

KENCANA PETROLEUM BERHAD

Company No. 667490-M
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

QUARTERLY REPORT : FINANCIAL PERIOD ENDED 31 JULY 2010

PERIOD : 1 MAY 2010 TO 31 JULY 2010

QUARTER : 4TH 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 31 JULY 2010**

	4th Quarter		Cumulative Quarter	
	01.05.2010 to 31.07.2010 RM'000	01.05.2009 to 31.07.2009 RM'000	01.08.2009 to 31.07.2010 RM'000	01.08.2008 to 31.07.2009 RM'000
Revenue	278,184	258,091	1,089,698	1,140,843
Contract costs	(207,150)	(200,672)	(850,441)	(932,621)
Gross profit	71,034	57,419	239,257	208,222
Depreciation and amortisation	(4,875)	(4,184)	(18,203)	(15,864)
Operating expenses	(13,983)	(13,309)	(54,209)	(41,698)
Other operating income	811	1,880	11,668	8,384
Profit from operations	52,987	41,806	178,513	159,044
Interest expense	(1,901)	(3,740)	(11,475)	(10,442)
Interest income	1,161	992	5,153	4,072
Share of results of associates	(1,010)	(136)	(846)	141
Share of results of jointly controlled entities	(2)	(9)	(5)	(10)
Profit before taxation	51,235	38,913	171,340	152,805
Taxation	(9,665)	(8,663)	(35,564)	(34,603)
Net profit	41,570	30,250	135,776	118,202
Attributed to :				
- Equity holders of the Company	41,477	30,250	135,776	118,202
- Minority Interests	93	-	-	-
Net profit	41,570	30,250	135,776	118,202
Earnings per share :				
- basic (sen)	2.50	3.35	10.69	13.10
- diluted (sen)	2.49	3.34	10.62	13.07

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 31 JULY 2010**

	As at 31.07.2010 Unaudited RM'000	As at 31.07.2009 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	482,304	309,171
Goodwill	37,426	36,166
Investments in associates	53,856	56,213
Investments in jointly controlled entities	4	9
Investment in redeemable preference shares	1,352	-
Other investment	1	68
Deferred tax asset	74	-
	<u>575,017</u>	<u>401,627</u>
Current Assets		
Inventory	27,311	28,293
Receivables, deposits and prepayments	539,883	259,874
Current tax assets	5,763	1,254
Cash and cash equivalents	222,612	253,893
	<u>795,569</u>	<u>543,314</u>
Total assets	<u>1,370,586</u>	<u>944,941</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	165,797	90,296
Share premium	197,544	79,682
Other reserves	2,561	2,971
Retained profits	387,307	255,968
	<u>753,209</u>	<u>428,917</u>
Minority interests	33	-
Total equity	<u>753,242</u>	<u>428,917</u>
Non-current liabilities		
Long term borrowings	46,157	155,988
Deferred tax liability	26,414	24,847
	<u>72,571</u>	<u>180,835</u>
Current Liabilities		
Short term borrowings	181,659	56,780
Payables and accruals	358,377	276,162
Tax liabilities	4,737	2,247
Total current liabilities	<u>544,773</u>	<u>335,189</u>
Total liabilities	<u>617,344</u>	<u>516,024</u>
Total equity and liabilities	<u>1,370,586</u>	<u>944,941</u>
Net assets per share (RM)	<u>0.45</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 31 JULY 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	-	-	-	135,776	135,776	-	135,776
Share-based payment	-	-	2,384	113	2,497	-	2,497
Share options exercised	848	10,398	-	-	11,246	-	11,246
Transfer to share premium for share options exercised	-	2,794	(2,794)	-	-	-	-
Share issue expenses	-	(2,758)	-	-	(2,758)	-	(2,758)
Piecemeal acquisition of a subsidiary	-	-	-	-	-	33	33
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 31 July 2010	165,797	197,544	2,561	387,307	753,209	33	753,242

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 31 JULY 2010**

	Current Year-to-date 01.08.2009 to 31.07.2010 RM'000	Preceding Year-to-date 01.08.2008 to 31.07.2009 RM'000
Net cash generated from operating activities	57,476	13,128
Net cash used in investing activities	(294,977)	(68,815)
Net cash generated from financing activities	<u>223,190</u>	<u>58,568</u>
Net (decrease)/increase in cash and cash equivalents	(14,311)	2,881
Cash and cash equivalents at 1 August	229,521	226,640
Cash and cash equivalents at 31 July	<u><u>215,210</u></u>	<u><u>229,521</u></u>

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

Cash and bank balances	166,852	81,151
Short term deposits	55,760	172,742
Bank overdraft	<u>(2,013)</u>	<u>(179)</u>
	220,599	253,714
Deposits pledged	<u>(5,389)</u>	<u>(24,193)</u>
	<u><u>215,210</u></u>	<u><u>229,521</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 financial year ended 31 July 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 year ended 31 July 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) 1,025,671 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 of 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.

