

KENCANA PETROLEUM BERHAD

Company No. 667490-M
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

QUARTERLY REPORT : FINANCIAL PERIOD ENDED 30 APRIL 2010

PERIOD : 1 FEBRUARY 2010 TO 30 APRIL 2010

QUARTER : 3RD QUARTER

FINANCIAL YEAR END : 31 JULY 2010

FIGURES : UNAUDITED

KENCANA PETROLEUM BERHAD (667490-M)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2010**

	3rd Quarter		Cumulative Quarter	
	01.02.2010 to 30.04.2010 RM'000	01.02.2009 to 30.04.2009 RM'000	01.08.2009 to 30.04.2010 RM'000	01.08.2008 to 30.04.2009 RM'000
Revenue	280,373	290,170	811,514	882,752
Contract costs	(224,658)	(245,587)	(643,291)	(731,949)
Gross profit	55,715	44,583	168,223	150,803
Depreciation and amortisation	(4,633)	(4,190)	(13,328)	(11,680)
Operating expenses	(16,735)	(8,870)	(40,226)	(28,389)
Other operating income	4,389	4,781	10,857	6,504
Profit from operations	38,736	36,304	125,526	117,238
Interest expense	(3,819)	(2,290)	(9,574)	(6,702)
Interest income	1,638	944	3,992	3,080
Share of results of associates	(21)	101	165	277
Share of results of jointly controlled entities	(2)	(5)	(3)	(1)
Profit before taxation	36,532	35,054	120,106	113,892
Taxation	(5,355)	(7,414)	(25,899)	(25,940)
Net profit	31,177	27,640	94,207	87,952
Attributed to :				
- Equity holders of the Company	31,177	27,640	94,300	87,952
- Minority Interests	-	-	(93)	-
Net profit	31,177	27,640	94,207	87,952
Earnings per share :				
- basic (sen)	1.92	3.06	8.27	9.75
- diluted (sen)	1.91	2.35	8.22	7.48

The condensed consolidated income statements should be read in conjunction with the audited financial statements for the year ended 31 July 2009 and the accompanying explanatory notes attached to the interim financial statements.

KENCANA PETROLEUM BERHAD (667490-M)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 APRIL 2010**

	As at 30.04.2010 Unaudited RM'000	As at 31.07.2009 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	450,877	309,171
Goodwill	36,516	36,166
Investments in associates	56,523	56,213
Investments in jointly controlled entities	6	9
Other investment	1	68
	<u>543,923</u>	<u>401,627</u>
Current Assets		
Inventory	29,400	28,293
Receivables, deposits and prepayments	227,928	259,874
Current tax assets	7,926	1,254
Cash and cash equivalents	399,694	253,893
	<u>664,948</u>	<u>543,314</u>
Total assets	<u>1,208,871</u>	<u>944,941</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	165,757	90,296
Share premium	195,376	79,682
Other reserves	3,993	2,971
Retained profits	345,808	255,968
	<u>710,934</u>	<u>428,917</u>
Minority interests	<u>(1,300)</u>	<u>-</u>
Total equity	<u>709,634</u>	<u>428,917</u>
Non-current liabilities		
Long term borrowings	50,312	155,988
Deferred tax liability	25,488	24,847
	<u>75,800</u>	<u>180,835</u>
Current Liabilities		
Short term borrowings	172,131	56,780
Payables and accruals	245,330	276,162
Tax liabilities	5,976	2,247
Total current liabilities	<u>423,437</u>	<u>335,189</u>
Total liabilities	<u>499,237</u>	<u>516,024</u>
Total equity and liabilities	<u>1,208,871</u>	<u>944,941</u>
Net assets per share (RM)	<u>0.43</u>	<u>0.48</u>

The condensed consolidated balance sheet should be read in conjunction with the audited financial statements for the year ended 31 July 2009 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 2010**

