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Borneo Oil's gold mining pays off with 19,692 ounces worth RM100mil

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KUCHING: Borneo Oil Bhd's diversification into gold mining activities in Pahang has paid off, with its gold inventory currently worth some RM100mil.

As at March 31, 2016, the group held 18,863 ounces in gold inventory valued at US\$24mil or RM94mil (based on an ounce of US\$1,280 and exchange rate of US\$1 to RM3.9 then), according to the company.

The inventory rose to 19,692 ounces in April, it said in its latest monthly filing with Bursa Malaysia. At current price of US\$1,262 an ounce and exchange rate of US\$1 to RM4.05, the inventory is valued at slightly over RM100mil.

Borneo Oil chairman Tan Kok Chor said the group had taken advantage of the surge in gold price to unload some of its gold inventories last year and reaped "handsome" profits.

In 2015, gold shot up to around US\$1,285 per ounce from a low of US\$1,050 per ounce.

"The group holds the view that gold should be treated as a perpetual asset to back its shares and to be cashed only when there is profit or through the sale of it through gold convertibles.

"The group is now studying how best it is to utilise this inventory," added Tan in a yearly review of the company's performance in the 2016 annual report.

He said via wholly-owned subsidiary Borneo Oil and Gas Corp Sdn Bhd (BOG), the group produced some 27.35 kg of gold from its mining operations in Merapoh, Pahang, in the last financial year ended Jan 31, 2016.

Noting that mining activities had progressed steadily in Merapoh, Tan said that during the year under review, most of the efforts had been spent on evaluating a massive presence of colluvial gold bearing soil and rocks.

“Intensive trenching, sampling and drilling is ongoing, and barring any unforeseen circumstances, a resource report will be out in the near future,” he said.

To recap, BOG was appointed by Champmark Sdn Bhd in March 2014 as its contractor to prospect and mine alluvial and lode gold on an exclusive basis in an area covering some 162 ha in Merapoh.

Later, BOG added two more mining leases in Bukit Ibam and Hulu Jelai, both also in Pahang, to its operations.

On the Bukit Ibam mine, Tan said some 1,200 ha had been mapped.

“A heap leaching pilot plant with full production capacity of 7,000 tonnes per cycle will be implemented once approval is granted for the process.

“We are confident we will recover more gold from this tenement and have set a realistic recovery target of 60% of gold from the gold bearing ores through a non-toxic leaching process,” he added.

Tan said Borneo Oil raised RM237mil from a rights issue last year, with the bulk of the proceeds to go into funding the exploration and mining of the alluvial gold.

From the proceeds, RM30mil is set aside for the purchase of mining machinery and equipment, RM15mil for exploration expenditure and some RM84mil for working capital for the mining activities within 30 months.

On the group’s limestone mining activities in Sabah, he said it owned 328 ha of land with limestone reserves of more than 20 million tonnes.

“Plans are afloat to crush the overburden into aggregates as a feedstock to a clinker plant that is being planned for the eastern part of Sabah. Once the plant comes into operation, the group hopes to be the main supplier to this plant.

“We are hopeful that the supply to this clinker plant will start to contribute significantly to the group’s revenue in the near future,” said Tan.

In the last financial year, the group’s gold and mining division recorded a sharp increase in revenue to RM60.9mil from RM34.4mil in 2015 while net profit rose marginally to RM7.7mil from RM7.5mil.