

ACQUISITION VIA SUBLEASE OF ONE (1) PARCEL OF QUARRY LAND MEASURING 5.378 HECTARES HELD UNDER DOCUMENT OF TITLE NO. NT113026369 DATED 12 FEBRUARY 2018 (“THE SAID AGREEMENT”) SITUATED AT ULU SEGAMA, DISTRICT OF LAHAD DATU, SABAH

This announcement is made in accordance with disclosures pursuant to:

- 1) Chapter 10, PART B 10.02(g)(i) & (v) and PART G 10.12(2)(c).
- 2) Chapter 10, PART D 10.06(1) as set out in Appendix 10A, PART A.
- 3) Chapter 10, PART D 10.06(2) of the Listing Requirements of Bursa Malaysia Securities Berhad for the Main Market.

1. INTRODUCTION

The Board of Directors of Borneo Oil Berhad (“the Company”) is pleased to announce that in line with the Group’s on-going expansion plan into limestone mining and related activities, it had through its wholly-owned subsidiary, Borneo Oil & Gas Corporation Sdn Bhd (“BOG”), entered into the Said Agreement.

2. INFORMATION ON THE SAID AGREEMENT (AS REQUIRED UNDER CHAPTER 10 PART D 10.06(1) APPENDIX 10A, PART A)

PART A – General Information

I. Particulars of Assets Being Acquired

- a) Quarry land measuring 5.378 hectares held under document of title no. NT113026369, situated at Ulu Segama, district of Lahad Datu, Sabah (“the Quarry Land”)
- b) Reserve / Resources 6,278,000 metric tonnes (MT) (2,604,979 cubic meters)
- c) Interest acquired: 30 years lease plus 30 years

II. Description of the Business Carried On

Marble blocks extraction for export. The balance of resources to be used for limestone aggregates and related products.

III. Basis of Determining the Purchase Consideration

Consideration of RM47,000,000.00 for the Said Agreement was based on:-

- a) A willing buyer and willing seller basis

- b) The deposits of the reserve / resources of 6,278,000 metric tonnes (MT) (2,604,979 cubic meters) with a valuation of the resources of RM183,599,000.00 as assessed by GM Consult and VPC Alliance (Sabah) Sdn Bhd respectively.
- c) Substantial discount from the total value of the reserves with over 30 years production life and 30 years extension.
- d) Major Player in the supply of Borneo Marble internationally and domestically as a major supplier of feed stock for the production of cement in Sabah and other high value lime based products.
- e) Great domestic demand for aggregates with the current construction of the Pan Borneo Highway with Phase One (706 km) currently in progress which includes the construction of the highway from Ranau to Sandakan, Lahad Datu and Tawau.
- f) The consideration shall be settled in cash.

IV. Financial Information on the Assets

The financial information on the asset is as stated herein.

V. Financial Effects on the Company's Share Capital, Substantial Shareholders' Shareholdings, Gearing, Net Assets and Earnings

It has no effect on the Company's issued and paid up share capital and substantial shareholders' shareholdings in the Company. It has no effect on the Company's gearing as the consideration shall be paid in cash. It has no material effect on the Company / Group's net assets based on its audited accounts as at 31st January 2017. It is expected to contribute to the Company's overall earnings in the future.

VI. Effects of Transaction on Disposal

This is not applicable as this is not a disposal.

VII. Effects of Transaction on Acquisition

- a) Item 7(a)(i) to (vi) as per Appendix 10A are not applicable as the Said Agreement does not involve in whole or part in the issuance of the Company's shares.
- b) Purchase Consideration shall be settled by internally generated funds.
- c) There is no liability, contingent or otherwise or guarantee(s) to be assumed from the Sublessor arising from the Said Agreement.

VIII. Consideration in Equity Shares

This is not applicable as the Said Agreement does not involve the issuance of the Company's shares.

IX. Approvals Required

The Said Agreement does not require the approval of the Company's shareholders or any other governmental authorities.

X. Director's and Major Shareholder's Interest

None of the directors or major shareholders of the Company or persons connected to them have any interest, direct or indirect in the Said Agreement.

