

# **BORNEO OIL BERHAD ("BOB" OR THE "COMPANY")**

## **APPROVAL OF NEW MINING LEASE OF 175.04 HECTARES IN SUNGAI CHARAH, MUKIM KERATONG, DAERAH ROMPIN**

### **1. INTRODUCTION**

Further to the announcement made on 11 March 2015 and pursuant to Paragraph 10.05 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board of Directors of Borneo Oil Berhad ("BOB" or "the Company") wishes to announce that Borneo Oil and Gas Corporation Sdn Bhd ("BOG"), a direct wholly-owned subsidiary of BOB, had on the 7 May 2021 entered into a new mining area following the approval of a New Mining Lease ("New Mining Lease") pursuant to the Exclusive Production Sharing Agreement signed on the 11 March 2015 ("the EPSA") with HDL Global Sdn Bhd ("HDL").

The said New Mining Lease was part of the mining area measuring approximately 1,200 hectares (3,000 acres) at an area known as Blok A,SKC(H), 1/2001, Hutan Simpan Bukit Ibam Mukim Keratong, Daerah Rompin, Pahang Darul Makmur (the "Mining Area") contracted to HDL by Perbadanan Kemajuan Negeri Pahang ("PKNP") on 21st May 2010.

BOG is currently conducting mining works at a mining lease under Ref No; ROM 7/2/0675 SJ.1 ML 17/2009 measuring 187 hectares (462.08 acres) located at Lot 25442, Hutan Simpanan Bukit Ibam, Mukim Keratong, Rompin, Pahang ("Existing ML").

The New Mining Lease issued on the 21 st April 2021 under reference: PTG.PHG. (ML) 16/015/09/06.2010) covers an area of 175.04 hectares (432.53 acres) and is adjacent to the Existing ML area.

### **2. INFORMATION ON HDL**

HDL Global Sdn Bhd [Company Registration No. 200101030624 (566383-P)] was incorporated in Malaysia on 8 December 2001 as a private company limited by shares pursuant to the Malaysia Companies Act, 1965 ("the Act"). Its registered office is at A33, 1st floor, lorong Tun Ismail 10, Sri Dagangan Kuantan, 25000 Kuantan, Pahang. HDL is principally engaged in acquiring and leasing of land for prospecting of minerals and related activities.

On 21 May 2010, HDL entered into an exclusive agreement with PKNP granting HDL the sole and exclusive rights to undertake and carry out the mining works on the Mining Area. Subsequent to the exclusive agreement, HDL entered into the EPSA with BOG to carry out prospecting, exploration, mining, extraction, processing, marketing, sales and collection of

sales revenue with respect to all minerals and precious metals including gold (“**Mining Works**”) on an exclusive basis as announced on 11 March 2015.

### **3. SALIENT TERMS OF THE EPSA**

Some of the salient terms of the EPSA are as follows;

- (a) HDL grants to BOG the sole and exclusive rights to prospect and explore the Mining Area for minerals and precious metals including gold;
- (b) The duration of the EPSA is for a period of twenty (20) years or the date all minerals and precious metals on the Mining Area have been exhausted, whichever is later; and
- (c) Under the EPSA, BOG shall advance RM926,000 in favour of Pengarah Tanah dan Galian Pahang being the payment for the approval of New Mining Lease and a further sum of RM1,000,000 to HDL payable upon the issuance of the New Mining Lease in accordance with Clause 4A.1 of the EPSA. Both payments are recoverable costs under the terms of the EPSA.

### **4. RATIONALE AND BENEFITS OF THE NEW MINING LEASE**

The New Mining Lease of 175.04 hectares (432.53 acres) is adjacent to BOG’s Existing ML area of 187 hectares (462.08 acres) at Mukim Keratong, Daerah Rompin, Negeri Pahang. With the New Mining Lease, BOG will have a total mining area of 362.04 hectares (894.53 acres) at Mukim Keratong, Daerah Rompin, Negeri Pahang.

BOG has also recently acquired an interest in a company known as Ratna Pura Sdn Bhd [Company Registration No. 197401002183 (19173-V)] which owns a mining lease measuring 194.14 hectares (479.73 acres) also located at Mukim Keratong, Daerah Rompin, Pahang.

With this New Mining Lease, BOG will operate a combined mining area of 556.18 hectares (1,374.26 acres) at Mukim Keratong, Daerah Rompin, Pahang and at the same time continue exploratory works on the remaining 837.96 hectares (2,070.64 acres) of the Mining Area pursuant to the EPSA.

BOG is able to leverage its expertise on the Mining Area with its present domain knowledge of Mukim Keratong and will also save on the deployment of equipment and machineries to the adjacent New Mining Lease for Mining Works.

## **5. RISK FACTORS**

The New Mining Lease is subject to the following risks;

- i. The prospecting license and mining leases may be withdrawn or may not be renewed when the leases expire by the relevant approving authorities;
- ii. As BOG may experience an unanticipated increase in the costs of plants, equipment and other related expenditure related to the operations, due allowance has been made to cater for it; and
- iii. BOG will venture into mining of lode gold only after prospecting and exploration work undertaken indicated sufficient gold reserve to justify a commercially viable mining operation.

## **6. EFFECTS OF THE NEW MINING LEASE**

### **6.1 Share Capital and Substantial Shareholders' Shareholding**

The New Mining Lease will not have any effect on the issued and paid-up share capital of BOB and the shareholding of its substantial shareholders as the New Mining Lease does not entail any issuance of new ordinary shares in the Company and/or convertible securities in the Company.

### **6.2 Net Assets (“NA”) and Gearing**

The New Mining Lease is not expected to have a material effect on the NA, NA per share and gearing of the BOB Group for the financial year ending 30 June 2021.

### **6.3 Earnings Per Share**

The New Mining Lease is not expected to have a material effect on the consolidated earnings of the BOB Group for the financial year ending 30 June 2021. However, the results from the New Mining Lease may be expected to contribute positively to its future earnings.

## **7. APPROVAL REQUIRED**

Operations at the New Mining Lease is not subject to the approval of shareholders of the Company. The Company will submit the Operating Mining Scheme for approval by Jabatan Mineral and Geosains together with the related environmental approvals before commencing mining works.

## **8. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND PERSONS CONNECTED**

None of the Directors, major shareholders or persons connected with a Director or major shareholder, have any interest, direct or indirect, in the New Mining Lease.

## **9. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the New Mining Lease, including the terms of the ESPA, rationale and benefits of the New Mining Lease, is of the opinion that the New Mining Lease is in the best interest of the Company.

## **10. HIGHEST PERCENTAGE RATIO APPLICABLE**

There is no highest percentage ratio applicable to the New Mining Lease pursuant to Paragraph 10.02(g) of Chapter 10 of the MMLR of Bursa Malaysia Securities Berhad as there was no consideration given or received in relation to the New Mining Lease.

The payment of RM926,000 for New Mining Lease approval and a further RM1,000,000 for the New Mining Lease represents an advance payment by BOG to HDL. The advance payment is a recoverable cost under the terms and conditions of the ESPA.

## **11. DOCUMENTS FOR INSPECTION**

All relevant documents are available for inspection at the registered office at 1st & 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007, W.P. Labuan during regular office hours from Monday to Friday (except for public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 7 May 2021.