(d) Acquisition of companies from Mermaid Drilling (Singapore) Pte Ltd (“MDS”)

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

- (i) 51,000,000 ordinary shares of USD1.00 each representing 75% equity interest in Kencana Marine Rig 1 Pte Ltd (formerly known as Mermaid Kencana Rig 1 Pte Ltd) (“KMR Singapore”) for the purchase consideration of USD43,637,497.00;
- (ii) 40,000 ordinary shares of RM1.00 each representing 40% equity interest in Kencana Marine Drilling Sdn Bhd (formerly known as Kencana Mermaid Drilling Sdn Bhd) (“KMD”) for the purchase consideration of USD12,500.00; and

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

- (iii) 3 ordinary shares of USD1.00 each representing 75% equity interest in Kencana Marine Rig 1 (Labuan) Pte Ltd (formerly known as Mermaid Kencana Rigs (Labuan) Pte Ltd) (“KMR Labuan”) for the purchase consideration of USD3.00

(collectively referred to as “Acquisitions”)

The Acquisitions were approved by the shareholders at the Extraordinary General Meeting held on 26 July 2010 and completed on 5 August 2010 with the full settlement of purchase considerations.

With the completion of the Acquisitions, KMR Singapore, KMD and KMR Labuan are now wholly-owned subsidiaries of the Company via KPV.

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, KBW has been served with an unsealed application for stay of judgment’s execution and the Court then fixed 2.9.2010 for the hearing of the stay application. On 2.9.2010 the Court dismissed the Defendant’s application for stay of judgment execution with cost. 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.

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

- (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. At the pre-trial case management hearing on 6.8.2010, the Court has fixed the case management for further mention on 7.10.2010 pending disposal of the 1st Defendant application to strike out the Plaintiff’s claim. Further to the meeting on 3.8.2010 with the Claimant’s solicitor, KHL’s solicitor had informed KHL that the negotiation for settlement is still ongoing and the Claimant has agreed to withhold further action pending the outcome of the negotiation for settlement.

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 31 July 2010 were as follows:

	As at 31.07.2010 RM’000
Approved and contracted for	
Purchase of property, plant and equipment	<u>22,195</u>

14. SUBSEQUENT EVENTS

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

Subsequent to 31 July 2010, the Company issued 256,942 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) 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 share of RM1.00 each has 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.

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 RM278.2 million and profit before taxation of RM51.2 million. Compared to the corresponding quarter ended 31 July 2009 of RM258.1 million and RM38.9 million, revenue and profit before tax had increased by approximately 8% and 32% respectively in the current quarter. This is mainly due to lower expenses incurred and better management of relevant costs particularly from the offshore services segment.

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 40% at RM51.2 million, as compared to the immediate preceding quarter of RM36.5 million. The increase in profit before tax for the current quarter was mainly due to better management of relevant costs and lower expenses incurred.

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 and other oilfield services to remain encouraging. In addition, the Group's expansion in offshore services are expected to expand the earnings base and profit margin 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.

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

19. TAXATION

	4th Quarter		Cumulative Quarter	
	01.05.2010 To 31.07.2010 RM'000	01.02.2009 To 31.07.2009 RM'000	01.05.2009 To 31.07.2010 RM'000	01.08.2008 To 31.07.2009 RM'000
Income tax expense	9,032	8,812	34,326	32,549
Deferred tax expense	633	(149)	1,238	2,054
	<u>9,665</u>	<u>8,663</u>	<u>35,564</u>	<u>34,603</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 31 July 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.

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

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.

The approval from the SC had lapsed on 2 July 2010 and no further extension of time was sought from the SC.

