

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad ("Bursa Securities") has not perused the contents of this Circular in relation to the Proposed Bonus Issue of Shares (as defined herein) prior to the issuance of this Circular as the contents of this Circular in relation to the Proposed Bonus Issue of Shares is an Exempt Circular pursuant to Practice Note 18 of the Main Market Listing Requirements of Bursa Securities. Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



BORNEO OIL BERHAD

(Company No.: 121919-H)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

- I. **PROPOSED BONUS ISSUE OF UP TO 2,112,341,814 NEW ORDINARY SHARES IN BORNEO OIL BERHAD ("BORNOIL") ("BORNOIL SHARE(S)") ("BONUS SHARE(S)") TO BE CREDITED AS FULLY PAID-UP ON THE BASIS OF FOUR (4) BONUS SHARES FOR EVERY EIGHT (8) EXISTING BORNOIL SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED BONUS ISSUE OF SHARES"); AND**
- II. **PROPOSED BONUS ISSUE OF UP TO 528,085,453 NEW WARRANTS IN BORNOIL ("WARRANT(S) D") ON THE BASIS OF ONE (1) FREE WARRANT D FOR EVERY EIGHT (8) EXISTING BORNOIL SHARES HELD ON THE SAME ENTITLEMENT DATE AS THE PROPOSED BONUS ISSUE OF SHARES ("PROPOSED BONUS ISSUE OF WARRANTS")**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser



RHB Investment Bank Berhad

(Company No. 19663-P)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("EGM") of Borneo Oil Berhad ("Company") which is scheduled to be held at 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007 Wilayah Persekutuan Labuan on Friday, 12 May 2017 at 8.00 a.m., together with the Form of Proxy are enclosed herein.

A member entitled to attend, participate, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. In such event, the Form of Proxy should be lodged at the Registered Office of the Company at 1st & 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007 Wilayah Persekutuan Labuan, not less than 48 hours before the time set for holding the EGM, or in the case of a poll, not less than 24 hours before the time appointed for taking the poll, as indicated below. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Wednesday, 10 May 2017 at 8.00 a.m.

Date and time of the EGM : Friday, 12 May 2017 at 8.00 a.m.

This Circular is dated 27 April 2017

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"Act"	:	The Companies Act, 2016
"Board"	:	The Board of Directors of Bornoil
"Bonus Share(s)"	:	Up to 2,112,341,814 new Bornoil Shares to be issued pursuant to the Proposed Bonus Issue of Shares
"Bornoil" or the "Company"	:	Borneo Oil Berhad
"Bornoil Group" or the "Group"	:	Bornoil and its subsidiary companies, collectively
"Bornoil Share(s)" or "Share(s)"	:	Ordinary share(s) in Bornoil
"Bursa Depository" or "Depository"	:	Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Circular"	:	This circular dated 27 April 2017
"Deed Poll B"	:	The deed poll dated 18 January 2008 read together with the supplemental deed poll dated 28 October 2015, constituting the Warrants B
"Deed Poll C"	:	The deed poll dated 28 September 2015, constituting the Warrants C
"Deed Poll D"	:	The deed poll to be executed by the Company, constituting the Warrants D
"Director(s)"	:	The director(s) of Bornoil and shall have the meaning given in Section 2(1) of the Act and Section 2(1) of the Capital Markets and Services Act, 2007 and includes:- i. in the case of an issuer of structured warrants, a director of the issuer of the structured warrants; or ii. in the case of an applicant or listed issuer which is a collective investment scheme, a director of a management company or a director of the trustee-manager, as the case may be
"EGM"	:	Extraordinary General Meeting
"Entitled Shareholder(s)"	:	The shareholders of Bornoil who are registered as a member and whose names appear in the Record of Depositors of the Company on the Entitlement Date
"Entitlement Date"	:	The date as at the close of business on which shareholders of Bornoil must be registered as a member and whose names appear in the Record of Depositors in order to participate in the Proposals
"EPS"	:	Earnings per Share

DEFINITIONS (CONT'D)

"FYE"	:	Financial year ended/ ending
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	31 March 2017, being the latest practicable date prior to the printing and despatch of this Circular
"Maximum Scenario"	:	Assuming all the outstanding Warrants B and Warrants C exercised and the Company does not purchase any additional Shares pursuant to its share buy-back exercise prior to the completion of the Proposals
"Minimum Scenario"	:	Assuming none of the outstanding Warrants B and Warrants C are exercised and the Company does not purchase any additional Shares pursuant to its share buy-back exercise prior to the completion of the Proposals
"NA"	:	Net assets
"Proposals"	:	The Proposed Bonus Issue of Shares and the Proposed Bonus Issue of Warrants, collectively
"Proposed Bonus Issue of Shares"	:	The proposed bonus issue of up to 2,112,341,814 Bonus Shares to be credited as fully paid-up on the basis of four (4) Bonus Shares for every eight (8) existing Bornoil Shares held by the Entitled Shareholders on the Entitlement Date
"Proposed Bonus Issue of Warrants"	:	The proposed bonus issue of up to 528,085,453 free Warrants D on the basis of one (1) free Warrant D for every eight (8) existing Bornoil Shares held by the Entitled Shareholders on the same Entitlement Date as the Proposed Bonus Issue of Shares
"Record of Depositors"	:	A record of depositors established by Bursa Depository under the Rules of Depository
"RHBIB" or the "Adviser"	:	RHB Investment Bank Berhad
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"WAMP"	:	Weighted average market price
"Warrant(s) B"	:	38,151,370 outstanding Warrants 2008/ 2018 in Bornoil as at the LPD, constituted by the Deed Poll B. Each Warrant B provides the right to the holder of Warrant B to subscribe for one (1) new Bornoil Share during the ten (10)-year exercise period of the Warrants B up to 28 February 2018 at the exercise price of RM0.10 per Warrant B
"Warrant(s) C"	:	1,157,445,239 outstanding Warrants 2015/ 2025 in Bornoil as at the LPD, constituted by the Deed Poll C. Each Warrant C provides the right to the holder of Warrant C to subscribe for one (1) new Bornoil Share during the ten (10)-year exercise period of the Warrants C up to 8 November 2025 at the exercise price of RM0.11 per Warrant C
"Warrant(s) D"	:	Up to 528,085,453 new warrants in Bornoil to be issued pursuant to the Proposed Bonus Issue with Warrants with a proposed tenure of ten (10) years

DEFINITIONS (CONT'D)

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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BORNEO OIL
BORNEO OIL BERHAD
(Company No.: 121919-H)
(Incorporated in Malaysia)

Registered Office

1st & 2nd Floor, Victoria Point
Jalan OKK Awang Besar
87007 Wilayah Persekutuan Labuan

27 April 2017

Board of Directors

Tan Kok Chor (*Chairman/ Independent Non-Executive Director*)
Teo Kiew Leong (*Executive Director*)
Chan Keng Leong (*Executive Director*)
Michael Moo Kai Wah (*Independent Non-Executive Director*)
Seroop Singh Ramday (*Independent Non-Executive Director*)

To: The Shareholders of Borneo Oil Berhad

Dear Sir/ Madam,

I. PROPOSED BONUS ISSUE OF SHARES; AND

II. PROPOSED BONUS ISSUE OF WARRANTS

(COLLECTIVELY REFERRED TO AS THE "PROPOSALS")

1. INTRODUCTION

On 13 March 2017, RHBIB had, on behalf of the Board, announced that the Company proposes to undertake the following:-

- i. A bonus issue of up to 2,112,341,814 Bonus Shares to be credited as fully paid-up on the basis of four (4) Bonus Shares for every eight (8) existing Borneoil Shares held on the Entitlement Date; and
- ii. A bonus issue of up to 528,085,453 Warrants D on the basis of one (1) free Warrant D for every eight (8) existing Borneoil Shares held on the same Entitlement Date as the Proposed Bonus Issue of Shares.

