabilities		
Long term borrowings	353,203	43,033
Deferred tax liability	30,209	26,414
	<u>383,412</u>	<u>69,447</u>
Current liabilities		
Short term borrowings	254,008	182,843
Payables and accruals	443,394	362,685
Tax liabilities	3,863	4,736
Total current liabilities	<u>701,265</u>	<u>550,264</u>
Total liabilities	<u>1,084,677</u>	<u>619,711</u>
Total equity and liabilities	<u>2,381,260</u>	<u>1,375,096</u>
Net assets per share (RM)	<u>0.71</u>	<u>0.46</u>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 July 2010 and the accompanying explanatory notes attached to the interim financial statements.

KENCANA PETROLEUM BERHAD (667490-M)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2011**

	----- Attributable to owners of the Company -----							Non-controlling interests RM'000	Total Equity RM'000
	----- Non-distributable -----			Distributable		Total RM'000	Total Equity RM'000		
Share Capital RM'000	Share premium RM'000	Share option reserve RM'000	Translation reserve RM'000	Retained profits RM'000					
At 1 August 2009	90,296	79,682	2,971	-	255,968	428,917	-	428,917	
Total comprehensive income	-	-	-	-	136,166	136,166	32	136,198	
Share-based payment	-	-	2,388	-	-	2,388	-	2,388	
Share options exercised	848	10,398	-	-	-	11,246	-	11,246	
Share options lapsed	-	-	(4)	-	4	-	-	-	
Transfer to share premium for share options exercised	-	2,794	(2,794)	-	-	-	-	-	
Share issue expenses	-	(2,758)	-	-	-	(2,758)	-	(2,758)	
Renounceable rights issue	36,416	145,665	-	-	-	182,081	-	182,081	
Bonus issue	38,237	(38,237)	-	-	-	-	-	-	
Dividend paid	-	-	-	-	(4,550)	(4,550)	-	(4,550)	
Issuance of preference shares of a subsidiary	-	-	-	-	-	-	1,863	1,863	
At 31 July 2010	165,797	197,544	2,561	-	387,588	753,490	1,895	755,385	
At 1 August 2010	165,797	197,544	2,561	-	387,588	753,490	1,895	755,385	
Total comprehensive income	-	-	-	(15,794)	159,388	143,594	-	143,594	
Shares issued pursuant to private placement	16,670	380,071	-	-	-	396,741	-	396,741	
Share-based payment	-	-	1,787	-	-	1,787	-	1,787	
Share options exercised	1,281	10,136	-	-	-	11,417	-	11,417	
Transfer to share premium for share options exercised	-	3,500	(3,500)	-	-	-	-	-	
Piecemeal acquisition of a subsidiary	-	-	-	-	-	-	(32)	(32)	
Share issue expenses	-	(3,974)	-	-	-	(3,974)	-	(3,974)	
Dividend paid	-	-	-	-	(8,335)	(8,335)	-	(8,335)	
At 30 April 2011	183,748	587,277	848	(15,794)	538,641	1,294,720	1,863	1,296,583	

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 July 2010 and the accompanying explanatory notes attached to the interim financial statements.

KENCANA PETROLEUM BERHAD (667490-M)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2011**

	Current Year-to-date 01.08.2010 to 30.04.2011 RM'000	Preceding Year-to-date 01.08.2009 to 30.04.2010 RM'000
Net cash generated from operating activities	381,199	99,292
Net cash used in investing activities	(559,526)	(157,437)
Net cash generated from financing activities	<u>767,677</u>	<u>201,491</u>
Net increase in cash and cash equivalents	589,350	143,346
Effect of exchange rate fluctuations on cash held	(15,794)	-
Cash and cash equivalents at 1 August	194,744	229,521
Cash and cash equivalents at 30 April	<u><u>768,300</u></u>	<u><u>372,867</u></u>
Cash and cash equivalents at end of the financial period comprise the following:		
Cash and bank balances	392,994	289,897
Short term deposits	416,510	109,797
Bank overdraft	<u>(17,471)</u>	<u>-</u>
	792,033	399,694
Deposits pledged	<u>(23,733)</u>	<u>(26,827)</u>
	<u><u>768,300</u></u>	<u><u>372,867</u></u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 July 2010 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 2010. 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 2010 except for the adoption of new FRSs, amendments and IC Interpretations that are mandatory for the Group for the financial year beginning 1 August 2010.

