



PERDANA PETROLEUM BERHAD

Company No. 372113-A
(Incorporated in Malaysia)

Interim Report for the Quarter Ended 30 June 2016

PERDANA PETROLEUM BERHAD
(Company No. 372113 - A)
(Incorporated in Malaysia)



INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

| | Current Quarter Ended 30-June-16 RM'000 | Corresponding Quarter Ended 30-June-15 RM'000 | Current Year-to-date Ended 30-June-16 RM'000 | Corresponding Year-to-date Ended 30-June-15 RM'000 |
|---|--|--|---|---|
| Revenue | 49,376 | 64,184 | 91,389 | 133,692 |
| Cost of Sales | (36,773) | (49,922) | (72,823) | (96,730) |
| Gross Profit | 12,603 | 14,262 | 18,566 | 36,962 |
| Other income | 24,755 | 308 | 27,188 | 3,192 |
| Administrative expenses | (27,351) | (17,681) | (33,673) | (25,617) |
| Results from operating activities | 10,007 | (3,111) | 12,081 | 14,537 |
| Finance costs | (29,542) | (7,717) | (43,401) | (15,783) |
| Loss before taxation | (19,535) | (10,828) | (31,320) | (1,246) |
| Income tax expense | (7,207) | (919) | (7,387) | (1,416) |
| Loss for the period | (26,742) | (11,747) | (38,707) | (2,662) |
| <i>Other comprehensive (expense)/income</i> | | | | |
| <i>Foreign currency translation</i> | 15,277 | 22,356 | (43,195) | 50,114 |
| <i>Cash Flow Hedge</i> | (54) | 131 | (247) | 259 |
| Total Comprehensive (Expenses)/Income for the period attributable to Owners of the Company | (11,519) | 10,740 | (82,149) | 47,711 |
| Loss for the period | | | | |
| Attributable to: | | | | |
| Equity holders of the Company | (26,741) | (11,746) | (38,706) | (3,109) |
| Non-controlling interest | (1) | (1) | (1) | 447 |
| | (26,742) | (11,747) | (38,707) | (2,662) |
| Total Comprehensive (Expenses)/Income for the period | | | | |
| Attributable to: | | | | |
| Equity holders of the Company | (11,517) | 10,742 | (82,150) | 47,290 |
| Non-controlling interest | (2) | (2) | 1 | 421 |
| | (11,519) | 10,740 | (82,149) | 47,711 |
| Loss per share of RM0.50 each (Sen) | | | | |
| a) Basic (based on weighted average) | (3.44) | (1.57) | (4.97) | (0.42) |
| b) Fully diluted | N/A | N/A | N/A | N/A |

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015)

PERDANA PETROLEUM BERHAD

(Company No. 372113 - A)

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INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2016

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | (Unaudited) 30-June-16 RM'000 | (Audited) 31-Dec-15 RM'000 |
|--|-------------------------------------|----------------------------------|
| ASSETS | | |
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 1,464,771 | 1,596,247 |
| Intangible assets | 10,722 | 10,724 |
| Refundable deposits | 42,046 | 75,358 |
| Deferred tax assets | 46 | 46 |
| | <u>1,517,585</u> | <u>1,682,375</u> |
| CURRENT ASSETS | | |
| Inventories | 1,656 | 1,331 |
| Trade receivables - related company | 10,833 | 9,624 |
| Trade receivables - external parties | 22,258 | 28,206 |
| Other receivables, deposits and prepayments | 23,723 | 21,219 |
| Tax recoverable | 1,059 | 1,328 |
| Fixed deposits with licensed banks | 10,663 | 22,266 |
| Cash and bank balances | 37,121 | 24,431 |
| | <u>107,313</u> | <u>108,405</u> |
| TOTAL ASSETS | <u>1,624,898</u> | <u>1,790,780</u> |
| EQUITY AND LIABILITIES | | |
| EQUITY | | |
| Share capital | 389,235 | 389,235 |
| Reserves | 273,015 | 355,165 |
| TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | 662,250 | 744,400 |
| NON-CONTROLLING INTEREST | 144 | 143 |
| TOTAL EQUITY | <u>662,394</u> | <u>744,543</u> |
| NON-CURRENT LIABILITIES | | |
| Loans and borrowings | 748,633 | 625,295 |
| Deferred tax liabilities | 4,212 | 4,213 |
| Derivative liability | 324 | 77 |
| | <u>753,169</u> | <u>629,585</u> |
| CURRENT LIABILITIES | | |
| Loans and borrowings | 171,441 | 373,509 |
| Trade payables | 10,469 | 15,817 |
| Other payables - related company | 614 | 607 |
| Other payables - external parties | 20,370 | 26,393 |
| Current tax liabilities | 6,441 | 326 |
| | <u>209,335</u> | <u>416,652</u> |
| TOTAL LIABILITIES | <u>962,504</u> | <u>1,046,237</u> |
| TOTAL EQUITY AND LIABILITIES | <u>1,624,898</u> | <u>1,790,780</u> |
| NET ASSETS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (RM) | 0.85 | 0.96 |

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015)