On 18 April 2017 RHBIB had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 17 April 2017, approved the following:-

- (a) Listing of up to 2,112,341,814 Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares;
- (b) Admission to the Official List and listing of up to 528,085,453 Warrants D to be issued pursuant to the Proposed Bonus Issue of Warrants;

- (c) Listing of up to 528,085,453 new Bornoil Shares to be issued arising from the exercise of the Warrants D;
- (d) Listing of up to 19,153,161 additional Warrants B to be issued arising from the adjustment pursuant to the Proposed Bonus Issue of Shares;
- (e) Listing of up to 19,153,161 new Bornoil Shares to be issued arising from the exercise of the additional Warrants B;
- (f) Listing of up to 578,788,094 additional Warrants C to be issued arising from the adjustment pursuant to the Proposed Bonus Issue of Shares; and
- (g) Listing of up to 578,788,094 new Bornoil Shares to be issued arising from the exercise of the additional Warrants C,

on the Main Market of Bursa Securities, subject to the conditions as disclosed in Section 8 of this Circular.

The purpose of this Circular is to provide the shareholders of Bornoil with the relevant information on the Proposals, as well as to seek the approval from the shareholders of Bornoil for the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company. The notice of the forthcoming EGM and the Form of Proxy are enclosed together with this Circular.

SHAREHOLDERS OF BORNOIL ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

2. DETAILS OF THE PROPOSALS

As at the LPD, the issued share capital of Bornoil is RM302,910,011.40 comprising 3,029,087,019 Bornoil Shares. In addition, as at the LPD, the Company has the following:-

- i. A total of 38,151,370 outstanding Warrants B. Each Warrant B provides the right to the holder of Warrant B to subscribe for one (1) new Bornoil Share during the ten (10)-year exercise period of the Warrants B up to 28 February 2018 at the exercise price of RM0.10 per Warrant B; and
- ii. A total of 1,157,445,239 outstanding Warrants C. Each Warrant C provides the right to the holder of Warrant C to subscribe for one (1) new Bornoil Share during the ten (10)-year exercise period of the Warrants C up to 8 November 2025 at the exercise price of RM0.11 per Warrant C.

In conjunction with the Proposals, the Company has undertaken that it will not purchase any additional Shares pursuant to its share buy-back exercise prior to the completion of the Proposals. As at the LPD, there is no treasury share retained by the Company.

For shareholders' information, the Company's employees' share option scheme 2012/ 2017 has expired on 27 February 2017.

For illustrative purposes throughout this Circular, the effects of the Proposals shall be illustrated based on the Minimum Scenario and the Maximum Scenario.

2.1 Proposed Bonus Issue of Shares

2.1.1 Basis and number of Bonus Shares to be issued

The Proposed Bonus Issue of Shares entails an issuance of up to 2,112,341,814 Bonus Shares to be credited as fully paid-up on the basis of four (4) Bonus Shares for every eight (8) existing Bornoil Shares held by the Entitled Shareholders.

The actual number of the Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares will depend on the total issued Shares in the Company (excluding treasury shares, if any) as at the Entitlement Date.

Assuming all the outstanding Warrants B and Warrants C are exercised prior to the implementation of the Proposals, a total of up to 2,112,341,814 Bonus Shares may be issued.

As set out in Section 2 of this Circular, the Company has undertaken that it will not purchase any additional Shares pursuant to its share buy-back exercise prior to the completion of the Proposals. As at the LPD, there is no treasury share retained by the Company. In addition, for shareholders' information, the Company's employees' share option scheme 2012/ 2017 has expired on 27 February 2017.

Fractional entitlements of the Bonus Shares arising from the Proposed Bonus Issue of Shares, if any, shall be dealt with in such manner as the Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of the Company.

The Proposed Bonus Issue of Shares will not be implemented in stages over a period of time.

2.1.2 Capitalisation of reserves

The Proposed Bonus Issue of Shares shall be wholly capitalised from the share premium and retained profit accounts of the Company.

An illustration of the proposed capitalisation for the Proposed Bonus Issue of Shares based on Bornoil's latest audited financial statements for FYE 31 January 2016 and latest unaudited quarterly report for the FYE 31 January 2017 at the Company level, are set out in the ensuing pages.

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FYE 31 January 2016

	Minimum Scenario		Maximum Scenario	
	Share premium RM'000	Retained profit RM'000	Share premium RM'000	Retained profit RM'000
Bornoil (Company level)				
Audited as at 31 January 2016	80,725	79,794	80,725	79,794
Add: Increase in share premium pursuant to the issuance of new Bornoil Shares arising from the exercise of employees' share options ("ESOS Option(s)") ¹	2,010	-	2,010	-
Add: Net gain from resale of treasury shares ²	2,214	-	2,214	-
Add: Partial reversal of warrants reserves to share premium account arising from the exercise of Warrants B and Warrants C ³	13	-	13	-
Add: Full reversal of the balance of warrants reserves to share premium account assuming all the outstanding Warrants B and Warrants C are exercised under the Maximum Scenario	-	-	94,001	-
Less: Amount to be capitalised pursuant to the Proposed Bonus Issue of Shares	(84,962)	(66,492)	(178,963)	(32,271)
Less: Estimated expenses in relation to the Proposals	-	(300)	(300)	(300)
After the Proposed Bonus Issue of Shares	-	13,002	13,002	47,223

Notes:-

¹ After adjusted for the increase in share premium of RM2.01 million pursuant to the issuance of a total of 67,000,000 new Bornoil Shares arising from the exercise of ESOS Options at the exercise price of RM0.13 per ESOS Option

² After adjusted for the net gain from resale of a total of 171,350,000 treasury shares by the Company:-

Net proceeds from resale of treasury shares	RM'000
	29,584
Less: Net acquisition costs of treasury shares	(27,370)
Net gain from resale of treasury shares	2,214

³ After adjusted for the partial reversal of warrants reserve to share premium account of a total of approximately RM0.01 million arising from the exercise of 154,952 Warrants B and 130,950 Warrants C

FYE 31 January 2017

	Minimum Scenario		Maximum Scenario	
	Share premium RM'000	Retained profit RM'000	Share premium RM'000	Retained profit RM'000
	Total RM'000	Total RM'000	Total RM'000	Total RM'000
Bornoil (Company level)				
Unaudited as at 31 January 2017	82,735	79,609	82,735	79,609
Add: Net gain from resale of treasury shares ¹	2,214	-	2,214	-
Add: Partial reversal of warrants reserves to share premium account arising from the exercise of Warrants B and Warrants C ²	13	-	13	-
Add: Full reversal of the balance of warrants reserves to share premium account assuming all the outstanding Warrants B and Warrants C are exercised under the Maximum Scenario	-	-	94,001	-
Less: Amount to be capitalised pursuant to the Proposed Bonus Issue of Shares	(84,962)	(66,492)	(178,963)	(32,271)
Less: Estimated expenses in relation to the Proposals	-	(300)	-	(300)
After the Proposed Bonus Issue of Shares	-	12,817	12,817	47,038

Notes:-

¹ After adjusted for the net gain from resale of a total of 171,350,000 treasury shares by the Company:-

Net proceeds from resale of treasury shares	29,584
Less: Net acquisition costs of treasury shares	(27,370)
Net gain from resale of treasury shares	2,214

² After adjusted for the partial reversal of warrants reserve to share premium account of a total of approximately RM0.01 million arising from the exercise of 154,952 Warrants B and 130,950 Warrants C

The external auditors of the Company, namely Messrs STYL Associates had, vide their letter as set out in Appendix I of this Circular, confirmed that based on Bornoil's latest audited financial statements for the FYE 31 January 2016 and latest unaudited quarterly report for the FYE 31 January 2017 at the Company level, Bornoil has adequate reserves available to be capitalised for the Proposed Bonus Issue of Shares.

In addition, based on Bornoil's latest audited consolidated financial statements for the FYE 31 January 2016 and latest unaudited quarterly report for the FYE 31 January 2017, the reserves available to be capitalised for the Proposed Bonus Issue of Shares are unimpaired by losses on a consolidated basis.

2.1.3 Ranking of the Bonus Shares

The Bonus Shares will, upon allotment and issuance, rank *pari passu* in all respects with the existing Bornoil Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotment and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date for the aforesaid distribution precedes the date of allotment and issuance of the Bonus Shares.

2.1.4 Listing of the Bonus Shares

The approval from Bursa Securities was obtained vide its letter dated 17 April 2017 for the listing of the Bonus Shares on the Main Market of Bursa Securities.