XI. Rationale for the Said Agreement

- a) Legal limestone reserves are a scarce resource in Sabah as most of the limestone reserves are situated in Class 1 Forest Reserve, Bird Nests' Sanctuaries and Heritage Parks.
- b) With the acquisition, the Company together with its existing land bank of limestone reserves held for long term investment shall become a substantial player in the supply of high grade limestone resources in Sabah.
- c) The Company has appointed an existing marble quarry operator, Lung Shing Sdn Bhd (Co. No. 891622-T) ("Quarry Operator") and the same operator is operating the Quarry Land. The Quarry Operator is paying to the Company RM150 per cubic meter of marble blocks extracted for export. All other materials extracted and not used for export belong to the Company at no further cost (of extraction). This other limestone by-products can be readily converted into limestone aggregates for feedstock towards clinker and cement production and for use as road construction material.
- d) Sabah is the only State in Malaysia without clinker production and imports over 1.5m tons of clinker and cement yearly. The setting up of a clinker plant in Sabah is imminent and the main source of feedstock for the production of clinker is limestone.
- e) The on-going construction of the mega project known as Pan Borneo Highway which covers 2,325 km across Borneo through the states of Sabah and Sarawak has created a great demand for construction material including quarry aggregates. The Sabah portion of the project covers 706 km with an estimated

initial cost of RM12.8 billion. As such, there is a great demand for aggregates and other construction materials in Sabah. The first phase currently in progress covers a stretch connecting Sandakan to Tawau and Lahad Datu.

- f) Other than for use in the Construction Industry, the high calcium content is also suitable for other applications which the Company is studying.
- g) The acquisition price represents a substantial discount compared to the value of the resources available with valid quarry operating conditions endorsed on the title.

XII. The Salient Terms of the Said Agreement

- a) The sublease is for a fixed period of thirty (30) years with an automatic renewal of the same for a further period of thirty (30) years with no further consideration.
- b) The consideration is to be paid as follows:-
 - The sum of RM10 million to be paid upon execution of the Said Agreement.
 - The balance of RM37 million to be paid within two (2) months from the date of the Said Agreement.
- c) The Sublessor is prohibited from terminating the agreement during the subsistence and any renewal thereafter.
- d) The Company is entitled to sublet or assign the agreement.
- e) The consideration is as stated above.
- f) The estimated time for completion of the Said Agreement is within two (2) months from the date of the Said Agreement.

XIII. Terms of the Transaction

The terms of the Said Agreement was signed on the 12th February 2018.

XIV. Statement by the Directors

The Board of Directors of Borneo Oil Berhad is of the opinion that the entering into the Said Agreement is in the best interest of the Company / Group.

XV. The Prospects of the Transactions

The annual production allowable for the Quarry Land is 9,562 cubic meters. Together with the other limestone quarries under the Company, the Company's annual allowable production of limestone is 76,496 cubic meters per year. The marble portion of the assets is expected to produce a yield of between 1.7% to 9.1% per annum.

XVI. Risk Factor

Apart from cyclical fluctuations in the demand of marble and lime based products, the Company does not foresee any material risks in relation to the above transactions other than changes in laws or regulations and inherent risks associated with the industry.

XVII. Estimated Time Frame for the Completion

The Said Agreement is estimated to be completed within two (2) months.

XVIII. Highest Percentage Ratio Applicable

The highest applicable percentage ratio pursuant to paragraph 10.02(g) is as stated below:

- a) The consideration of the Said Agreement represents 7.94% of the total net asset of RM591,777,584 based on the Company's audited accounts as at 31st January 2017.
- b) And 11.60% of the total market capitalization of the Company as at 9th February 2018 (where shares are traded at RM0.08)

XIX. Percentage Ratio >25%

This is not applicable as the percentage ratio is less than 25%.

XX. Any Other Information

The Quarry Operator, Lung Shing Sdn Bhd (Co. No. 891622-T) is a company associated with Long Sheng Engineering & Construction (M) Sdn Bhd (Co. No. 817111-D) group which is substantially owned by investors from China, with vast experience in quarrying, hydro dams and logistics and have completed 2 major dams in Sarawak, namely Murum Hydro-electric dam project and portions of the Bakun Hydro-electric dam project. They have also undertaken substantial infrastructural and production works on the Quarry lands.

3. DOCUMENTS FOR INSPECTION

The Said Agreement together with the Marble Quarry Operation Agreement, the Geological Assessment Report by GM Consult and Valuation Report by VPC Alliance (Sabah) Sdn Bhd are available for inspection at the Company's registered office at Level 1, Victoria Point, Jalan OKK Awang Besar, 87007 W.P. Labuan during office hours from 8.30am – 5.00pm, Monday to Friday.

This announcement is dated 13th February 2018.