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2016**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | (Unaudited) 30-June-16 RM'000 | (Audited) 31-Dec-15 RM'000 |
|---|--|---|
| Cash flow from operating activities | | |
| Loss before taxation | (31,320) | (114,927) |
| <i>Adjustments for:</i> | | |
| (Reversal)/Provision for impairment loss on property, plant and equipment | (8,020) | 28,065 |
| Bad debts written off | - | 2 |
| Depreciation of property, plant and equipment | 43,022 | 83,801 |
| Interest expense | 43,401 | 56,558 |
| Interest income | (856) | (2,273) |
| Gain on disposal of property, plant and equipment | - | (39) |
| Fair value gain on settlement of refundable deposit | (1,065) | - |
| Property, plant and equipment written off | - | 36,554 |
| Unrealised (gain)/loss on foreign exchange | (16,563) | 1,142 |
| Operating profit before changes in working capital | <u>28,599</u> | <u>88,883</u> |
| <i>Changes in working capital:</i> | | |
| Inventories | (325) | 457 |
| Trade and other receivables | 2,235 | 18,564 |
| Trade and other payables | (12,450) | 378 |
| Cash generated from operations | <u>18,059</u> | <u>108,282</u> |
| Tax refund/(paid) | 81 | (1,906) |
| Net cash from operating activities | <u>18,140</u> | <u>106,376</u> |
| Cash flows for investing activities | | |
| Interest received | 856 | 900 |
| Proceeds from disposal of property, plant and equipment | - | 198 |
| Refundable deposits refunded | 26,999 | - |
| Purchase of property, plant and equipment | (349) | (21,904) |
| Withdrawal/(Placement) of fixed deposits | 11,034 | (3,714) |
| Net cash from/(used in) investing activities | <u>38,540</u> | <u>(24,520)</u> |

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2016****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

| | (Unaudited) 30-June-16 RM'000 | (Audited) 31-Dec-15 RM'000 |
|--|--|---|
| Cash flows from financing activities | | |
| Drawdown of Sukuk bonds | 635,000 | - |
| Interest paid | (43,401) | (56,558) |
| Proceeds from issuance of shares through warrant exercise | - | 28,307 |
| Repayment of term loans | (503,003) | (124,170) |
| Repayment of revolving credit | - | (15,000) |
| Repayment of finance lease liability obligations | (140,996) | (23,425) |
| Net cash used in financing activities | (52,400) | (190,846) |
| | | |
| Net increase/(decrease) in cash and cash equivalents | 4,280 | (108,990) |
| Effect of foreign exchange translation | 7,840 | 52,769 |
| Cash and cash equivalents at the beginning of the financial year | 26,751 | 82,972 |
| Cash and cash equivalents at the end of the financial year | 38,871 | 26,751 |
| | | |
| Cash and cash equivalents | | |
| Fixed deposits with licensed banks | 10,663 | 22,266 |
| Cash and bank balances | 37,121 | 24,431 |
| | 47,784 | 46,697 |
| Less: Fixed deposits pledged as security | (8,913) | (19,946) |
| | 38,871 | 26,751 |

**(The Condensed Consolidated Statement of Cash Flows should be read in conjunction
with the audited financial statements of the Group for the financial year ended 31 December 2015)**

INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2016

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

| | Attributable to owners of the Company | | | | | | | Distributable | Non-Controlling Interest | Total Equity |
|--|---------------------------------------|--------------------------|---------------|-----------------|-------------------------|-----------------------|---------------------|------------------|--------------------------|--------------|
| | [----- Non - distributable -----] | | | | | | | | | |
| | Share Capital | Share Application Monies | Share Premium | Warrant Reserve | Cash Flow Hedge Reserve | Other Capital Reserve | Translation Reserve | Retained Profits | Total | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial year ended 31 December 2016 | | | | | | | | | | |
| As at 1 January 2016 | 389,235 | - | 21,984 | - | (77) | 1,635 | 111,171 | 220,452 | 744,400 | 143 |
| Total comprehensive expenses for the period | - | - | - | - | (247) | - | (43,196) | (38,707) | (82,150) | 1 |
| Balance as at 30 June 2016 | 389,235 | - | 21,984 | - | (324) | 1,635 | 67,975 | 181,745 | 662,250 | 144 |
| Financial year ended 31 December 2015 | | | | | | | | | | |
| As at 1 January 2015, restated | 369,285 | 10 | 8,404 | 5,213 | (462) | 1,635 | (34,370) | 339,369 | 689,084 | (277) |
| Issuance of shares - Exercise of Warrants 2010/2015 | 19,950 | (10) | 13,580 | (5,213) | - | - | - | - | 28,307 | - |
| Total comprehensive income/(expenses) for the period | - | - | - | - | 385 | - | 145,541 | (118,917) | 27,009 | 420 |
| Balance as at 31 December 2015 | 389,235 | - | 21,984 | - | (77) | 1,635 | 111,171 | 220,452 | 744,400 | 143 |

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2015)

PERDANA PETROLEUM BERHAD

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2016**

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015. These 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 since the year ended 31 December 2015.