2.2 Proposed Bonus Issue of Warrants

2.2.1 Basis and number of Warrants D to be issued

The Proposed Bonus Issue of Warrants entails an issuance of up to 528,085,453 free Warrants D on the basis of one (1) free Warrant D for every eight (8) existing Bornoil Shares held by the Entitled Shareholders on the same Entitlement Date as the Proposed Bonus Issue of Shares.

The actual number of the free Warrants D to be issued pursuant to the Proposed Bonus Issue of Warrants will depend on the total issued Shares in the Company (excluding treasury shares, if any) as at the Entitlement Date.

Assuming all the outstanding Warrants B and Warrants C are exercised prior to the implementation of the Proposals, a total of up to 528,085,453 free Warrants D may be issued. In addition, assuming all the 528,085,453 Warrants D are exercised, a total of 528,085,453 new Bornoil Shares will be issued therefrom.

Fractional entitlements of the free Warrants D arising from the Proposed Bonus Issue of Warrants, if any, shall be dealt with in such manner as the Board shall in their absolute discretion deem fit and expedient, and to be in the best interest of the Company.

The Proposed Bonus Issue of Warrants will not be implemented in stages over a period of time.

2.2.2 Basis of determining and justification for the exercise price of the Warrants D

The Warrants D will be issued at no cost to the Entitled Shareholders.

The exercise price of the Warrants D will be determined and fixed by the Board at a later date after receipt of all relevant approvals but before the announcement of the Entitlement Date, after taking into consideration the following:-

- i. The Warrants D will be issued at no cost to the Entitled Shareholders; and
- ii. The historical trading prices of Bornoil Shares for the past 12 months and the theoretical ex-bonus price of Bornoil Shares based on the five (5)-day WAMP of Bornoil shares immediately preceding the price-fixing date.

For illustrative purpose only, the exercise price of the Warrants D is assumed to be at RM0.10, which represents a discount of approximately 17.70% to the theoretical ex-bonus price of Bornoil Shares of RM0.1215, calculated based on the five (5)-day WAMP of Bornoil Shares up to and including the LPD of RM0.1850 per Bornoil Share.

Bornoil will make an immediate announcement on the basis of arriving at the exercise price of the Warrants D, justifications for the pricing including justifications for the quantum of premium/ discount applied.

2.2.3 Ranking of the new Bornoil Shares to be issued arising from the exercise of the Warrants D

The new Bornoil Shares to be issued arising from the exercise of the Warrants D will, upon allotment and issuance, rank *pari passu* in all respects with the existing Bornoil Shares, save and except that the new Bornoil Shares to be issued arising from the exercise of the Warrants D will not be entitled to any dividends, rights, allotment and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date for the aforesaid distribution precedes the date of allotment and issuance of the said new Bornoil Shares.

2.2.4 Listing of the Warrants D, new Bornoil Shares to be issued arising from the exercise of the Warrants D, and other securities arising from consequential adjustment

The approval from Bursa Securities was obtained vide its letter dated 17 April 2017 for the admission of the Warrants D to the official list of Bursa Securities as well as the listing of the Warrants D, the additional Warrants B and additional Warrants C to be issued arising from such adjustment as may be made pursuant to the Deed Poll B and Deed Poll C, respectively, and the new Bornoil Shares to be issued arising from the exercise of the Warrants D and the additional Warrants B and additional Warrants C, on the Main Market of Bursa Securities.

2.2.5 Indicative salient terms of the Warrants D

Issue size	:	Up to 528,085,453 Warrants D
Form	:	The Warrants D will be issued in registered form and constituted by a deed poll to be executed by the Company and as may be supplemented from time to time
Exercise period	:	The Warrants D may be exercised at any time within ten (10) years commencing on and including the date of issuance of the Warrants D ("Issue Date") and ending at the close of business at 5.00 p.m. in Kuala Lumpur on a date preceding the tenth (10th) anniversary of the Issue Date, and if such a day is not a market day, on the immediately preceding market day. Any Warrants D not exercised during the exercise period will thereafter lapse and cease to be valid
Mode of exercise	:	The registered holder of the Warrant D is required to lodge a subscription/ exercise form, as set out in the Deed Poll D, with the Company's registrar, duly completed, signed and stamped together with payment of the exercise price by bankers' draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia in accordance with the Deed Poll D
Exercise price	:	The exercise price of the Warrants D shall be determined and fixed by the Board at a later date after receipt of all relevant approvals but before the announcement of the Entitlement Date, subject to adjustments in accordance with the provisions of the Deed Poll D
Exercise rights	:	Each Warrant D carries the entitlement, at any time during the exercise period, to subscribe for one (1) new Bornoil Share at the exercise price, subject to the terms and conditions of the Deed Poll D
Board lot	:	For the purpose of trading on Bursa Securities, one (1) board lot of Warrants D shall comprise 100 Warrants D carrying the right to subscribe for 100 new Bornoil Shares at any time during the exercise period, or such other denomination as determined by Bursa Securities
Participating rights of the holders of Warrants D in any distribution and/ or offer of further securities	:	The holders of the Warrants D are not entitled to vote in any general meeting and/ or to participate in any dividends, rights, allotment and/ or any other forms of distribution other than on winding-up, compromise or arrangement of Bornoil as set out below and/ or in any offer of further securities in the Company unless and until the holder of the Warrants D becomes a shareholder of Bornoil by exercising his/ her Warrants D into new Bornoil Shares or unless otherwise resolved by Bornoil in a general meeting
Adjustments in the exercise price and/ or number of Warrants D	:	The exercise price and/ or number of unexercised Warrants D shall be adjusted in the event of alteration to the share capital of the Company, capital distribution or issue of shares in accordance with the provisions of the Deed Poll D. If the Company in any way modify the rights attached to any share or loan capital which is not described in the Deed Poll D so as to convert or make convertible such share or loan capital into, or attached thereto any rights to acquire or subscribe for new shares, the Company must appoint the adviser or the auditors (who shall act as experts) to consider whether any adjustment is appropriate, and if the Directors after such consultation determines that any adjustment is appropriate, the exercise price or the number of Warrants D or both, will be adjusted accordingly

- Rights in the event of winding-up, liquidation, compromise and/ or arrangement : Where a resolution has been passed for a members' voluntary winding-up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with one (1) or more companies, then every holder of the Warrants D shall be entitled upon and subject to the provisions of the Deed Poll D at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Company or six (6) weeks after the granting of the court order approving the compromise or arrangement, by the irrevocable surrender of his/ her Warrants D to the Company, elect to be treated as if he/ she had immediately prior to the commencement of such winding-up, compromise or arrangement exercised the exercise rights represented by his/ her Warrants D to the extent specified in the relevant subscription forms and be entitled to receive out of the assets of the Company which would be available in liquidation as if he/ she had on such date been the holder of the new Bornoil Shares to which he/ she would have been entitled to pursuant to such exercise
- Listing status : The Warrants D shall be listed and quoted on the Main Market of Bursa Securities
- Modifications : Save for manifest error, any modification to the Deed Poll D shall require the approval of the holders of Warrants D sanctioned by special resolution and may be effected only by the Deed Poll D, executed by the Company and expressed to be supplemental hereto and subject to the approval of the relevant authorities, if necessary
- Governing law : Laws and regulations of Malaysia

2.2.6 Utilisation of proceeds

The Proposed Bonus Issue of Warrants is not expected to raise immediate funds for Bornoil as the Warrants D will be issued at no cost to the Entitled Shareholders.

However, the gross proceeds to be raised from the exercise of the Warrants D is dependent on the total number of Warrants D exercised during the tenure of the Warrants D as well as the exercise price of the Warrants D, which will be determined and fixed at a later date. As such, the exact time frame for utilisation of the proceeds is not determinable at this juncture.

For illustrative purpose only, the gross proceeds that is expected to be raised upon full exercise of the Warrants D based on the indicative exercise price of RM0.10 per Warrant D is approximately RM37.86 million under the Minimum Scenario and RM52.81 million under the Maximum Scenario. The gross proceeds to be raised from the exercise of the Warrants D will be utilised as additional working capital for the Bornoil Group. The proceeds may be utilised to finance, amongst others, repayment to trade creditors as well as general expenses such as traveling, staff training, rental of offices and utilities.