The adoption of the above FRSs, amendments and interpretations do not have a material impact on the interim financial information of the Group except for the adoption of the following FRSs as set out below:

FRS 3, Business Combinations (revised)

The adoption of FRS 3 (revised) had resulted in the Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquire; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

FRS 3 (revised) will be applied prospectively in accordance with the transitional provisions.

FRS 101, Presentation of Financial Statements (revised)

The adoption of FRS 101 (revised) has resulted in a change in the presentation of financial statements. The income statements have been re-presented as statement of comprehensive income.

FRS 101 (revised) also requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (comprehensive income) are required to be presented in one statement of comprehensive income. Components of comprehensive income are not permitted to be presented in the statement of changes in equity.

In addition, a statement of financial position is required at the beginning of the earliest comparative period following a change in accounting policy, the correction of an error or the classification of items in the financial statements.

This is a disclosure standard with no impact on the financial position or financial performance of the Group.

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

Amendment to FRS 117, Leases

Prior to the adoption of the Amendment to FRS 117, leasehold lands were treated as operating lease and the considerations paid were classified and presented as prepaid lease payments. With the adoption of the Amendment to FRS 117, leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment.

This change in accounting policy will be applied retrospectively in accordance with the transition provisions.

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 2010 were not subject to any qualification.

4. SEGMENTAL INFORMATION

Operating segments

The Group has four reportable segments, as described below, which represent the Group's strategic business units. The strategic business units offer different services and are managed separately because they require different technical expertise and marketing strategies:

- Investment holding
- Engineering, procurement, construction (fabrication), installation and commissioning ("EPCIC"), marine engineering, design engineering and project management
- Offshore drilling and provision of marine transportation and support services including hook-up and commissioning
- Development and production of petroleum resources

Geographical segments

The Group mainly operates in Malaysia. Accordingly information by geographical segment is not presented.

Segmental analysis for the current financial year-to-date is as follows:

Business segments	External revenue RM'000	Inter-segment revenue RM'000	Segment results RM'000	Segment assets RM'000
Investment holding	-	7,875	(5,314)	949,488
EPCIC, marine engineering, design engineering & project management	914,789	71,872	113,316	1,149,149
Offshore drilling & provision of marine transportation & support services including hook-up & commissioning	152,492	114,477	52,222	926,224
Development and production of petroleum resources	-	-	(54)	5,622
Total	1,067,281	194,224	160,170	3,030,483
Elimination	-	(194,224)	(782)	(649,223)
Consolidated	1,067,281	-	159,388	2,381,260

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

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 2010, amounting to RM8.33 million, was paid on 18 February 2011.

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

During the financial period ended 30 April 2011, the Company issued: -

- (a) 166,698,000 new ordinary shares of RM0.10 each for cash arising from the private placement at an issue price of RM2.38 per ordinary share;
- (b) 1,704,855 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM0.81 per ordinary share;
- (c) 9,544,582 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM0.84 per ordinary share;
- (d) 66,857 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM0.96 per ordinary share;
- (e) 500,000 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM1.27 per ordinary share;
- (f) 740,714 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM1.30 per ordinary share;
- (g) 110,000 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM1.36 per ordinary share; and
- (h) 150,000 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM1.38 per ordinary share.

Save as disclosed above, 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

(a) Reorganisation of structure

On 1 August 2010, the Company reorganised the shareholding of its indirect subsidiary, Kencana Torsco Sdn Bhd (“KTC”). The entire equity interest of KTC comprising 10,000,000 ordinary shares of RM1.00 each had been transferred to the Company from Kencana HL Sdn Bhd (“KHL”), a direct wholly-owned subsidiary of the Company. As a result of the transfer, KTC has become a direct wholly-owned subsidiary of the Company.

