

Borneo Oil rides on gold rally

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The uptick in gold prices has drawn investors back to the precious metal. Directly investing in gold since the start of the year would have yielded good returns with spot gold prices up 27% year-to-date at US\$1,347.45 an ounce.

Prices are up about 7% from June 23, the day before Britain voted to withdraw from the European Union, as uncertainties pushed investors to seek safer assets. Leveraging on gold mining stocks would have generated even higher returns.

The bullish sentiment on gold appears to be spilling over to Borneo Oil Bhd, which is said to be the country's only listed gold mining company. The counter has been gaining traction lately, up some 10% on active volume since last week. The stock closed at 16 sen on July 4.

Globally, gold mining stocks have rallied. For instance, shares of Barrick Gold Corp, the largest gold mining company in the world, and Yamana Gold Inc, a Canadian-based gold producer, have tripled since the start of the year. Closer to home, Singapore-listed CNMC Goldmine Holdings Ltd, which has mining operations in Kelantan, is up more than 150% year-to-date.

Investors are said to be drawn to Borneo Oil's gold inventory which amounted to 19,301 ounces or 600.33kg as of end-May. This inventory could be worth some RM104 mil or about 3.5 sen per share, based on gold price of US\$1,347.45 per ounce and the US dollar trading at 3.99 against the ringgit.

The company's strong balance sheet is also another appealing factor. As of end-April, it had a cash pile of RM71.4 mil or 2.4 sen per share and zero borrowings, while net assets stood at RM550.1 mil or about 18.5 sen per share.

Borneo Oil's results for the first quarter ended April (Q1FY17) were a positive surprise for the market. The company posted one of its best quarterly net profits of RM10.7 mil on the back of RM1.49 bil in revenue, compared to a net profit of RM525,000 on revenue of RM14.63 mil a year earlier.

Its mining, energy and related operations division posted a pre-tax profit of RM6.9 mil on revenue of RM1.48 bil.

Gold mining is relatively new to Borneo Oil, which ventured into the industry some two years ago.

In 2014, the company was contracted by Verde Resources Inc, through its subsidiary Champmark Sdn Bhd, to carry out exploration and exploitation works on alluvial and gold resources at a mine in Merapoh, Pahang, for five years with a renewal option for another five years.

Verde Resources, which owns the management rights to one of the sites at Merapoh mines, is an exploration-stage mining company that focuses on global mining acquisitions and development opportunities.