Pending utilisation of the proceeds to be raised from the exercise of the Warrants D for the above purposes, the proceeds will be placed in deposits with financial institutions or short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital for the Group.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS

3.1 Proposed Bonus Issue of Shares

After due consideration, the Board is of the view that the Proposed Bonus Issue of Shares is the most appropriate avenue of rewarding the existing shareholders of the Company while at the same time enhance the Company's capital base as the Proposed Bonus Issue of Shares will:-

- i. Increase the Company's issued share capital to a level which would be more reflective of its current scale of operations and assets employed;
- ii. Reward the existing shareholders of the Company for their continuous support;
- iii. Enlarge the number of Bornoil Shares held by the Company's existing shareholders without increasing the percentage equity interest; and
- iv. Possibly able to encourage trading liquidity of Bornoil Shares on Bursa Securities and greater participation by investors as well as potentially broadening the shareholder base of the Company.

3.2 Proposed Bonus Issue of Warrants

After due consideration, the Board is of the view that the Proposed Bonus Issue of Warrants will:-

- i. Reward the existing shareholders of the Company for their continuous support by enabling them to participate in convertible securities of the Company which are tradable on Bursa Securities without incurring any cost;
- ii. Help to strengthen the Company's capital base and shareholders' funds as well as potentially provide additional working capital for the Group, as and when the Warrants D are exercised; and
- iii. Provide the existing shareholders of the Company with an opportunity to increase their equity participation in the Company at a predetermined price during the tenure of the Warrants D. The Warrants D may also potentially provide opportunity for the Entitled Shareholders to realise capital gain (as and when the Warrants D are converted into new Bornoil Shares) if the underlying share price of Bornoil Shares increase over the tenure of the Warrants D.

As set out in Section 2 of this Circular, as at the LPD, the Company has 38,151,370 outstanding Warrants B and 1,157,445,239 outstanding Warrants C.

The Warrants B were issued pursuant to a rights issue of warrants exercise undertaken by the Company which was completed in March 2008 and raised gross proceeds of approximately RM2.67 million to the Company. The Warrants B were issued at RM0.05 per Warrant B to reward shareholders by giving shareholders opportunity to further participate in the Company's equity with small initial outlay of cash. The Warrants B also raised cash proceeds for additional working capital to the Group as and when the Warrants B were exercised into new Bornoil Shares.

The Warrants C were issued pursuant to a rights issue of shares together with free warrants exercise undertaken by the Company which was completed in November 2015 and raised gross proceeds of approximately RM231.52 million to the Company. The Warrants C were issued on the basis of one (1) free Warrant C for every two (2) rights shares subscribed for, to entice the shareholders to subscribe for the rights shares. The rights shares were issued to raise cash proceeds mainly for the Group's gold mining operation for exploration expenditures, purchase of machineries and equipment as well as working capital purposes. The remaining intended utilisation of the said proceeds were for future investments, repayment of borrowings, purchase of plant and equipment and working capital for the Group's limestone operation and working capital for the Group's fast food operation. The utilisation of the proceeds from the said rights issue exercise especially in the gold mining operation has contributed to the improvement in the financial results of the Group as the majority of the revenue of the Group were derived from its gold mining operation. The Group recorded an increase in profit after tax for the latest audited FYE 31 January 2016 by 63% to approximately RM11.46 million as compared to the profit after tax of the preceding financial year of approximately RM7.03 million. In addition, the Group also recorded an increase in profit after tax for the latest unaudited FYE 31 January 2017 by 314% to approximately RM47.42 million as compared to the audited profit after tax of the preceding financial year of approximately RM11.46 million.

The Board is of the view that the Group has recorded increase in profit after tax and as a plan to reward shareholders, the Board has decided to issue the Bonus Shares and free Warrants D pursuant the Proposals to shareholders on a pro-rata basis for their continuous support. Further, the Warrants D are able to raise additional working capital to the Group as and when the Warrants D are exercised into new Bornoil Shares.

In addition, the issuance of the Warrants D pursuant to the Proposed Bonus Issue of Warrants is in compliance with Paragraph 6.50 of the Listing Requirements whereby the number of new Bornoil Shares to be issued arising from exercise of all outstanding Warrants B and Warrants C and the proposed Warrants D do not exceed 50% of the total number of issued Shares of Bornoil after the Proposals.

Further, the Board is also of the view that the issuance of the free Warrants D and the Bonus Shares to reward shareholders instead of cash dividends to the shareholders will allow the Group to conserve cash for its operational requirements. The main operating segment of the Group is its gold mining operation and given the nature of gold mining operation which is capital intensive in terms of machineries, vehicles, plant and equipment and requires substantial expenditure for exploration activities, the issuance of the free Warrants D and the Bonus Shares in lieu of cash shall enable the Group to conserve cash for its operational requirements.

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4. PREVIOUS CORPORATE EXERCISES INVOLVING ISSUANCE OF SHARES AND WARRANTS

Purely for shareholders' information, the previous corporate exercises undertaken by the Company involving the issuance of Bornoil Shares together with the movement in the number of issued Bornoil Shares and share capital and issuance of warrants in the Company since 31 January 2015 up to the LPD, are set out below:-

	No. of Bornoil Shares	RM
Issued share capital as at 31 January 2015	351,291,832	35,129,183
Add: Issuance of new Bornoil Shares arising from the following:-		
• Exercise of ESOS Options	273,790,000	27,379,000
• Exercise of Warrants B	21,566,899	2,156,690
• Rights issue of Shares together with free Warrants C ^{*1}	2,315,152,386	231,515,239
Issued share capital as at 31 January 2016	2,961,801,117	296,180,112
Add: Issuance of new Bornoil Shares arising from the following:-		
• Exercise of ESOS Options	67,000,000	6,700,000
Issued share capital as at 31 January 2017	3,028,801,117	302,880,112
Add: Issuance of new Bornoil Shares arising from the following:-		
• Exercise of Warrants B	154,952	15,495
• Exercise of Warrants C	130,950	14,404
Issued share capital as at the LPD/ 31 March 2017	3,029,087,019	302,910,011

Note:-

^{*1} Pursuant to the rights issue of Shares with free Warrants C exercise which was completed on 17 November 2015, a total of 2,315,152,386 new Bornoil Shares and 1,157,576,189 Warrants C were issued. In addition, a total of 28,673,787 additional Warrants B were issued arising from the adjustment pursuant to the said rights issue exercise

5. INDUSTRY OVERVIEW AND OUTLOOK AND FUTURE PROSPECTS OF BORNOIL GROUP

5.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a growth of 4.2% in 2016. Domestic demand continued to anchor growth, supported mainly by private sector spending. Private consumption growth, in particular, was sustained at 6.1%, supported by continued employment and wage growth following the increase in minimum wage and civil servant salaries. Government measures to boost disposable income such as the temporary reduction in employees' contribution to the Employees Provident Fund, higher Bantuan Rakyat 1Malaysia payouts and tax relief to lower-income tax payers also supported household spending. Public consumption growth moderated to 1.0% following the expenditure rationalisation adopted by the Government in early 2016 given the lower petroleum-related revenue because of low crude oil prices. Public investment recorded a smaller rate of decline in 2016 due to the smaller contraction in spending on fixed assets by public corporations given the higher investment in the downstream oil and gas industry, and the transportation and utilities sub-sectors.

On the supply side, all economic sectors continued to expand in 2016, with the exception of the agriculture sector. Agriculture production declined by 5.1%, as crude palm oil output was affected by the El Niño weather phenomenon. While growth in the services sector was higher at 5.6% following sustained demand in the consumer-related sectors, other sectors expanded more moderately.

Positive prospects for the Malaysian economy in 2017 are premised upon expectations of an improving global economy and the continued growth in domestic demand. The Malaysian economy is projected to register growth of 4.3%-4.8% in 2017. The improvement in global growth is expected to generate positive spillovers to the domestic economy through the trade, investment and income channels. Malaysia's export performance will benefit from higher growth among key trading partners and the projected recovery in commodity prices. On the domestic front, investment activity is expected to be underpinned by capital expenditure in the export-oriented industries, particularly in the manufacturing sector. This, together with the continued roll-out of large-scale infrastructure projects will support investment activity going forward. Meanwhile, private consumption will be sustained by continued wage growth and recent pro-growth Government measures. For the public sector, the Government remains committed to fiscal consolidation, which will be achieved through the reprioritization of public spending and lower expenditure on non-critical items. Despite this, the public sector is still projected to contribute positively to growth through public investment in selected sectors.