(b) Acquisition of subsidiaries

- (i) The Company had on 18 November 2010 acquired the entire issued and paid-up share capital of Finest Glory Sdn Bhd (“FGSB”) comprising 2 ordinary shares of RM1.00 each fully paid at par, making it a wholly-owned subsidiary of the Company.

FGSB was incorporated on 13 October 2010 and its intended principal activities are investment holding and management services. FGSB has subsequently changed its name to Kencana Energy Sdn Bhd (“Kencana Energy”) on 29 November 2010.

Kencana Energy had, on 31 January 2011, entered into the following contracts to jointly develop and operate the Berantai oil and gas field:

- A Risk Service Contract (“RSC”) between Petroliam Nasional Berhad (“Petronas”) and Kencana Energy, Sapura Energy Ventures Sdn Bhd (“Sapura Energy Ventures”) and Petrofac Energy Developments Sdn Bhd (“PED”) (Kencana Energy, Sapura Energy Ventures and PED are collectively referred to as “Operating Parties”) for the Operating Parties to carry out the development and production of petroleum resources from Berantai field.
- A Joint Operating Agreement (“JOA”) between Kencana Energy, Sapura Energy Ventures and PED for the Operating Parties to jointly develop and produce petroleum resources from the Berantai field as provided in the RSC.

- (ii) The Company via its wholly-owned subsidiary, Kencana Nautilus Sdn Bhd (“KNSB”), had on 24 January 2011 acquired the entire issued and paid-up share capital of Dhow Offshore Sdn Bhd (“DOSB”) comprising 100,000 ordinary shares of RM1.00 each for a purchase consideration of RM1,000,000, making it a wholly-owned subsidiary of the Company.

DOSB was incorporated on 11 November 2008 and its principal activities are provision of ship brokering services, offshore support and marine services.

- (iii) On 31 January 2011 the Company had via KNSB incorporated a wholly-owned subsidiary under the name of Redang (Labuan) Pte Ltd (“Redang Labuan”) in the Federal Territory of Labuan, with a paid up capital of USD1.00.

The principle activities of Redang Labuan are ownership of vessel and to conduct vessel leasing business.

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

- (iv) On 21 April 2011 the Company had via KTC incorporated a wholly-owned subsidiary under the name of Kencana Torsco (Hong Kong) Private Limited (“KTHK”) under the laws of Hong Kong Special Administrative Region of the People's Republic of China, with a paid up capital of HKD50,000 comprising 50,000 shares of HKD1.00 each.

The intended activity of KTHK is to support the Group’s future expansion in the fabrication business in the region.

Save as disclosed above, 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

KBW filed a suit on 15.10.2003 against one of its customers for the sum of RM1,071,899.02 plus interest, being outstanding payment owing to KBW for work done and services rendered by KBW. The Defendant in return, filed a counter-claim for the sum of RM2,122,573.08 plus interest, for damages allegedly suffered. On 29.1.2010, the Court entered judgment against the Defendant as well as dismissing the Defendant’s counter claim against KBW with costs. The Defendant filed a notice of appeal to the Court of Appeal on 19.2.2010. On 24.9.2010, KBW filed into Court for writ of seizure and sale and the Court fixed 29.9.2010 for execution of the said writ on the Defendant’s property.

On 29.9.2010, KBW proceeded with the execution by way of seizure and sale on the Defendant’s property and subsequently the Defendant made payment to KBW on the same day in the sum of RM1,688,373.10 being the judgment sum together with interest. The Defendant’s appeal to the Court of Appeal against the judgment has yet to be heard as no hearing date has been fixed by the Court of Appeal to date.

Save as disclosed above, there were no 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 2011 were as follows:

	As at 30.04.2011 RM’000
Approved and contracted for	
Purchase of property, plant and equipment	<u>30,998</u>

14. SUBSEQUENT EVENTS

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

Subsequent to 30 April 2011, the Company issued:

- (i) 225,814 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM0.84 per ordinary share; and
- (ii) 70,000 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM1.30 per ordinary share.