- (b) The utilisation status of proceeds of RM182.08 million raised from the Rights Issue as at 22 September 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	61,003
(iii)	Acquisition of companies from MDS (including incidental expenses)	13,542
(iv)	Working capital	9,362
(v)	Expenses for corporate exercises	3,779
	Total	172,280

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 acquisition by KPV from MDS of all the equity interest held by MDS in the following companies:-
- (iv) 51,000,000 ordinary shares of USD1.00 each representing 75% equity interest in Kencana Marine Rig 1 Pte Ltd (formerly known as Mermaid Kencana Rig 1 Pte Ltd) (“KMR Singapore”) for the purchase consideration of USD43,637,497.00;
 - (v) 40,000 ordinary shares of RM1.00 each representing 40% equity interest in Kencana Marine Drilling Sdn Bhd (formerly known as Kencana Mermaid Drilling Sdn Bhd) (“KMD”) for the purchase consideration of USD12,500.00; and
 - (vi) 3 ordinary shares of USD1.00 each representing 75% equity interest in Kencana Marine Rig 1 (Labuan) Pte Ltd (formerly known as Mermaid Kencana Rigs (Labuan) Pte Ltd) (“KMR Labuan”) for the purchase consideration of USD3.00

(collectively referred to as “Acquisitions”)

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

Further to the approval obtained from Bank Negara Malaysia (“BNM”) on 23 June 2010 for the conversion of Ringgit Malaysia (“RM”) to United State Dollar (“USD”) totalling USD10.6 million as part payment for the Acquisitions, KPV had also on 2 July 2010 obtained another approval from BNM for the provision of foreign currency loan to KMR Singapore amounting to USD15.95 million as full settlement of the loan facility and guarantee facility for the construction of Rig 1.

The Acquisitions were approved by the shareholders at the Extraordinary General Meeting held on 26 July 2010 and completed on 5 August 2010 with the full settlement of purchase considerations.

With the completion of the Acquisitions, KMR Singapore, KMD and KMR Labuan are now wholly-owned subsidiaries of the Company via KPV.

Save as disclosed above, there is no other corporate proposal announced but not completed as at 29 September 2010.

23. LOANS AND BORROWINGS

	As at 31.07.2010 RM’000	As at 31.07.2009 RM’000
Short-term borrowings		
Secured:		
Bankers’ acceptance	-	854
Term loans	107,153	11,775
Hire purchase liabilities	12,493	13,972
Unsecured:		
Bank overdraft	2,013	179
Revolving credits	60,000	30,000
	<u>181,659</u>	<u>56,780</u>
Long-term borrowings		
Secured:		
Term loans	33,347	133,777
Hire purchase liabilities	12,810	22,211
	<u>46,157</u>	<u>155,988</u>
Total borrowings	<u>227,816</u>	<u>212,768</u>

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

Ringgit Malaysia	210,321	174,048
US Dollar	17,495	38,720
Total	<u>227,816</u>	<u>212,768</u>

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

24. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

There were no off balance sheet financial instruments as at 29 September 2010.

25. CHANGES IN MATERIAL LITIGATION

As at 29 September 2010, there was no material litigation against the Group.

26. DIVIDEND PROPOSED

As at to date, the decision on the declaration of the dividend for the financial year ended 31 July 2010 has yet to be made.

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.

	4th Quarter		Cumulative Quarter	
	01.05.2010 To 31.07.2010	01.05.2009 To 31.07.2009	01.08.2009 To 31.07.2010	01.08.2008 To 31.07.2009
Net profit attributable to equity holders of the Company (RM'000)	41,477	30,250	135,776	118,202
Weighted average number of ordinary shares in issue ('000)	1,657,867	902,611	1,270,524	902,154
Basic EPS (sen)	<u>2.50</u>	<u>3.35</u>	<u>10.69</u>	<u>13.10</u>

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

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.

	4th Quarter		Cumulative Quarter	
	01.05.2010	01.05.2009	01.08.2009	01.08.2008
	To	To	To	To
	31.07.2010	31.07.2009	31.07.2010	31.07.2009
Net profit attributable to equity holders of the Company (RM'000)	41,477	30,250	135,776	118,202
Weighted average number of ordinary shares in issue ('000)	1,657,867	902,611	1,270,524	902,154
Bonus Shares ('000)	-	270,783	-	270,642
Assumed exercise of ESOS ('000)	7,439	3,886	7,439	3,886
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	1,665,306	1,177,280	1,277,963	1,176,682
Diluted EPS (sen)	<u>2.49</u>	<u>2.57</u>	<u>10.62</u>	<u>10.04</u>

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

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 29 September 2010.

BY ORDER OF THE BOARD

Ng Heng Hooi
(MAICSA 7048492)
Company Secretary
Kuala Lumpur
29 September 2010