2. Changes in Accounting Policies

2.1 Adoption of Accounting Standards, Amendments and Interpretations

The significant accounting policies adopted in the preparation of these interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2015, except for the adoption of the following Accounting Standards, Amendments and Interpretations from 1 January 2016:

| MFRS/Amendments/ Interpretation | Effective Date |
|---|-----------------------|
| Amendments to MFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012 – 2014 Cycle)</i> | 1 January 2016 |
| Amendments to MFRS 7, <i>Financial Instruments: Disclosures - (Annual Improvements 2012 – 2014 Cycle)</i> | 1 January 2016 |
| Amendments to MFRS 10, <i>Consolidated Financial Statements</i> , MFRS 12, <i>Disclosure of Interests in Other Entities</i> and MFRS 128, <i>Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception</i> | 1 January 2016 |
| Amendments to MFRS 11: <i>Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations</i> | 1 January 2016 |
| MFRS 14, <i>Regulatory Deferral Accounts</i> | 1 January 2016 |
| Amendments to MFRS 101, <i>Presentation of Financial Statements – Disclosure Initiative</i> | 1 January 2016 |
| Amendments to MFRS 116, <i>Property, Plant and Equipment</i> and MFRS 138, <i>Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation</i> | 1 January 2016 |
| Amendments to MFRS 116, <i>Property, Plant and Equipment</i> and MFRS 141, <i>Agriculture – Agriculture: Bearer Plants</i> | 1 January 2016 |
| Amendments to MFRS 119, <i>Employee Benefits (Annual Improvements 2012 – 2014 Cycle)</i> | 1 January 2016 |

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

2. Changes in Accounting Policies (Cont'd)

| MFRS/Amendments/ Interpretation | Effective Date |
|---|-----------------------|
| Amendments to MFRS 127, <i>Separate Financial Statements - Equity Method in Separate Financial Statements</i> | 1 January 2016 |
| Amendments to MFRS 134, <i>Interim Financial Reporting (Annual Improvements 2012 – 2014 Cycle)</i> | 1 January 2016 |

The adoption of the above Accounting Standards, Amendments and Interpretations does not have a material impact on the financial statements of the Group.

2.2 Accounting Standards, Amendments and Interpretations issued but not yet effective

| MFRS/Amendments/ Interpretation | Effective Date |
|---|-----------------------|
| Amendments to MFRS 107, <i>Disclosure Initiative</i> | 1 January 2017 |
| Amendments to MFRS 112, <i>Recognition of Deferred Tax Assets for Unrealized Losses</i> | 1 January 2017 |
| MFRS 9, <i>Financial Instruments (2015)</i> | 1 January 2018 |
| MFRS 15, <i>Revenue from Contracts with Customers</i> | 1 January 2018 |
| Amendments to MFRS 16, <i>Leases</i> | 1 January 2019 |
| Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 128, <i>Investments in Associates and Joint Ventures – Sale or contribution of Assets between an Investor and its Associate or Joint Venture</i> | To be determined |

The Group plans to apply:

- from the annual period beginning on 1 January 2016 those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to MFRS 5, Amendments to MFRS 11, MFRS 14 and Amendments to MFRS 141 which are assessed as presently not applicable to the Group.
- from the annual period beginning on 1 January 2017 Amendments to MFRS 107 and Amendments to MFRS 112 which are both effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 MFRS 9 and MFRS 15 which are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 January 2019 Amendments to MFRS 16 which is effective for annual periods beginning on or after 1 January 2019.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

2. Changes in Accounting Policies (Cont'd)

2.2 Accounting Standards, Amendments and Interpretations issued but not yet effective (Cont'd)

The initial application of the above accounting standards, amendments or interpretations is not expected to have any material financial impacts to the financial statements of the Group for the current and prior periods except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue Barter Transactions Involving Advertising Services*.

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The adoption of MFRS 15 and MFRS 9 will result in a change in accounting policies. The Group is currently assessing the financial impact that may arise from the adoption of these accounting standards.

3. Qualification of Financial Statements

There was no qualification on the audited financial statements of the Group and of the Company for the financial year ended 31 December 2015.

4. Seasonal or Cyclical Factors

Seasonality due to weather is not foreseen to affect the Group's vessel chartering operations. However, the offshore topside maintenance operations is normally affected by bad weather at the beginning and the end of the year and this factor has been taken into consideration in the Group's annual business plan.

5. Unusual Items

There were no unusual items affecting assets, liabilities, equity, or cash flows during the current quarter and financial period to-date, except for the other comprehensive expense arising from foreign currency translation of investment in Labuan subsidiaries denominated in US Dollars. During the current quarter and financial period to-date, the other comprehensive income/expenses include foreign currency translation gain of RM15.3 million and foreign currency translation loss of RM43.2 million respectively.

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
ENDED 30 JUNE 2016****PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134****6. Material Changes in Estimates**

There were no material changes in the estimates of amounts reported in the current quarter and financial period to-date.

7. Issuance and Repayment of Debts and Equity Securities

There have been no cancellation, repurchase, resale and repayment of debts and equity securities in the current quarter and financial period to-date.

8. Dividends Paid

No dividend has been declared or paid for the financial year ending/ended 31 December 2016 and 2015.