(Source: Bank Negara Malaysia Annual Report 2016)

5.2 Overview and outlook of the mining industry

Gold prices declined 9%, averaging \$1,157 per troy ounce ("toz") in December 2016, down from a monthly high of \$1,340/toz in August 2016, on decelerating investment demand given expectations of higher real interest rates and a stronger United States ("US") Dollar. Rising interest rates in the US typically have negative implications for gold prices, as investors seek yield-bearing assets. Physical gold demand was weak in 2016, particularly in the two (2) largest consuming countries, India and the Peoples' Republic of China ("PRC"). The Indian government in November 2016 decided to take 500 and 1000 Indian Rupee notes out of circulation in an effort to curb illicit stocks of cash, and to shift savings to financial products and away from physical assets, notably gold and real estate. This reduced gold demand among rural, cash-driven buyers. In the PRC, gold jewellery demand has fallen on a shift in consumer preferences among younger consumers to other goods and tourism. Gold mine supply continues to be supported by costs cuts, targeting higher grade ore, and currency depreciation in producer countries.

(Source: Commodity Markets Outlook January 2017, World Bank)

Precious metal prices have increased in January 2017, reversing the negative trend seen in December 2016. Gold and silver grew 5.8% and 6.5%, respectively, from the end of December 2016 to the end of January 2017. The uptick in precious metals is partly explained by the weakening US Dollar. The US Dollar index (DXY, US Dollar value relative to a basket of foreign currencies) depreciated 2.6% from the end of December 2016 to the end of January 2017. Downside risks are stronger economic growth and faster than expected increases in the US interest rates. Upside risks include geopolitical tension, stronger demand in the PRC and India, delayed interest rate hikes, and mine supply shortfall.

(Source: Commodity Market Monthly February 2017, International Monetary Fund)

Precious metals have seen their prices climb year-to-date from 9.6% for gold to 16.6% for palladium, and all continued to increase in February 2017, month-on-month, from 3.9% for gold to 6.6% for silver. Gold prices have been trending upwards throughout February 2017 amid geopolitical angst and strengthening of the US Dollar. The US Federal Reserve announced that it was raising interest rates in mid March 2017. Since early March 2017 until mid March 2017, the price of gold has trended downwards to about \$1,200/toz in the lead up to the US Federal Reserve's announcement.

(Source: Commodity Market Monthly March 2017, International Monetary Fund)

Precious metals have seen their prices fall in March 2017, month-on-month. Platinum prices fell 4.4%, silver fell 1.8%, and gold was more stable, falling 0.4%. Palladium's average price was unchanged between February 2017 and March 2017, but increased 2.8% from the end of February 2017 to the end of March 2017. Year-to-date price changes for all precious metals are positive. The US Federal Reserve raised the short-term interest rate from 0.75% to 1% in March 2017. Following the announcement, the price of gold increased 3.8% between mid March 2017 to end March 2017 as the US Federal Reserve indicated a dovish tone. In April 2017, geopolitical tensions (Syria and North Korea) put upward pressure on precious metals.

(Source: Commodity Market Monthly April 2017, International Monetary Fund)

5.3 Overview and outlook of the food services industry

The services sector expanded 5.4% during the first six months of 2016, mainly driven by resilient domestic economic activities. In 2016, the sector is expected to record 5.6% growth, accounting for 54.2% of gross domestic product ("GDP").

The food and beverages and accommodation subsector expanded 6.6% during the first half of 2016. The food and beverages segment rose 7.4% driven by increased spending on restaurant dining, particularly during festivities. Meanwhile, the accommodation segment registered a growth of 3.6% mainly supported by tourism-related activities. In 2016, the subsector is expected to grow 6.1% supported by strong domestic consumption and tourism-related activity.

Private consumption contributing 53.3% to GDP is expected to expand 6.1% in 2016 supported by stable employment and income growth. Various government measures, including continuation of cash transfer; tax relief to middle-income group; reduction in employees' contribution to Employees Provident Fund; upward revision of minimum wage; as well as additional one annual increment and cash assistance to civil servants are expected to provide impetus to consumption activity. The gradual improvement in consumer sentiment was reflected by the increase in Consumer Sentiment Index which edged up to 78.5 points during the second quarter of 2016. Other indicators, such as sales of food and imports of consumption goods also registered high growth of 29.9% and 12.5%, respectively, during the first eight (8) months of 2016.

(Source: Chapter 3: Economic Performances and Prospects, Economic Report 2016/ 2017, Ministry of Finance Malaysia)

5.4 Future prospects of Bornoil Group

Bornoil Group is principally involved in three (3) main operating segments, namely the oil, gas, energy and mining related businesses segment (which consists of gold mining, trading and investment operations and limestone mining operations), the fast food operations segment as well as the management and operations of properties segment. For the latest FYE 31 January 2017, the majority of the revenue of the Group was derived from its gold mining operations. For illustrative purpose, the breakdown of the contribution from each operating segment of the Group based on the latest unaudited quarterly results of the Group for the FYE 31 January 2017 are set out in the ensuing page.

Operating segment	←-----Unaudited----->					
	←-----FYE 31 January 2017----->					
	Revenue		Profit before tax		Profit after tax	
	RM'000	%	RM'000	%	RM'000	%
Oil, gas, energy and mining related businesses ¹	103,752	65.04	5,421	11.12	6,273 ²	13.23
Fast food operations	51,793	32.47	3,376	6.93	3,048	6.43
Management and operations of properties	3,941	2.47	41,142 ³	84.41 ³	39,297 ³	82.87 ³
Head office and others	36	0.02	(1,198)	(2.46)	(1,198)	(2.53)
	159,522	100.00	48,741	100.00	47,420	100.00

Notes:-

¹ For the avoidance of doubt, the oil, gas, energy and mining related businesses segment of the Group consists mainly of gold mining, trading and investment operations

² Including the reversal of deferred taxation of RM0.85 million

³ Including the gain on the fair value adjustment of the Group's investment properties of RM35.00 million and RM17.70 million as announced by the Company on 28 December 2016 and 31 March 2017, respectively

In the gold mining operations of the Group, a subsidiary company of Borneoil, namely Borneo Oil & Gas Sdn Bhd ("BOG") has been engaged as sub-contractor to carry out, amongst others, prospecting and mining of alluvial and lode gold within mining areas in Mukim Batu Yon, Mukim Hulu Jelai and Mukim Keratong. The Company had on 28 February 2017 announced that BOG had identified additional gold mineralisation at the Phase 2 of the gold mine at Mukim Keratong. The Group's plans for the gold mining operations at this juncture consist of the following:-

- i. Expanding production capacity – The Group intends to cautiously expand the production capacity of the gold mining operations which include the exploration activities for alluvial and lode gold resources as well as the purchase of vehicles, machineries and equipment as needed; and
- ii. Expanding workforce – The Group intends to cautiously expand the workforce to employ more workers in the mining field in line with its intention to expand its production capacity. The Group will also constantly review its workforce and operation for optimum productivity.

In the fast food operations segment, the Group is the holder of SugarBun trademark, which has franchise both locally and overseas. In addition, the Group holds the master license for Pezzo, a Singapore-based pizza chain, for operations in Sabah and Sarawak. As at to date, the Group has a total of 88 SugarBun franchise outlets, of which 78 outlets are in Malaysia and 10 outlets are overseas, as well as 48 Pezzo outlets in Malaysia. It is the Group's intention to continuously nurture its SugarBun and Pezzo fast food business.

Barring any unforeseen circumstances, the Board, after having considered all the relevant aspects including the above-mentioned prospects as well as the outlook of the mining industry and the food services industry as set out in Sections 5.2 and 5.3 of this Circular, respectively, is cautiously optimistic of the future prospects of the Group.