(b) Proposed Acquisition of Allied Marine & Equipment Sdn Bhd (“AME”)

On 13 May 2011 the Company has executed a conditional sale and purchase agreement (“SPA”) for the acquisition of 100% equity interest in AME for a purchase consideration of RM400.0 million to be satisfied by the issuance of 149,253,731 new ordinary shares of RM0.10 each in the Company (“Kencana Petroleum Shares”) at an issue price of RM2.68 per Kencana Petroleum Share (“Proposed Acquisition”).

AME was incorporated on 28 November 1988 and its principal activities are provision of offshore diving and underwater related services for inspection, repair and maintenance of structures, pipelines and risers and for the construction of underwater facilities for the oil and gas industry.

The Proposed Acquisition was approved by the shareholders at the Extraordinary General Meeting held on 24 June 2011. The completion of the acquisition is subject to the fulfilment of the terms of the SPA.

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 RM377.8 million and profit before taxation of RM69.8 million. Compared to the corresponding quarter ended 30 April 2010 of RM280.4 million and RM36.5 million, revenue and profit before tax had increased by approximately 35% and 91% respectively in the current quarter. This is mainly due to higher progress achieved for contracts in hand on the back of bigger order book and better management of relevant costs as well as contribution from drilling services.

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

Profit before tax for the current quarter under review had gone up by 12.6% at RM69.8 million, as compared to the immediate preceding quarter of RM62.0 million. The increase in profit before tax for the current quarter was mainly due to better management of relevant costs.

17. COMMENTARY ON PROSPECTS

PETRONAS has recently made major oil and gas discoveries offshore Sarawak. These discoveries support Malaysian Government's strategy to intensify exploration activities in Malaysia as evidenced by the focus by the Malaysian Government to improve Malaysia's oil and gas production as set out in the Economic Transformation Programme.

In the near term, more exploration wells are expected to be drilled offshore Malaysia by PETRONAS and its production sharing contractors (PSC). These activities, especially if they result in discoveries, are expected to spur business opportunities in the oil and gas industry and will promote upstream investment in the country.

Therefore, the Board of Directors believes that capital spending in the upstream oil and gas sector is expected to remain relatively strong. This also includes enhancing recovery from existing fields and development of small and marginal fields.

The Board of Directors is also encouraged by the recent announcement released by the Malaysian Government on the support given to the downstream oil and gas activities.

Based on this expectation and the Group's historical good track records, the Group expects the demand for its core business of engineering and fabrication of oil and gas production facilities and other oilfield services to remain encouraging. In addition, the Group's expansion in offshore services is expected to expand the earnings base and profit margin of the Group. The Group is also looking towards expanding its fabrication business in the region.

Barring unforeseen circumstances, the Board of Directors is reasonably confident that the prospect of the Group remains positive.

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

18. PROFIT FORECAST

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

19. TAXATION

	3rd Quarter		Cumulative Quarter	
	01.02.2011 To 30.04.2011 RM'000	01.02.2010 To 30.04.2010 RM'000	01.08.2010 To 30.04.2011 RM'000	01.08.2009 To 30.04.2010 RM'000
Income tax expense	9,836	5,253	36,672	25,294
Deferred tax expense	3,513	102	3,796	605
	<u>13,349</u>	<u>5,355</u>	<u>40,468</u>	<u>25,899</u>

The effective tax rate of the Group for the financial year to-date is lower than the statutory tax rate mainly due to the reinvestment allowance and lower tax expense resulting from the offshore leasing activities.

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.

22. STATUS OF CORPORATE PROPOSALS

- (a) The proceeds of RM182.08 million raised from the Rights Issue have been fully utilised as follows:

No.	Purpose	Actual Utilisation (RM'000)
(i)	Repayment of bank borrowings	91,294
(ii)	Capital expenditure	59,867
(iii)	Acquisition of companies from Mermaid Drilling (Singapore) Pte Ltd (including incidental expenses)	13,605
(iv)	Working capital	13,537
(v)	Expenses for corporate exercises	3,779
	Total	182,082

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

Pursuant to the Abridged Prospectus dated 8 January 2010, the Rights Issue proceeds are expected to be utilised for capital expenditure, investment opportunities and business expansion in the oil and gas industry or related industries which have yet to be identified. In addition, the proceeds may also be used for working capital, repayment of bank borrowings as well as to defray expenses for corporate exercises.