9. Segmental Information**Business Segment**

| <i>Current Quarter Ended 30 June 2016</i> | Marine Offshore Support Services RM'000 | Investment Holding RM'000 | Elimination RM'000 | Group RM'000 |
|---|--|--|-------------------------------|-------------------------|
| Revenue | | | | |
| External revenue | 49,376 | - | - | 49,376 |
| Inter-segment revenue | 83,661 | 1,166 | (84,827) | - |
| | 133,037 | 1,166 | (84,827) | 49,376 |
| Results | | | | |
| Segment results | 21,992 | (21,822) | 9,837 | 10,007 |
| Finance costs | (27,020) | (7,521) | 4,999 | (29,542) |
| Loss before taxation | (5,028) | (29,343) | 14,836 | (19,535) |

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

9. Segmental Information (Cont'd)

Business Segment (Cont'd)

| <i>Corresponding Quarter Ended 30 June 2015</i> | Marine Offshore Support Services RM'000 | Investment Holding RM'000 | Elimination RM'000 | Group RM'000 |
|---|--|--|-------------------------------|-------------------------|
| Revenue | | | | |
| External revenue | 64,184 | - | - | 64,184 |
| Inter-segment revenue | - | 2,832 | (2,832) | - |
| | 64,184 | 2,832 | (2,832) | 64,184 |
| Results | | | | |
| Segment results | 7,233 | (698) | (9,646) | (3,111) |
| Finance costs | (7,916) | (297) | 496 | (7,717) |
| Loss before taxation | (683) | (995) | (9,150) | (10,828) |

| <i>Current Period-to-date Ended 30 June 2016</i> | Marine Offshore Support Services RM'000 | Investment Holding RM'000 | Elimination RM'000 | Group RM'000 |
|--|--|--|-------------------------------|-------------------------|
| Revenue | | | | |
| External revenue | 91,389 | - | - | 91,389 |
| Inter-segment revenue | 162,672 | 1,166 | (163,838) | - |
| | 254,061 | 1,166 | (163,838) | 91,389 |
| Results | | | | |
| Segment results | 23,814 | (22,721) | 10,988 | 12,081 |
| Finance costs | (41,105) | (7,767) | 5,471 | (43,401) |
| Loss before taxation | (17,291) | (30,488) | 16,459 | (31,320) |

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

9. Segmental Information (Cont'd)

Business Segment (Cont'd)

| <i>Corresponding Period-to-date Ended 30 June 2015</i> | Marine Offshore Support Services RM'000 | Investment Holding RM'000 | Elimination RM'000 | Group RM'000 |
|--|--|--|-------------------------------|-------------------------|
| Revenue | | | | |
| External revenue | 133,692 | - | - | 133,692 |
| Inter-segment revenue | - | 5,664 | (5,664) | - |
| | 133,692 | 5,664 | (5,664) | 133,692 |
| Results | | | | |
| Segment results | 22,501 | 139 | (8,103) | 14,537 |
| Finance costs | (16,206) | (590) | 1,013 | (15,783) |
| Loss before taxation | 6,295 | (451) | (7,090) | (1,246) |

10. Valuation of Property, Plant and Equipment (“PPE”)

The Group reassessed its assets (except for inventories, deferred tax assets and financial assets) as at 30 June 2016 to determine whether there is any indication that its assets may be further impaired or recovered.

The Group has adopted value-in-use (“VIU”) estimations which entail discounting the estimated future cash flows from the continuing use of PPE. The recoverable amounts were compared against the carrying amounts of the PPE.

As at the current financial period ended 30 June 2016, the Group has made a reversal of impairment losses on PPE of USD2.0 million (equivalent to RM8.0 million). The provision for impairment losses has been reduced from USD7.1 million as at 31 December 2015 to USD5.1 million as at 30 June 2016.

11. Material Events Subsequent to the Reporting Period

There were no material events subsequent to the current financial quarter ended 30 June 2016 up to the date of this report which is likely to substantially affect the financial results of the Group.

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**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

12. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current quarter ended 30 June 2016.

13. Contingent Liabilities

The following are the contingent liabilities outstanding as at 30 June 2016:

| | As at 30-June-16 | |
|--|-------------------------|---------------------------|
| | Group RM'000 | Company RM'000 |
| <u>Unsecured:-</u> | | |
| Bank guarantee granted to third parties for the benefit of a subsidiary | 4,800 | 4,800 |
| Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries | - | 275,365 |
| | 4,800 | 280,165 |

14. Capital Commitments

As at 30 June 2016, the Group had the following capital commitments:

| | RM'000 |
|---|----------------|
| Approved and contracted for | |
| - Purchase of property, plant and equipment | 135,240 |

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

15. Significant Related Party Transactions

- a. The Group/Company had the following transactions with related parties during the financial quarter:

| Company | Period ended 30-June-16 RM'000 | Period ended 30-June-15 RM'000 |
|---------------------|---|---|
| Company | | |
| i. Subsidiaries: | | |
| - rental income | 88 | 89 |
| - management income | 1,078 | 2,743 |
| - interest income | 4,858 | - |
| Group | | |
| i. Related party: | | |
| - charter income | 31,265 | 20,695 |
| | | |

In the opinion of the Directors, the above transactions have been entered into in the ordinary course of business and have been established on terms that are not more favourable to the related parties than those generally available to the public.