6. EFFECTS OF THE PROPOSALS

6.1 Issued share capital

The proforma effects of the Proposals on the issued share capital of Bornoil are set out below:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued share capital as at the LPD	3,029,087,019	302,910,011	3,029,087,019	302,910,011
Shares to be issued assuming all the outstanding Warrants B are exercised	-	-	38,151,370	3,815,137 ¹
Shares to be issued assuming all the outstanding Warrants C are exercised	-	-	1,157,445,239	127,318,976 ²
	3,029,087,019	302,910,011	4,224,683,628	434,044,124
Shares to be issued pursuant to the Proposed Bonus Issue of Shares	1,514,543,509	151,454,351	2,112,341,814	211,234,181
	4,543,630,528	454,364,362	6,337,025,442	645,278,305
Shares to be issued assuming full exercise of the Warrants D	378,635,877 ³	37,863,588 ⁴	528,085,453	52,808,545 ⁴
Enlarged issued share capital	4,922,266,405	492,227,950	6,865,110,895	698,086,850

Notes:-

¹ Calculated based on the exercise price of Warrants B of RM0.10 per Warrant B

² Calculated based on the exercise price of Warrants C of RM0.11 per Warrant C

³ Purely for illustrative purpose only, the Warrants D are assumed to be fully exercised under the Minimum Scenario and the issuance of 378,635,877 new Bornoil Shares arising from the full exercise of the Warrants D are shown to illustrate the possible maximum effects of the Proposals on the enlarged issued share capital under the Minimum Scenario

⁴ Calculated based on the indicative exercise price of Warrants D of RM0.10 per Warrant D

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6.2 NA per Share and gearing

Based on the latest audited consolidated statements of financial position of Bornoil Group as at 31 January 2016, the proforma effects of the Proposals on the NA per Share and gearing of the Group are set out below:-

Minimum Scenario

	Audited as at 31 January 2016 RM'000	I After adjusted for subsequent events up to the LPD ¹ RM'000	II After I and the Proposed Bonus Issue of Shares RM'000	III After II and the Proposed Bonus Issue of Warrants RM'000	IV After III and assuming full exercise of the Warrants D RM'000
Share capital	296,180	302,910 ¹	454,364	454,364	492,228 ⁴
Share premium	80,725	84,962 ¹	- ²	-	-
Treasury shares	(26,021)	- ¹	-	-	-
ESOS reserves	44	44	44	44	44
Warrants reserves	94,014	94,001 ¹	94,001	94,001	94,001
Capital reserves	15	15	15	15	15
Currency translation reserves	(72)	(72)	(72)	(72)	(72)
Retained profit	93,069	93,069	26,577 ²	26,277 ³	26,277
Shareholders' funds/ NA	537,954	574,929	574,929	574,629	612,493
No. of Shares outstanding (excluding treasury shares) ('000)	1,321,761	3,029,087 ¹	4,543,631	4,543,631	4,922,266
NA per Share (RM)	0.41	0.19	0.13	0.13	0.12
Total borrowings (RM'000)	811	811	811	811	811
Gearing ratio (times)	#	#	#	#	#

Notes:-

Negligible

¹ After adjusted for events subsequent to the FYE 31 January 2016 up to the LPD as set out below:-

i. Increase in share capital of RM6.70 million and increase in share premium of RM2.01 million pursuant to the issuance of a total of 67,000,000 new Bornoil Shares arising from the exercise of ESOS Options at the exercise price of RM0.13 per ESOS Option;

ii. Net gain of approximately RM2.21 million from resale of a total of 171,350,000 treasury shares by the Company; and

iii. Increase in share capital of a total of approximately RM0.03 million pursuant to the issuance of 154,952 new Borneo Shares arising from the exercise of Warrants B at the exercise price of RM0.10 per Warrant B and the issuance of 130,950 new Borneo Shares arising from the exercise of Warrants C at the exercise price of RM0.11 per Warrant C, as well as the increase in share premium of a total of approximately RM0.01 million pursuant to the partial reversal of warrants reserve arising from the aforementioned exercise of Warrants B and Warrants C

- ² After the capitalisation of approximately RM84.96 million from the share premium account and RM66.49 million from the retained profit account pursuant to the issuance of 1,514,543,509 Bonus Shares under the Proposed Bonus Issue of Shares
- ³ After deducting estimated expenses of RM300,000 in relation to the Proposals
- ⁴ After the issuance of 378,635,877 new Borneo Shares arising from the exercise of the Warrants D at the indicative exercise price of RM0.10 per Warrant D

Maximum Scenario

	I	II	III	IV	V
	After adjusted for subsequent events up to the LPD ¹	After I and assuming all the outstanding Warrants B and Warrants C are exercised	After II and the Proposed Bonus Issue of Shares	After III and the Proposed Bonus Issue of Warrants	After IV and assuming full exercise of the Warrants D
	RM'000	RM'000	RM'000	RM'000	RM'000
Share capital	296,180	434,044 ²	645,278	645,278	698,087 ⁶
Share premium	80,725	178,963 ³	- ⁴	-	-
Treasury shares	(26,021)	- ¹	-	-	-
ESOS reserves	44	44	44	44	44
Warrants reserves	94,014	- ³	-	-	-
Capital reserves	15	15	15	15	15
Currency translation reserves	(72)	(72)	(72)	(72)	(72)
Retained profit	93,069	93,069	60,798 ⁴	60,498 ⁵	60,498
Shareholders' funds/ NA	537,954	706,063	706,063	705,763	758,572
No. of Shares outstanding (excluding treasury shares) ('000)	1,321,761	4,224,684	6,337,025	6,337,025	6,865,111
NA per Share (RM)	0.41	0.17	0.11	0.11	0.11
Total borrowings (RM'000)	811	811	811	811	811
Gearing ratio (times)	-	-	-	-	-

Notes:-

Negligible

*1 After adjusted for events subsequent to the FYE 31 January 2016 up to the LPD as set out below:-

- i. Increase in share capital of RM6.70 million and increase in share premium of RM2.01 million pursuant to the issuance of a total of 67,000,000 new Bornoil Shares arising from the exercise of ESOS Options at the exercise price of RM0.13 per ESOS Option;
 - ii. Net gain of approximately RM2.21 million from resale of a total of 171,350,000 treasury shares by the Company; and
 - iii. Increase in share capital of a total of approximately RM0.03 million pursuant to the issuance of 154,952 new Bornoil Shares arising from the exercise of Warrants B at the exercise price of RM0.10 per Warrant B and the issuance of 130,950 new Bornoil Shares arising from the exercise of Warrants C at the exercise price of RM0.11 per Warrant C, as well as the increase in share premium of a total of approximately RM0.01 million pursuant to the partial reversal of warrants reserve arising from the aforementioned exercise of Warrants B and Warrants C
- *2 After the issuance of 38,151,370 new Bornoil Shares arising from the exercise of all the outstanding Warrants B at the exercise price of RM0.10 per Warrant B and 1,157,445,239 new Bornoil Shares arising from the exercise of all the outstanding Warrants C at the exercise price of RM0.11 per Warrant C
- *3 After the full reversal of the balance warrants reserve to share premium account pursuant to the exercise of all the outstanding Warrants B and Warrants C
- *4 After the capitalisation of approximately RM178.96 million from the share premium account and RM32.27 million from the retained profit account pursuant to the issuance of 2,112,341,814 Bonus Shares under the Proposed Bonus Issue of Shares
- *5 After deducting estimated expenses of RM300,000 in relation to the Proposals
- *6 After the issuance of 528,085,453 new Bornoil Shares arising from the exercise of the Warrants D at the indicative exercise price of RM0.10 per Warrant D

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6.3

Substantial shareholding structure

The Proposals will not have any effect on the substantial shareholders' percentage of shareholding in the Company as the Bonus Shares and free Warrants D will be allotted on a pro-rata basis to all the shareholders of the Company. However, the number of Bornoil Shares held by each substantial shareholder will increase proportionately as a result of the Proposed Bonus Issue of Shares and assuming full exercise of the Warrants D. The effects of the Proposals on the substantial shareholders' shareholdings of the Company are set out below:-