(b) On 3 December 2010 and 19 May 2011 the Company announced that it intends to raise funds via the following proposals:

(i) Proposed issuance of up to RM350 million nominal value of Sukuk Mudharabah (“Sukuk Mudharabah-W”) of up to five (5) years with detachable warrants (“Kencana Petroleum Warrants”) on a “bought deal” basis with AmInvestment Bank Berhad as the primary subscriber (“Primary Subscriber”) (“Proposed Sukuk Mudharabah-W”);

(ii) Proposed offer for sale of the provisional rights to the allotment of the Kencana Petroleum Warrants by the Primary Subscriber on a renounceable basis at an issue price to be determined later to the shareholders of the Company on the basis of one (1) Kencana Petroleum Warrant for every five (5) existing ordinary shares of RM0.10 each in the Company (“Kencana Petroleum Shares”) on the entitlement date to be determined later (“Proposed Offer for Sale of Warrants”). The exercise price of the Kencana Petroleum Warrants will be based on 10% premium to the five (5)-days volume weighted average market price up to the price-fixing date; and

(iii) Proposed private placement of new Kencana Petroleum Shares of up to 10% of the issued and paid-up share capital of the Company (“Private Placement”).

(Collectively referred to as “Fundraising Proposals”)

(iv) Proposed increase in the authorised share capital of the Company from RM200,000,000 divided into 2,000,000,000 ordinary shares of RM0.10 each to RM300,000,000 divided into 3,000,000,000 shares (“Proposed Increase in Authorised Share Capital”).

In addition to the Fundraising Proposals, the Company also proposed to issue up to RM200.0 million in nominal value Sukuk Mudharabah pursuant to a Sukuk Mudharabah Programme on an “as needed” basis throughout the proposed fifteen (15)-year tenure of the Sukuk Mudharabah Programme (“Proposed Sukuk Mudharabah Programme”). The facility limit of the Proposed Sukuk Mudharabah Programme has subsequently been increased to up to RM700.0 million in nominal value.

The Private Placement was completed on 7 February 2011 with the admission of 166,698,000 new ordinary shares of RM0.10 to the Main Market of Bursa Securities.

On 19 May 2011 the Controller of Foreign Exchange of Bank Negara Malaysia has approved the issuance of Kencana Petroleum Warrants to the non-resident shareholders of the Company.

On 6 June 2011 the Securities Commission has approved the Proposed Sukuk Mudharabah-W and Proposed Sukuk Mudharabah Programme.

KENCANA PETROLEUM BERHAD (667490-M)

(Incorporated in Malaysia)

On 7 June 2011 the Bursa Securities has approved in-principle the following:

- the admission of up to 398,837,605 Kencana Petroleum Warrants to the Official List of Bursa Securities;
- the listing and quotation of up to 398,837,605 Kencana Petroleum Warrants on the Main Market of Bursa Securities; and
- the listing and quotation of up to 398,837,605 new Kencana Petroleum Shares to be issued upon the exercise of the Kencana Petroleum Warrants on the Main Market of Bursa Securities

The Proposed Sukuk Mudharabah-W, Proposed Offer for Sale of Warrants and Proposed Increase in Authorised Share Capital were approved by the shareholders at the Extraordinary General Meeting (“EGM”) held on 24 June 2011.

- (c) The utilisation status of proceeds of RM396.74 million raised from the Private Placement as at 17 June 2011 (being a date not earlier than 7 days from the date of issue of the quarterly report) is as follows:

No.	Purpose	Actual Utilisation (RM'000)
(i)	Expenses for corporate exercise	3,967
(ii)	Capital expenditure	25,581
(iii)	Development and production of oil and gas field	19,186
(v)	Repayment of bank borrowings	22,300
	Total	71,034

Pursuant to the announcement dated 3 December 2010, the gross proceeds from the Fundraising Proposals are expected to be utilised for capital expenditure, investment opportunities and business expansion in the oil and gas industry or related industries which have yet to be identified. In addition, the proceeds may also be used for working capital and/or repayment of borrowings as well as to defray estimated expenses in relation to the Fundraising Proposals.