- b. Compensation of key management personnel

The remuneration of Directors and other members of key management are as follows:

| | Period ended 30-June-16 RM'000 | Period ended 30-June-15 RM'000 |
|------------------------------|---|---|
| Short-term employee benefits | 433 | 3,546 |
| | | |

16. Review of Performance

Current Year Quarter versus Preceding Year Corresponding Quarter

For the current quarter ended 30 June 2016, the Group has recorded a lower revenue of RM49.4 million and a loss before taxation of RM19.5 million, as compared to a revenue of RM64.2 million and loss before taxation of RM10.8 million in the second quarter of year 2015.

The decrease in revenue and the increase in the loss before taxation incurred in the current quarter is mainly due to lower vessel utilization at 56% in the current quarter as compared to 68% in the second quarter of year 2015. The low vessel utilization is a result of slower work orders/contracts awarded from the oil majors which were affected by the decline in crude oil prices since 2015.

**INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER
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**PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

16. Review of Performance (Cont'd)

Current Period-to-Date versus Preceding Period-to-Date

For the financial period ended 30 June 2016, the Group recorded a lower revenue of RM91.4 million and loss before taxation of RM31.3 million as compared to previous period ended 30 June 2015's revenue of RM133.7 million and loss before taxation of RM1.2 million.

The lower revenue recognized and the higher loss before taxation incurred is mainly due to lower vessel utilization at 53% for the financial period ended 30 June 2016, as compared to 72% in the preceding period ended 30 June 2015, resulting from the slower work orders /contracts award from the oil majors affected by the decline in crude oil prices. In addition, the loss before taxation is also derived from a one-off break fund costs of RM11.3 million incurred for the settlement of USD term loans for 12 vessels which were refinanced via the Sukuk bonds as disclosed in Note 21.

17. Variation of Results against Preceding Quarter

The Group recorded a higher revenue of RM49.4 million and a loss before taxation of RM19.5 million in the current quarter, as compared to the previous quarter's revenue of RM42.0 million and loss before taxation of RM11.8 million.

The increase in revenue is mainly attributable to higher vessel utilization, as a result of improved work orders/contracts award from the oil majors affected by the slight increase in crude oil prices during the second quarter of 2016. Despite the higher revenue recognized during the current quarter, the Group's loss before taxation has deteriorated as compared to the preceding quarter due to a one-off break fund costs of RM11.3 million incurred for the settlement of USD term loans for 12 vessels which were refinanced via the Sukuk bonds as disclosed in Note 21.

18. Prospects

The OSV market outlook still remains weak although the price of crude oil has recovered from a low of USD27 per barrel in January 2016 to about USD43 per barrel as at 5 August 2016. It is envisaged that for the remainder of this year, the overall sentiments for OSV market will generally remain low but for the Group, it is looking positively towards attaining a better fleet utilization rate in the second half of 2016 as tremendous efforts that were channeled into marketing are beginning to yield results. Further, the major decisions which were made in 2015 such as the restructuring of management, the loan refinancing and the various cost optimization efforts have also better prepared the Group to weather the prolonged down-cycle. The Group is currently exploring possibilities of tapping into the regional market in the ensuing year.

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18. Prospects (Cont'd)

Further, the Group is hopeful that it may turn in a small operational profit in 2016 (excluding the one-offs expenses) through improved efficiencies via continued operational streamlining and established synergies with Dayang who are involved in the Hook-Up & Commissioning (HUC) and Topside Structural Maintenance (TSM) of mostly brownfield market which have been less adversely affected by the downturn.

Though we cannot predict when the OSV market will pick up, the Board believes that its young and reliable fleet (6-year average age) will continue to provide the longer term charter opportunities and we will continue moving forward with more focused and purpose.

19. Loss for the Quarter/Period

| Current Quarter Ended 30-June-16 RM'000 | Corresponding Quarter Ended 30-June-15 RM'000 | Current Year-to-date Ended 30-June-16 RM'000 | Corresponding Year-to-date Ended 30-June-15 RM'000 |
|--|--|---|---|
|--|--|---|---|

**Loss for the quarter is arrived at
after charging/(crediting):**

| | | | | |
|--|----------|--------|----------|---------|
| Depreciation of property, plant and equipment | 21,305 | 15,665 | 43,022 | 30,960 |
| Interest expense | 29,553 | 7,703 | 43,401 | 15,684 |
| Loss on disposal of property, plant and equipment | - | 66 | - | 132 |
| Reversal on impairment loss on property, plant and equipment | (8,020) | - | (8,020) | - |
| Fair value gain on settlement of refundable deposit | (1,065) | - | (1,065) | - |
| Accretion of refundable deposits | (58) | (689) | (106) | (1,365) |
| Interest income | (377) | (313) | (856) | (563) |
| Loss/(Gain) on foreign exchange: | | | | |
| - realised | 24,245 | 853 | 26,692 | 3,379 |
| - unrealised | (14,893) | 8,231 | (16,563) | 5,630 |

Save for the above, there were no allowance for impairment and write off of receivables or inventories, gain or loss on disposal of quoted or unquoted investments or properties, other income including investment income and exceptional items for the current quarter and financial period ended 30 June 2016.