	----- Attributable to the equity holders of the Company -----					Minority Interests	Total Equity
	Share Capital RM'000	----- Non-distributable ----- Share premium RM'000	Share option reserve RM'000	Distributable Retained profits RM'000	Total RM'000		
At 1 August 2008	90,200	78,129	668	142,263	311,260	-	311,260
Profit for the year	-	-	-	118,203	118,203	-	118,203
Share-based payment	-	-	2,642	-	2,642	-	2,642
Share options exercised	96	1,227	-	-	1,323	-	1,323
Share options lapsed	-	-	(12)	12	-	-	-
Transfer to share premium for share options exercised	-	327	(327)	-	-	-	-
Share issue expenses	-	(1)	-	-	(1)	-	(1)
Dividends	-	-	-	(4,510)	(4,510)	-	(4,510)
At 31 July 2009	90,296	79,682	2,971	255,968	428,917	-	428,917
At 1 August 2009	90,296	79,682	2,971	255,968	428,917	-	428,917
Profit for the period	-	-	-	94,300	94,300	(93)	94,207
Share-based payment	-	-	1,898	-	1,898	-	1,898
Share options exercised	808	10,106	-	-	21,020	-	21,020
Transfer to share premium for share options exercised	-	876	(876)	-	-	-	-
Share issue expenses	-	(2,716)	-	-	(2,716)	-	(2,716)
Piecemeal acquisition of a subsidiary	-	-	-	90	90	(1,207)	(1,117)
Arising from renounceable rights issue of the Company	36,416	145,665	-	-	182,081	-	182,081
Bonus issue - capitalisation of share premium account	38,237	(38,237)	-	-	-	-	-
Dividends	-	-	-	(4,550)	(4,550)	-	(4,550)
At 30 April 2010	165,757	195,376	3,993	345,808	721,040	(1,300)	719,740

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 July 2009 and the accompanying explanatory notes attached to the interim financial statements.

KENCANA PETROLEUM BERHAD (667490-M)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 APRIL 2010**

	Current Year-to-date 01.08.2009 to 30.04.2010 RM'000	Preceding Year-to-date 01.08.2008 to 30.04.2009 RM'000
Net cash generated from operating activities	99,292	53,015
Net cash used in investing activities	(157,437)	(73,750)
Net cash generated from financing activities	<u>201,491</u>	<u>49,042</u>
Net increase in cash and cash equivalents	143,346	28,307
Cash and cash equivalents at 1 August	229,521	226,640
Cash and cash equivalents at 30 April	<u><u>372,867</u></u>	<u><u>254,947</u></u>

Cash and cash equivalents at end of the financial period comprise the following:

Cash and bank balances	289,897	224,852
Short term deposits	109,797	64,328
Bank overdraft	<u>-</u>	<u>-</u>
	399,694	289,180
Deposits pledged	<u>(26,827)</u>	<u>(34,233)</u>
	<u><u>372,867</u></u>	<u><u>254,947</u></u>

The condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the year ended 31 July 2009 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 2009. 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 2009 except for the adoption of FRS 8 : Operating Segments which became effective for the financial period beginning 1 July 2009.

The adoption of the above FRS only impacts presentation and disclosures. It does not have significant financial impact on the Group.

3. AUDITORS’ REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors’ report on the financial statements of the Company and its subsidiaries for the financial year ended 31 July 2009 were not subject to any qualification.

4. SEGMENTAL INFORMATION

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

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

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

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

6. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

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

7. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

8. DIVIDENDS PAID

During the nine months ended 30 April 2010, the first and final single tier dividend of 5% per ordinary share of 10 sen each of approximately RM4.55 million in respect of the financial year ended 31 July 2009 was paid on 15 January 2010.

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 2010, the Company issued: -

- (a) 1,230,000 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM1.35 per ordinary share;
- (b) 6,162,800 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM1.40 per ordinary share;
- (c) 60,000 new ordinary shares of RM0.10 each for cash arising from the exercise of ESOS at an exercise price of RM1.60 per ordinary share;
- (d) 631,339 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;
- (e) 364,163,320 new ordinary shares of RM0.10 each for cash arising from the renounceable rights issue at an exercise price of RM0.50 per ordinary share; and
- (f) 382,371,486 new ordinary shares of RM0.10 each by way of bonus issue.

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 30 September 2009, the Company reorganised the shareholding of its indirect subsidiary, Kencana Pinewell Sdn Bhd (“KPW”). The entire equity interest of KPW comprising 500,000 ordinary share of RM1.00 each has been transferred to the Company from Kencana Bestwide Sdn Bhd (“KBW”), a direct wholly-owned subsidiary of the Company. As a result of the transfer, KPW has become a direct wholly-owned subsidiary of the Company.