The allocation between the aforesaid purposes cannot be ascertained as at the date of the said announcement.

- (d) Proposed Acquisition of Allied Marine & Equipment Sdn Bhd (“AME”)

On 13 May 2011 the Company has executed a conditional sale and purchase agreement (“SPA”) for the acquisition of 100% equity interest in AME for a purchase consideration of RM400.0 million to be satisfied by the issuance of 149,253,731 new ordinary shares of RM0.10 each in the Company (“Kencana Petroleum Shares”) at an issue price of RM2.68 per Kencana Petroleum Share (“Proposed Acquisition”).

On 7 June 2011 the Bursa Securities has approved in-principle the listing and quotation of 149,253,731 new Kencana Petroleum Shares to be issued pursuant to the Proposed Acquisition.

The Proposed Acquisition was approved by the shareholders at the EGM held on 24 June 2011. The completion of the Proposed Acquisition is subject to the fulfilment of the terms of the SPA.

Save as disclosed above, there is no other corporate proposal announced but not completed as at 24 June 2011.

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

23. LOANS AND BORROWINGS

	As at 30.04.2011 RM'000	As at 31.07.2010 RM'000
Short-term borrowings		
Secured:		
Term loans	135,180	108,338
Hire purchase liabilities	17,685	12,492
Unsecured:		
Bankers' acceptance	7,293	-
Bank overdraft	17,471	2,013
Revolving credits	76,379	60,000
	<u>254,008</u>	<u>182,843</u>
Long-term borrowings		
Secured:		
Term loans	335,297	30,223
Hire purchase liabilities	17,906	12,810
	<u>353,203</u>	<u>43,033</u>
Total borrowings	<u>607,211</u>	<u>225,876</u>

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

Ringgit Malaysia	243,436	208,381
US Dollar	363,775	17,495
Total	<u>607,211</u>	<u>225,876</u>

24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at 24 June 2011.

25. CHANGES IN MATERIAL LITIGATION

As at 24 June 2011, there was no material litigation against the Group.

26. DIVIDEND PROPOSED

No interim dividend has been declared for the current quarter under review.

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

27. EARNINGS PER SHARE (“EPS”)

Basic EPS

Basic EPS is calculated based on the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue:

	3rd Quarter		Cumulative Quarter	
	01.02.2011 To 30.04.2011	01.02.2010 To 30.04.2010	01.08.2010 To 30.04.2011	01.08.2009 To 30.04.2010
Net profit attributable to owners of the Company (RM'000)	56,424	31,177	159,388	94,300
Weighted average number of ordinary shares in issue ('000)	1,834,607	1,623,633	1,745,901	1,139,991
Basic EPS (sen)	<u>3.08</u>	<u>1.92</u>	<u>9.13</u>	<u>8.27</u>

Diluted EPS

Diluted EPS amount is calculated based on the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue after adjusting for the dilutive effects of all potential ordinary shares to be issued under the ESOS:

	3rd Quarter		Cumulative Quarter	
	01.02.2011 To 30.04.2011	01.02.2010 To 30.04.2010	01.08.2010 To 30.04.2011	01.08.2009 To 30.04.2010
Net profit attributable to owners of the Company (RM'000)	56,424	31,177	159,388	94,300
Weighted average number of ordinary shares in issue ('000)	1,834,607	1,623,633	1,745,901	1,139,991
Issuance of shares pursuant to the Proposed Sukuk Mudharabah-W ('000)	398,838	-	398,838	-
Assumed exercise of ESOS ('000)	2,979	6,868	2,979	6,868
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	2,236,424	1,630,501	2,147,718	1,146,859
Diluted EPS (sen)	<u>2.52</u>	<u>1.91</u>	<u>7.42</u>	<u>8.22</u>

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

28. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors dated 24 June 2011.

BY ORDER OF THE BOARD

Ng Heng Hooi
(MAICSA 7048492)
Company Secretary
Kuala Lumpur
24 June 2011