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The provision of taxation for the current quarter and financial period-to-date under review are as follows:

| | Current Quarter Ended 30-June-16 RM'000 | Corresponding Quarter Ended 30-June-15 RM'000 | Current Year-to-date Ended 30-June-16 RM'000 | Corresponding Year-to-date Ended 30-June-15 RM'000 |
|----------------------|--|--|---|---|
| Current tax: | | | | |
| Malaysian income tax | 7,207 | 379 | 7,387 | 876 |
| Foreign tax | - | 540 | - | 540 |
| Withholding tax | - | - | - | - |
| | 7,207 | 919 | 7,387 | 1,416 |
| Deferred tax: | | | | |
| Malaysian income tax | - | - | - | - |
| Total | 7,207 | 919 | 7,387 | 1,416 |

Despite the consolidated losses for the current quarter and financial period to-date, the Group still incurs a tax charge of RM207 thousand as the losses incurred by certain group entities cannot be offset against the taxable profits made by other group entities.

Following the conclusion during the quarter under review of the tax audit as disclosed in Note 28.2 of the audited financial statements for the year ended 31 December 2015, an agreement was reached with the Inland Revenue Board for an additional tax payable of RM10.3 million for the past years of assessment covered by the said audit. This is RM7 million more than the provision previously recognized in the financial statements for the year ended 31 December 2015 and together with the RM207 thousand mentioned above, gave rise to a tax charge of RM7.207 million for the quarter ended 30 June 2016.

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21. Corporate Proposals

(i) Public Shareholdings Spread

On 14 May 2015, the Company has received a notice from Maybank Investment Bank Berhad (“Maybank IB”) on behalf of Dayang Enterprise Holdings Berhad (“Dayang”) in relation to the proposed acquisition of 42,965,100 ordinary shares of RM0.50 each in Perdana Petroleum Berhad (“PPB”) (“PPB Shares”), representing approximately 5.74% equity interest in PPB from Affin Hwang Asset Management Berhad for a total cash consideration RM66,595,905 or RM1.55 per share (“Proposed Acquisition”) and proposed mandatory general offer (“MGO”) for all the remaining PPB Shares not already owned by Dayang after the Proposed Acquisition and such number of new PPB Shares that may be issued pursuant to the exercise of any outstanding warrants 2010/2015 issued by PPB (“PPB Warrants”) prior to the close of the proposed MGO for a cash consideration of RM1.55 per PPB Share and all the remaining PPB Warrants not already owned by Dayang for a cash consideration of RM0.84 per PPB Warrant.

On 2 July 2015, the Company received a notice of conditional mandatory take-over offer from Maybank IB, on behalf of Dayang to acquire all the remaining PPB Shares not already owned by Dayang after the Acquisition and such number of new PPB Shares that may be issued pursuant to the exercise of any outstanding PPB Warrants prior to the close of the Offer (“Offer Shares”) and all the remaining PPB Warrants not already owned by Dayang (“Offer Warrants”) for a cash offer price of RM1.55 per Offer Share and RM0.84 per Offer Warrant. In relation to the Offer, the Board has deliberated on the Notice and is not seeking an alternative person to make a take-over offer for the Offer Shares and Offer Warrants.

On 24 July 2015, Dayang (“the Offeror”) received valid acceptances in respect of the Offer, resulting in Dayang and the person acting in concert with Dayang for the Offer (“PACs”) holding in aggregate, together with such PPB Shares that are already acquired, held or entitled to be acquired or held by Dayang and the PACs, more than 50% of the voting shares of PPB. As such, the acceptance condition of the Offer has been fulfilled and the Offer has become unconditional.

On the close of the Offer on 13 August 2015, the Offeror and PACs accepted 710,783,665 ordinary shares of RM0.50 each and 28,368,926 warrants, which equivalent to 94.96% of issued and paid-up share capital of PPB as at 13 August 2015 of 748,488,501 PPB Shares and 92.63% of 30,627,597 outstanding PPB Warrants as at 13 August 2015. Henceforth, the Company regarded Dayang Enterprise Holdings Bhd as its holding company.

As the public shareholding spread of PPB was less than 10% of the Voting Shares of PPB, on 14 August 2015, the Company announced that the trading in all the securities of PPB would be suspended by Bursa Securities with effect from 9.00 a.m. on 31 December 2015, pursuant to Paragraph 16.02(2) of the Main Market Listing Requirements (“MMLR”). Accordingly, trading in the structured warrants relating to Perdana would also be suspended at the same date and time. The suspension would only be uplifted by Bursa Malaysia Securities Berhad upon PPB's full compliance with the public shareholding spread requirements under paragraph 8.02(1) of the MMLR or as may be determined by Bursa Malaysia Securities Berhad.

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21. Corporate Proposals (Cont'd)

(i) Public Shareholdings Spread (Cont'd)

On 25 September 2015, the Company announced that Bursa Securities had vide their letter dated 23 September 2015 granted the Company an extension of time of three months from 13 August 2015 to 12 November 2015 to comply with the public shareholding spread requirement.

On 2 December 2015, the Company announced that Bursa Securities had vide their letter dated 1 December 2015 granted the Company an extension of time of three months from 13 November 2015 to 12 February 2016 to comply with the public shareholding spread requirement.