(b) Acquisition of a subsidiary

The Company via its wholly-owned subsidiary, Kencana Petroleum Ventures Sdn. Bhd. (“KPV”), has on 4 February 2010 acquired the entire issued and paid-up share capital of Thrive Alliance Sdn. Bhd. (“TASB”) comprising 2 ordinary shares of RM1.00 each fully paid at par, making it a wholly-owned subsidiary of the Company.

KPV has also on even date subscribed for additional 99,998 ordinary shares of RM1.00 each at par in TASB. TASB was incorporated on 11 December 2009 and its intended principal activity is to undertake all KPV’s interests in managing and operating the offshore support vessel business segment.

TASB has on 10 February 2010 changed its name to Kencana Nautilus Sdn Bhd (“Nautilus”).

(c) Incorporation of a subsidiary

The Company has, via its wholly-owned subsidiary, Nautilus, on 12 February 2010 incorporated a wholly-owned subsidiary, Gemia (Labuan) Pte Ltd (“Gemia”) in the Federal Territory of Labuan. The issued and paid-up share capital of Gemia is USD2.00 comprising 2 ordinary shares of USD1.00 each. Gemia’s intended principal activities are to be a vessel owner and to conduct vessel leasing business.

On 6 April 2010 Gemia increased its paid-up capital from USD2.00 to USD10,000. Nautilus had, of even date, subscribed for all the shares for cash consideration of USD9,998.

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

Corporate Guarantee

KBW granted unsecured corporate guarantee amounting to RM1,500,000 to a financial institution for credit facilities granted to Best Wide Engineering (M) Sdn Bhd, an associated company of KBW.

Litigation Matters

- (a) 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 12.4.2010 the Court decided that the Defendant to pay costs of the 1st Third Party and KBW to pay costs of the 2nd Third Party. The sealed judgment was served on Defendant's solicitors on 31.5.2010. On 4.6.2010, Defendant's solicitors served an unsealed application for stay of judgment's execution. KBW's solicitors are replying to the said stay application.
- (b) A claimant filed a suit on 15.9.2008 against Kencana HL Sdn. Bhd. ("KHL") as the 2nd Defendant for the sum of RM1,731,388.92, interest of RM1,131,635.90, damages and other costs, allegedly outstanding payment owing by KHL. On 21.8.2009, the claimant filed an application for summary judgment against KHL and on 2.3.2010, the Court granted summary judgment against KHL for only the sum of RM298,301.66 with interest at 8% per annum from 5.2.2005 until date of full settlement and costs. KHL has appealed against the decision of the summary judgment and will apply for a stay of execution of the said judgment. The Court fixed 6.8.2010 for case management for the other balance claimed which are not subject to the summary judgment. On 9.6.2010 KHL's solicitors informed that the 1st Defendant proposed a tripartite meeting on 30.6.2010 for settlement with the claimant.

The above litigation matters are not expected to have material effect on the Group's financial results or position.

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 2010 were as follows:

	As at 30.04.2010 RM'000
Approved and contracted for	
Purchase of property, plant and equipment	<u>48,296</u>

14. SUBSEQUENT EVENTS

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

Subsequent to 30 April 2010, the Company issued 355,332 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.

(b) Proposed Acquisitions

On 21 June 2010, KPV executed three (3) separate conditional sale and purchase agreements (“SPA”) for the proposed acquisition by KPV from the Mermaid Drilling (Singapore) Pte Ltd (“Vendor”) of all the equity interest held by the Vendor in the following companies:-

- (i) 51,000,000 ordinary shares of USD1.00 each representing 75% equity interest in Mermaid Kencana Rig 1 Pte Ltd (“MKR1”) for the purchase consideration of USD43,637,497.00 (“MKR1 Proposed Acquisition”);
- (ii) 40,000 ordinary shares of RM1.00 each representing 40% equity interest in Kencana Mermaid Drilling Sdn Bhd (“KMD”) for the purchase consideration of USD12,500.00 (“KMD Proposed Acquisition”); and
- (iii) 3 ordinary shares of USD1.00 each representing 75% equity interest in Mermaid Kencana Rigs (Labuan) Pte Ltd (“MKR Labuan”) for the purchase consideration of USD3.00 (“MKR Labuan Proposed Acquisition”)

(collectively referred to as “Proposed Acquisitions”)

The MKR1 Proposed Acquisition, KMD Proposed Acquisition and MKR Labuan Proposed Acquisition are inter-conditional with each other.

The SPA executed for the acquisition of MKR1 shall hereinafter be referred to as “MKR1 SPA”.

In addition to the purchase consideration for MKR1, KMD and MKR Labuan (collectively referred to as “Target Companies”) totalling USD43,650,000.00 above, KPV shall also pay to the Vendor an aggregate of USD22,950,000.00 for the settlement of intercompany loans and other debt in the Target Companies (“Settlement of Loans”). Accordingly, the total amount payable by KPV to the Vendor in relation to the Proposed Acquisitions shall be USD66,600,000.

Within one (1) business day upon fulfillment of the conditions precedent set out in MKR1 SPA, KPV undertakes to pay to an external financial institution (“Bank”) that provided the loan facility and guarantee facility to MKR1 for the construction of a rig (“Facilities”) of USD15,950,000 and any additional fees, charges, interests, and other costs and expenses arising from or related to the Facilities as full settlement of the Facilities (“Settlement of Facilities”).

On 23 June 2010, KPV has obtained approval from Bank Negara Malaysia (“BNM”) in relation to the Proposed Acquisitions for the conversion of Ringgit Malaysia (“RM”) to United State Dollar (“USD”) totalling USD10.6 million as part payment for the Proposed Acquisition. The remaining USD56.0 million does not require BNM’s approval in view that the payments do not involve any conversion of RM to USD.

However, the BNM’s approval for the Settlement of Facilities is still outstanding as at 28 June 2010.

KENCANA PETROLEUM BERHAD (667490-M)
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The summary of the amount payable by KPV are as follows:-

	USD
Purchase Consideration	43,650,000
Settlement of Loans	22,950,000
Sub-total	66,600,000
Settlement of Facilities	15,950,000
Total	82,550,000

The mode of payment shall be satisfied in the following manner:

	USD
On the date of the SPA	10,000,000
Three (3) business days from the date of SPA	20,600,000
On or before completion	36,000,000
Sub-total	66,600,000
Within one (1) business day upon fulfillment of the conditions precedent set out in MKR1 SPA	15,950,000
Total	82,550,000

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 RM280.4 million and profit before taxation of RM36.5 million. Compared to the corresponding quarter ended 30 April 2009 of RM290.2 million, revenue had decreased marginally by approximately 3% in the current quarter, mainly due to progress achieved for contracts in hand, which was in line with the project delivery schedule. Despite the decrease in revenue, profit before tax had gone up marginally by 4% from RM35.1 million to RM36.5 million mainly due to better margins recorded.

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

Profit before tax for the current quarter under review had gone down by 12% at RM36.5 million, as compared to the immediate preceding quarter of RM41.7 million. The decrease in profit before tax for the current quarter was mainly due to higher contract costs and operating expenses.

17. COMMENTARY ON PROSPECTS

The Board of Directors believes that capital spending in the upstream oil and gas sector is expected to remain relatively strong. This belief is based on continued active exploration and production activities by the oil and gas companies.

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

18. PROFIT FORECAST

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

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(Incorporated in Malaysia)

19. TAXATION

	3rd Quarter		Cumulative Quarter	
	01.02.2010 To 30.04.2010 RM'000	01.02.2009 To 30.04.2009 RM'000	01.08.2009 To 30.04.2010 RM'000	01.08.2008 To 30.04.2009 RM'000
Income tax expense	5,253	6,732	25,294	24,877
Deferred tax expense	102	682	605	1,063
	<u>5,355</u>	<u>7,414</u>	<u>25,899</u>	<u>25,940</u>

The effective tax rate of the Group for the financial year to-date is lower than the statutory tax rate mainly due to over-provision of taxation in prior year and reinvestment allowance enjoyed by one of the subsidiaries.

20. SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

On 8 February 2010, the Group entered into an agreement to dispose of the investment in its associate, Malaysian Engineering and Oilfield Services Sdn Bhd, for a consideration of RM500,000.

Save as disclosed above, there were no sales of unquoted investments and/or properties in the current quarter and financial year-to-date.

21. INVESTMENTS IN QUOTED SECURITIES

There were no dealings by the Group in quoted securities for the current quarter and financial year-to-date. The Group did not hold any investments in quoted securities as at 30 April 2010.

22. STATUS OF CORPORATE PROPOSALS

- (a) On 22 June 2009, the Company announced that it intends to implement the Private Placement of up to 10% of the issued and paid-up share capital of the Company.

The Company had obtained the approval of the Company's shareholders at the Company's Annual General Meeting ("AGM") held on 16 December 2008 and subsequently renewed at the AGM held on 10 December 2009 pursuant to Section 132D of the Companies Act, 1965, that empowered the Board of Directors to allot and issue new shares from time to time and upon such terms and conditions and for such purpose as the Board of Directors may deem fit provided the aggregate number of the shares to be issued shall not exceed ten percent (10%) of the issued and paid-up share capital of the Company.

The approval from the Securities Commission ("SC") was obtained vide its letter dated 2 July 2009 and approval in-principle for the listing of and quotation for the placement shares was obtained from Bursa Malaysia Securities Berhad vide its letter dated 21 July 2009.

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The Company has also obtained the approval from the SC on 3 February 2010 for an extension of time for another 6 months until 2 July 2010 to implement the Private Placement. In the same approval, the SC has also approved the increase in the number of placement shares as a result of the increase in the issued and paid up capital of the Company resulting from the renounceable right issue and bonus issue. Nevertheless, the number of placement shares to be issued would still represent 10% of the enlarged issued and paid-up share capital of the Company.

- (b) The utilisation status of proceeds of RM182.08 million raised from the Rights Issue as at 21 June 2010 (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)	Repayment of bank borrowings	84,594
(ii)	Capital expenditure	38,770
(iii)	Working capital	25,639
(iv)	Expenses for corporate exercises	2,869
	Total	151,872

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.

However, the allocation between the aforesaid purposes cannot be ascertained as at the date of the Abridged Prospectus.

- (c) On 21 June 2010, KPV executed three (3) separate conditional sale and purchase agreements (“SPA”) for the proposed acquisition by KPV from the Mermaid Drilling (Singapore) Pte Ltd (“Vendor”) of all the equity interest held by the Vendor in the following companies:-
- (i) 51,000,000 ordinary shares of USD1.00 each representing 75% equity interest in Mermaid Kencana Rig 1 Pte Ltd (“MKR1”) for the purchase consideration of USD43,637,497.00 (“MKR1 Proposed Acquisition”);
 - (ii) 40,000 ordinary shares of RM1.00 each representing 40% equity interest in Kencana Mermaid Drilling Sdn Bhd (“KMD”) for the purchase consideration of USD12,500.00 (“KMD Proposed Acquisition”); and
 - (iii) 3 ordinary shares of USD1.00 each representing 75% equity interest in Mermaid Kencana Rigs (Labuan) Pte Ltd (“MKR Labuan”) for the purchase consideration of USD3.00 (“MKR Labuan Proposed Acquisition”)

(collectively referred to as “Proposed Acquisitions”)

The MKR1 Proposed Acquisition, KMD Proposed Acquisition and MKR Labuan Proposed Acquisition are inter-conditional with each other.

The SPA executed for the acquisition of MKR1 shall hereinafter be referred to as “MKR1 SPA”.

KENCANA PETROLEUM BERHAD (667490-M)
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In addition to the purchase consideration for MKR1, KMD and MKR Labuan (collectively referred to as “Target Companies”) totalling USD43,650,000.00 above, KPV shall also pay to the Vendor an aggregate of USD22,950,000.00 for the settlement of intercompany loans and other debt in the Target Companies (“Settlement of Loans”). Accordingly, the total amount payable by KPV to the Vendor in relation to the Proposed Acquisitions shall be USD66,600,000.