The company had on 3 February 2016 submitted to Bursa Securities an application for a further extension of time to comply with the public spread requirement. Bursa Securities has vide their letter dated 1 April 2016 granted the Company a further extension of time of six months i.e. from 13 February 2016 to 12 August 2016 to comply with the public shareholding spread requirement.

On 15 July 2016, the Company had applied for a further extension of time of three months i.e. from 13 August 2016 to 12 November 2016 to comply with the shareholding spread requirement.

(ii) Issue of, Offer for Subscription or Purchase of, or Invitation to Subscribe for or Purchase of Sukuk Based on the Shariah Principle of Murabahah of up to RM635,000,000 in Nominal Value

On 11 March 2016, United Overseas Bank (Malaysia) Bhd (“UOB”) as the Principal Adviser/Lead Arranger/Lead Manager for a Proposed Sukuk Issue, on behalf of the Company, had made the lodgement in respect of the Proposed Sukuk Issue with the Securities Commission Malaysia.

The first issuance under the Proposed Sukuk Issue will be guaranteed by Danajamin Nasional Berhad pursuant to an Al-Kafalah Facility. The tenure of the Sukuk Murabahah Programme shall be twelve (12) years from the date of the first issue of the Sukuk Murabahah.

The proceeds of the first issuance of the Sukuk Murabahah shall be utilised for the following Shariah-compliant purposes:

- (a) first, an amount of up to RM630 million to be utilised for refinancing of outstanding borrowings undertaken by the Company and/or its subsidiaries for purchase of the certain charged vessels;
- (b) second, an amount of up to RM20 million to defray any fees and expenses for the Proposed Sukuk Issue and the Al-Kafalah Facility and to prefund the finance service reserve account to be opened and maintained under the Al-Kafalah Facility; and.

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21. Corporate Proposals (Cont'd)

(ii) Issue of, Offer for Subscription or Purchase of, or Invitation to Subscribe for or Purchase of Sukuk Based on the Shariah Principle of Murabahah of up to RM635,000,000 in Nominal Value (Cont'd)

- (c) third, any unutilised balance after meeting purposes in items (i) and (ii) above can be utilised for the Company's working capital requirements subject to a maximum amount

The proceeds of subsequent issuances of the Sukuk Murabahah shall be utilised for the Company's working capital requirements (including refinancing) which includes advances to the Issuer's subsidiaries via Shariah-compliant mode and general corporate purposes which shall be Shariah-compliant.

On 28 April 2016, the first issuance of the Sukuk Murabahah has been completed for the amount of RM635,000,000, the revised nominal value, to be utilised for the following Shariah-compliant purposes:

- (a) first, an amount of RM615,000,000.00 to be utilised for refinancing of outstanding borrowings identified by the Company and undertaken by the Company and/or its subsidiaries for purchase of the certain charged vessels; and
- (b) second, an amount of RM20,000,000.00 to defray any fees and expenses for the Sukuk Murabahah Programme and the Al-Kafalah Facility and to prefund the finance service reserve account to be opened and maintained under the Al-Kafalah Facility.

Save for the above, there were no other corporate proposals announced but not completed as at 16 August 2016, being the latest practicable date not earlier than 7 days from the date of issue of this interim report.

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22. Borrowings

Total Group's borrowings as at 30 June 2016 were as follows:

| | As at 30-June-16 RM'000 | As at 30-June-15 RM'000 |
|------------------------------|--|--|
| Short term borrowings | | |
| Secured | 151,441 | 119,099 |
| Unsecured | 20,000 | 20,000 |
| | 171,441 | 139,099 |
| Long term borrowings | | |
| Secured | 748,633 | 528,830 |
| Total borrowings | 920,074 | 667,929 |

The above includes borrowings in US Dollars equivalent to RM273 million (2015: RM648 million).

23. Material Litigations

Save for the following, there were no material litigation involving the Group since the last financial year ended 31 December 2015 and 16 August 2016, being the latest practicable date not earlier than 7 days from the date of issue of this interim report.

On 22 June 2011, the Company filed a suit in the High Court against Tengku Dato' Ibrahim Petra bin Tengku Indra Petra, Wong Fook Heng, Tiong Young Kong, Lee Mee Jiong, TA Securities Holdings Berhad ("TASB"), Yap Hock Heng and TA First Credit Sdn Bhd ("TAFC") to claim for losses and damages suffered by the Company in respect of, inter alia, the divestment of 10,500,000 ordinary shares of RM0.50 each in Petra Energy Berhad ("PEB") by PPB to certain parties on 10 September 2009 and the divestment of 48,800,000 ordinary shares of RM0.50 each in PEB by PPB as conducted by the TA Securities Holdings Berhad and Yap Hock Heng on 11 December 2009.

This suit is mounted on several causes of action, including breaches of fiduciary and statutory duties, accessory liability and conspiracy and the Company is seeking from the High Court, various declaratory reliefs, damages (general and/or fiduciary and/or aggravated) to be assessed, interest, account and disgorgement and costs.

On 7 September 2012, the Company filed notices of discontinuance pursuant to a negotiated settlement with TASB, Yap Hock Heng and TAFC, with no admission of liability and with no liberty to file afresh. In this connection, TASB had also agreed to discontinue their suit against the Company in relation to a claim of approximately RM2.796 million as placement fees due to them ("TASB Suit") with no admission of liability and with no liberty to file afresh. With the discontinuance of the TASB Suit, the Company had reversed the provisions made earlier.