Within one (1) business day upon fulfillment of the conditions precedent set out in MKR1 SPA, KPV undertakes to pay to an external financial institution (“Bank”) that provided the loan facility and guarantee facility to MKR1 for the construction of a rig (“Facilities”) of USD15,950,000 and any additional fees, charges, interests, and other costs and expenses arising from or related to the Facilities as full settlement of the Facilities (“Settlement of Facilities”).

On 23 June 2010, KPV has obtained approval from Bank Negara Malaysia (“BNM”) in relation to the Proposed Acquisitions for the conversion of Ringgit Malaysia (“RM”) to United State Dollar (“USD”) totalling USD10.6 million as part payment for the Proposed Acquisition. The remaining USD56.0 million does not require BNM’s approval in view that the payments do not involve any conversion of RM to USD.

However, the BNM’s approval for the Settlement of Facilities is still outstanding as at 28 June 2010.

The summary of the amount payable by KPV are as follows:-

	USD
Purchase Consideration	43,650,000
Settlement of Loans	22,950,000
Sub-total	66,600,000
Settlement of Facilities	15,950,000
Total	82,550,000

The mode of payment shall be satisfied in the following manner:

	USD
On the date of the SPA	10,000,000
Three (3) business days from the date of SPA	20,600,000
On or before completion	36,000,000
Sub-total	66,600,000
Within one (1) business day upon fulfillment of the conditions precedent set out in MKR1 SPA	15,950,000
Total	82,550,000

Save as disclosed above, there is no other corporate proposal announced but not completed as at 28 June 2010.

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

23. LOANS AND BORROWINGS

	As at 30.04.2010 RM'000	As at 31.07.2009 RM'000
Short-term borrowings		
Secured:		
Bankers' acceptance	4,018	854
Term loans	105,614	11,775
Hire purchase liabilities	12,499	13,972
Unsecured:		
Bank overdraft	-	179
Revolving credits	50,000	30,000
	<u>172,131</u>	<u>56,780</u>
Long-term borrowings		
Secured:		
Term loans	36,127	133,777
Hire purchase liabilities	14,185	22,211
	<u>50,312</u>	<u>155,988</u>
Total borrowings	<u>222,443</u>	<u>212,768</u>

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

Ringgit Malaysia	204,923	174,048
US Dollar	17,520	38,720
Total	<u>222,443</u>	<u>212,768</u>

24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at 28 June 2010.

25. CHANGES IN MATERIAL LITIGATION

As at 28 June 2010, there was no material litigation against the Group.

26. DIVIDEND PROPOSED

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

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27. EARNINGS PER SHARE (“EPS”)

Basic EPS

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

	3rd Quarter		Cumulative Quarter	
	01.02.2010 To 30.04.2010	01.02.2009 To 30.04.2009	01.08.2009 To 30.04.2010	01.08.2008 To 30.04.2009
Net profit attributable to equity holders of the Company (RM'000)	31,177	27,640	94,300	87,952
Weighted average number of ordinary shares in issue ('000)	1,623,633	902,000	1,139,991	902,000
Basic EPS (sen)	<u>1.92</u>	<u>3.06</u>	<u>8.27</u>	<u>9.75</u>

Diluted EPS

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

	3rd Quarter		Cumulative Quarter	
	01.02.2010 To 30.04.2010	01.02.2009 To 30.04.2009	01.08.2009 To 30.04.2010	01.08.2008 To 30.04.2009
Net profit attributable to equity holders of the Company (RM'000)	31,177	27,640	94,300	87,952
Weighted average number of ordinary shares in issue ('000)	1,623,633	902,000	1,139,991	902,000
Bonus Shares ('000)	-	270,600	-	270,600
Assumed exercise of ESOS ('000)	6,868	2,753	6,868	2,753
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	1,630,501	1,175,353	1,146,859	1,175,353
Diluted EPS (sen)	<u>1.91</u>	<u>2.35</u>	<u>8.22</u>	<u>7.48</u>

The comparative figures for the diluted EPS have been restated to account for the effect of the Bonus Issue.

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28. AUTHORISED FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Board of Directors dated 28 June 2010.

BY ORDER OF THE BOARD

Ng Heng Hooi
(MAICSA 7048492)
Company Secretary
Kuala Lumpur
28 June 2010