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23. Material Litigations (Cont'd)

The trial at the High Court ended on 26 April 2013 and oral submissions by respective counsels were made on 21 November 2013 and 28 November 2013. On 21 March 2014, the Company announced that the High Court gave its decision that the Company was unsuccessful in the Suit. On 17 April 2014, the Company filed a Notice of Appeal to the Court of Appeal on the decision of the Suit.

On 9 September 2014, the High Court has made a decision on costs and ordered the Company to pay the Defendant Parties, a total cost of RM841,731. The High Court has also ordered Tengku Dato' Ibrahim Petra bin Tengku Indra Petra to pay the Company the sum of RM192,780 with post judgement interest calculated at 5% per annum starting from 22 March 2014 ("Judgement Sum"). The earnings of the Group for the year ended 31 December 2014 was reduced by the differential sum of the total cost payable and the judgement sum receivable.

On 2 December 2014, the Court of Appeal has fixed the hearing of the Appeal. This was subsequently adjourned and fixed to be heard on 11 March 2015.

The Appeal was heard on 11 March 2015 and 25 March 2015.

On 25 August 2015, the Company announced that the Court of Appeal has made the following judgements:-

- (a) the Company's appeal was allowed with costs against Tengku Dato' Ibrahim Petra bin Tengku Indra Petra, Wong Fook Heng and Tiong Young Kong;
- (b) the Company's appeal was dismissed with costs against Lee Mee Jiong; and
- (c) Tengku Dato' Ibrahim Petra bin Tengku Indra Petra's cross appeal is dismissed with costs.

On 23 September 2015, the Company received the Notices of Motion from the solicitors of Tengku Dato' Ibrahim bin Tengku Indra Petra and Wong Fook Heng & Tiong Young Kong respectively, to apply for leave to appeal to the Federal Court against the decision of the Court of Appeal on 25 August 2015.

The Federal Court has on 1 March 2016 allowed the leave applications by the Applicants and the Applicants will proceed with the filing of the appeal papers for Case Management. The Case Management date has yet to be fixed by the Federal Court.

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No interim dividends have been declared for the financial period ended 30 June 2016.

The Board of Directors did not recommend the payment of any dividends for the financial year ended 31 December 2015.

25. Loss Per Share**a.) Basic**

| | Current Quarter Ended 30-June-16 | Corresponding Quarter Ended 30-June-15 | Current Year-to-date Ended 30-June-16 | Corresponding Year-to-date Ended 30-June-15 |
|---|---|---|--|--|
| Net loss attributable to shareholders (RM'000) | (26,741) | (11,746) | (38,706) | (3,109) |
| Number of ordinary shares of RM0.50 each at the beginning of the quarter/period | 778,470,949 | 745,931,401 | 778,470,949 | 738,570,075 |
| Effects of warrants exercised | - | 2,359,228 | - | 6,031,117 |
| Weighted average number of ordinary shares in issue | 778,470,949 | 748,290,629 | 778,470,949 | 744,601,192 |
| Basic loss per ordinary share of RM0.50 each (Sen) | (3.44) | (1.57) | (4.97) | (0.42) |

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| | Current Quarter Ended 30-June-16 | Corresponding Quarter Ended 30-June-15 | Current Year-to-date Ended 30-June-16 | Corresponding Year-to-date Ended 30-June-15 |
|--|---|---|--|--|
| Net loss attributable to shareholders (RM'000) | (26,741) | (11,746) | (38,706) | (3,109) |
| Number of ordinary shares of RM0.50 each at the beginning of the quarter/period | 778,470,949 | 745,931,401 | 778,470,949 | 738,570,075 |
| Effects of warrants exercised | - | 2,359,228 | - | 6,031,117 |
| Effects of outstanding warrants | - | 15,578,059 | - | 15,632,312 |
| Adjusted number of ordinary shares for calculating diluted earnings per ordinary share | 778,470,949 | 763,868,688 | 778,470,949 | 760,233,504 |
| Diluted earnings per ordinary share of RM0.50 each (Sen) | *N/A | *N/A | *N/A | *N/A |

* Diluted earnings per share is not presented as there was an anti-dilutive effect arising from the assumed conversion of the Warrants as at 30 June 2015 and there are no outstanding warrants as at 30 June 2016.

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26. Disclosure of Realised and Unrealised Profits

On 25 March 2010, Bursa Securities issued a directive to all listed issuers pursuant to Paragraph 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Securities issued further guidance on the disclosure and the format required.

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

| | As at 30-June-2016 RM'000 | As at 31-December- 2015 RM'000 |
|--|--|---|
| Total retained earnings of the Group: | | |
| - Realised profits | 89,315 | 151,513 |
| - Unrealised profits | 6,058 | (973) |
| | <u>95,373</u> | <u>150,540</u> |
| Add:- Consolidated adjustments | 86,372 | 69,912 |
| Total retained earnings as per statement of financial position | <u>181,745</u> | <u>220,452</u> |

The determination of realised and unrealised profits is compiled based on Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

By Order of the Board

*Bailey Kho Chung Siang
Executive Director*

Date: 22 August 2016