Minimum Scenario

Substantial shareholders	Shareholdings as at the LPD			After the Proposed Bonus Issue of Shares		
	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%
Victoria Limited ¹	865,405,500	-	28.57	1,298,108,248	-	28.57
Victoria Capital Sdn Bhd ("Victoria Capital") ²	198,841,500	-	6.56	298,262,248	-	6.56
Hap Seng Insurance Services Sdn Bhd ("Hap Seng Insurance")	182,000,000	-	6.01	273,000,000	-	6.01
Dato' Azahar Bin Rasul	-	865,405,500 ³	28.57	-	1,298,108,248 ³	28.57
Rozita @ Noorizam Binti Ajmain	-	198,841,500 ⁴	6.56	-	298,262,248 ⁴	6.56
Gek Poh (Holdings) Sdn Bhd ("Gek Poh")	-	182,000,000 ⁵	6.01	-	273,000,000 ⁵	6.01
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ("Tan Sri Datuk Seri Panglima Lau")	-	182,000,000 ⁶	6.01	-	273,000,000 ⁶	6.01

Substantial shareholders	After I and the Proposed Bonus Issue of Warrants			After II and assuming full exercise of the Warrants			After II and assuming full exercise of the Warrants D		
	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%
Victoria Limited ¹	1,298,108,248	-	28.57	1,406,283,935	-	28.57	-	-	-
Victoria Capital ²	298,262,248	-	6.56	323,117,435	-	6.56	-	-	-

Substantial shareholders	II After I and the Proposed Bonus Issue of Warrants			III After II and assuming full exercise of the Warrants D		
	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%
Hap Seng Insurance	273,000,000	-	6.01	295,750,000	-	6.01
Dato' Azahar Bin Rasul	-	1,298,108,248 ³	28.57	-	1,406,283,935 ³	28.57
Rozita @ Noorizam Binti Ajmain	-	298,262,248 ⁴	6.56	-	323,117,435 ⁴	6.56
Gek Poh	-	273,000,000 ⁵	6.01	-	295,750,000 ⁵	6.01
Tan Sri Datuk Seri Panglima Lau	-	273,000,000 ⁶	6.01	-	295,750,000 ⁶	6.01

Notes:-

- ¹ The beneficial owner of the Bornoil Shares held by Victoria Limited is Dato' Azahar Bin Rasul
- ² The beneficial owners of the Bornoil Shares held by Victoria Capital are Rozita @ Noorizam Binti Ajmain (holding 99.99995%) and Reggie Abraham (holding 0.00005%)
- ³ Deemed interest by virtue of his substantial interest in Victoria Limited
- ⁴ Deemed interest by virtue of her substantial interest in Victoria Capital
- ⁵ Deemed interest by virtue of being the holding company of Hap Seng Insurance
- ⁶ Deemed interest by virtue of his substantial interest in Gek Poh, being the holding company of Hap Seng Insurance

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Maximum Scenario

Substantial shareholders	I After assuming all the outstanding Warrants B and Warrants C are exercised				II After I and the Proposed Bonus Issue of Shares							
	Shareholdings as at the LPD		After assuming all the outstanding Warrants B and Warrants C are exercised		After I and the Proposed Bonus Issue of Shares		After I and the Proposed Bonus Issue of Shares					
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect				
No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%			
Victoria Limited ¹	865,405,500	28.57	-	-	885,366,000	20.96	-	-	1,328,049,000	20.96	-	-
Victoria Capital ²	198,841,500	6.56	-	-	230,014,200	5.44	-	-	345,021,300	5.44	-	-
Hap Seng Insurance	182,000,000	6.01	-	-	260,000,000	6.15	-	-	390,000,000	6.15	-	-
Dato' Azahar Bin Rasul	-	-	865,405,500 ³	28.57	-	-	885,366,000 ³	20.96	-	-	1,328,049,000 ³	20.96
Rozita @ Noorizam Binti Ajmain	-	-	198,841,500 ⁴	6.56	-	-	230,014,200 ⁴	5.44	-	-	345,021,300 ⁴	5.44
Gek Poh	-	-	182,000,000 ⁵	6.01	-	-	260,000,000 ⁵	6.15	-	-	390,000,000 ⁵	6.15
Tan Sri Datuk Seri Panglima Lau	-	-	182,000,000 ⁶	6.01	-	-	260,000,000 ⁶	6.15	-	-	390,000,000 ⁶	6.15

Substantial shareholders	III After II and the Proposed Bonus Issue of Warrants				IV After III and assuming full exercise of the Warrants D							
	After II and the Proposed Bonus Issue of Warrants		After III and assuming full exercise of the Warrants D		After III and assuming full exercise of the Warrants D		After III and assuming full exercise of the Warrants D					
	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect				
No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%			
Victoria Limited ¹	1,328,049,000	20.96	-	-	1,438,719,750	20.96	-	-	-	-	-	-
Victoria Capital ²	345,021,300	5.44	-	-	373,773,075	5.44	-	-	-	-	-	-
Hap Seng Insurance	390,000,000	6.15	-	-	422,500,000	6.15	-	-	-	-	-	-
Dato' Azahar Bin Rasul	-	-	1,328,049,000 ³	20.96	-	-	1,438,719,750 ³	20.96	-	-	1,438,719,750 ³	20.96
Rozita @ Noorizam Binti Ajmain	-	-	345,021,300 ⁴	5.44	-	-	373,773,075 ⁴	5.44	-	-	373,773,075 ⁴	5.44

Substantial shareholders	III After II and the Proposed Bonus Issue of Warrants			IV After III and assuming full exercise of the Warrants D		
	Direct No. of Shares	Indirect No. of Shares	%	Direct No. of Shares	Indirect No. of Shares	%
Gek Poh	-	390,000,000 ⁵	6.15	-	422,500,000 ⁵	6.15
Tan Sri Datuk Seri Panglima Lau	-	390,000,000 ⁶	6.15	-	422,500,000 ⁶	6.15

Notes:-

- ¹ The beneficial owner of the Borneo Shares held by Victoria Limited is Dato' Azahar Bin Rasul
- ² The beneficial owners of the Borneo Shares held by Victoria Capital are Rozita @ Noorizam Binti Ajmain (holding 99.99995%) and Reggie Abraham (holding 0.00005%)
- ³ Deemed interest by virtue of his substantial interest in Victoria Limited
- ⁴ Deemed interest by virtue of her substantial interest in Victoria Capital
- ⁵ Deemed interest by virtue of being the holding company of Hap Seng Insurance
- ⁶ Deemed interest by virtue of his substantial interest in Gek Poh, being the holding company of Hap Seng Insurance

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6.4 Earnings and EPS

The Proposals are not expected to have any material effect on the earnings of Bornoil Group for the financial year ending 31 January 2018. However, the EPS of Bornoil Group may be diluted as a result of the increase in the number of Bornoil Shares in issue upon the completion of the Proposed Bonus Issue of Shares, and as and when the Warrants D are exercised into new Bornoil Shares.

6.5 Convertible securities

Save as disclosed below, the Company does not have any other convertible securities outstanding as at the LPD:-

i. Warrants B

The Proposed Bonus Issue of Shares may give rise to adjustments to the exercise price and/ or subscription rights of the outstanding Warrants B held by each holder of the Warrants B pursuant to the Deed Poll B.

Any adjustment which is required will be made in accordance with the provisions of the Deed Poll B to mitigate any potential equity dilution resulting from the Proposed Bonus Issue of Shares and to ensure that the status of the holders of the outstanding Warrants B are not prejudiced after the completion of the said proposal. Any such adjustment will only be finalised on the Entitlement Date. In addition, a notice will be despatched to the holders of Warrant B in the event of any such adjustment.

ii. Warrants C

The Proposed Bonus Issue of Shares may give rise to adjustments to the exercise price and/ or subscription rights of the outstanding Warrants C held by each holder of the Warrants C pursuant to the Deed Poll C.

Any adjustment which is required will be made in accordance with the provisions of the Deed Poll C to mitigate any potential equity dilution resulting from the Proposed Bonus Issue of Shares and to ensure that the status of the holders of the outstanding Warrants C are not prejudiced after the completion of the said proposal. Any such adjustment will only be finalised on the Entitlement Date. In addition, a notice will be despatched to the holders of Warrant C in the event of any such adjustment.

7. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Bornoil Shares as traded on Bursa Securities for the past 12 months from April 2016 to March 2017 are set out below:-

	High RM	Low RM
2016		
April	0.160	0.140
May	0.150	0.140
June	0.155	0.140
July	0.195	0.155
August	0.200	0.170
September	0.190	0.170
October	0.190	0.165
November	0.175	0.145
December	0.185	0.150

	High RM	Low RM
2017		
January	0.180	0.155
February	0.180	0.160
March	0.190	0.160
Last transacted market price on 10 March 2017 (being the date prior to the announcement on the Proposals)		RM0.165
Last transacted market price on the LPD		RM0.190

(Source: Bloomberg)

8. APPROVALS REQUIRED/ OBTAINED AND INTER-CONDITIONALITY OF THE PROPOSALS

The Proposals are subject to the following approvals being obtained:-

- i. Bursa Securities, which was obtained vide its letter dated 17 April 2017, for the following:-
 - (a) Listing of up to 2,112,341,814 Bonus Shares to be issued pursuant to the Proposed Bonus Issue of Shares;
 - (b) Admission to the Official List and listing of up to 528,085,453 Warrants D to be issued pursuant to the Proposed Bonus Issue of Warrants;
 - (c) Listing of up to 528,085,453 new Bornoil Shares to be issued arising from the exercise of the Warrants D;
 - (d) Listing of up to 19,153,161 additional Warrants B to be issued arising from the adjustment pursuant to the Proposed Bonus Issue of Shares;
 - (e) Listing of up to 19,153,161 new Bornoil Shares to be issued arising from the exercise of the additional Warrants B;
 - (f) Listing of up to 578,788,094 additional Warrants C to be issued arising from the adjustment pursuant to the Proposed Bonus Issue of Shares; and
 - (g) Listing of up to 578,788,094 new Bornoil Shares to be issued arising from the exercise of the additional Warrants C,

on the Main Market of Bursa Securities, subject to the following conditions:-

	Conditions	Status of compliance
(i)	Bornoil and RHBIB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposals;	Noted
(ii)	Bornoil and RHBIB to inform Bursa Securities upon completion of the Proposals;	To be complied
(iii)	Bornoil to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposals are completed;	To be complied
(iv)	Bornoil to furnish Bursa Securities with a certified true copy of the resolutions passed by shareholders at the extraordinary general meeting for the Proposals;	To be complied

Conditions	Status of compliance
(v) Bornoil and RHBIB are required to make the relevant announcements pursuant to Paragraphs 6.35(3) and 6.35(5)(a) & (b) of the Listing Requirements; and	To be complied
(vi) Payment of additional listing fees pertaining to the exercise of Warrants D, if relevant. In this respect, Bornoil is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants D as at the end of each quarter together with the details of the computation of the listing fees payable.	Noted and to be complied
ii. The shareholders of Bornoil, for the Proposals at the forthcoming EGM of the Company; and	
iii. Any other relevant authority, if required.	

The Proposed Bonus Issue of Shares and the Proposed Bonus Issue of Warrants are inter-conditional upon each other. However, the Proposals are not conditional upon any other proposals undertaken or to be undertaken by the Company.

The voting on the resolutions pertaining to the Proposals at the EGM will be taken on a poll.

9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders of Bornoil and/ or persons connected to them have any interest, either direct or indirect, in the Proposals, apart from their respective entitlements as shareholders of the Company under the Proposals, the rights of which are also available to all other existing shareholders of the Company as at the Entitlement Date.

10. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposals are expected to be completed by the second quarter of 2017. The tentative timetable in relation to the Proposals is set out below:-

Month	Events
12 May 2017	<ul style="list-style-type: none"> • Convening of EGM to obtain the approval of the shareholders of Bornoil for the Proposals
Mid May 2017	<ul style="list-style-type: none"> • Announcement on the exercise price for the Warrants D • Announcement on the Entitlement Date for the Proposed Bonus Issue of Shares and the Proposed Bonus Issue of Warrants
End May 2017	<ul style="list-style-type: none"> • Entitlement Date
Mid June 2017	<ul style="list-style-type: none"> • Listing of and quotation for the Bonus Shares, the Warrants D, the additional Warrants B and additional Warrants C on the Main Market of Bursa Securities

11. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, the Board is not aware of any other corporate exercise that has been announced but not yet completed as at the date of this Circular.

12. DIRECTORS' RECOMMENDATION

The Board, having considered all aspects of the Proposals, including the rationale and justification for and the effects of the Proposals as well as the utilisation of proceeds from the exercise of Warrants D, is of the opinion that the Proposals are in the best interest of the Company. As such, the Board recommends that the shareholders of Borneoil vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

13. EGM

The EGM, the notice of which is enclosed in this Circular, is scheduled to be held at 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007 Wilayah Persekutuan Labuan on Friday, 12 May 2017 at 8.00 a.m., for the purpose of considering and if thought fit, passing with or without modification, the resolutions to give effect to the Proposals.

If you are unable to attend, participate, speak and vote in person at the EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein, to be deposited at the Registered Office of the Company at 1st & 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007 Wilayah Persekutuan Labuan, not less than 48 hours before the time set for holding the EGM, or in the case of a poll, not less than 24 hours before the time appointed for taking the poll. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

14. FURTHER INFORMATION

Shareholders are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board
BORNEO OIL BERHAD

TAN KOK CHOR
Chairman/ Independent Non-Executive Director

EXTERNAL AUDITORS' LETTER ON THE PROFORMA STATEMENT OF RESERVES IN
RELATION TO THE PROPOSED BONUS ISSUE OF SHARES

STYL Associates (AF1929)

902, 9th Floor, Block A, Damansara Intan, No. 1, Jalan SS 20/27, 47400 Petaling Jaya, Selangor Darul
Ehsan

Tel: 03 - 7710 7876 Fax: 03 -7710 7870 Email: stylaudit@gmail.com

The Board of Directors
Borneo Oil Berhad
1st & 2nd Floor, Victoria Point
Jalan OKK Awang Besar
87007 Wilayah Persekutuan Labuan

Date: 3 April 2017

Dear Sirs,

BORNEO OIL BERHAD ("BORNOIL" OR THE "COMPANY")
REPORT ON PRO FORMA STATEMENT OF RESERVES OF BORNOIL AS AT 31 JANUARY 2016
AND 31 JANUARY 2017

We have been engage to perform a reasonable assurance engagement on the accompanying pro forma statement of reserves of the Company as at 31 January 2016 and 31 January 2017, as set out in Annexure 1, for inclusion in the Circular to shareholders.

The Directors' Responsibilities for the Pro Forma Statement of Reserves of Bornoil as at 31 January 2016 and 31 January 2017

The Company is proposing to undertake the following: -

- i. Proposed bonus issue of up to 2,112,341,814 new ordinary shares in Bornoil ("Bornoil Share(s)" or "Share(s)") ("Bonus Share(s)") to be credited as fully paid-up on the basis of four (4) Bonus Shares for every eight (8) existing Bornoil Shares held on an entitlement date to be determined later ("Proposed Bonus Issue of Shares"); and
- ii. Proposed bonus issue of up to 528,085,453 new warrants in Bornoil ("Warrant(s) D") on the basis of one (1) free Warrant D for every eight (8) existing Bornoil Shares held on the same entitlement date as the Proposed Bonus Issue of Shares ("Proposed Bonus Issue of Warrants")

(collectively referred to as the "Proposals")

The Board of Directors of the Company are responsible for the preparation of the pro forma statement of reserves of the Company as at 31 January 2016 and 31 January 2017 in accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (the "Listing Requirements") and to ensure that the share premium account and retained earnings of the Company as at 31 January 2016 and 31 January 2017 are properly stated and are adequate to cover the capitalisation of the Proposed Bonus Issue of Shares.

The pro forma statement of reserves of the Company as at 31 January 2016 and 31 January 2017 have been prepared to illustrate the effects of the Proposals on the reserves of the Company had the Proposals been affected on 31 January 2016 and 31 January 2017 respectively.

OUR INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirement of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standard Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The Firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

OUR RESPONSIBILITIES

We conducted our engagement in accordance with the **International Standard on Assurance Engagement (ISAE) 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information**, adopted by the Malaysian Institute of Accountants. Our responsibility is to express a reasonable assurance conclusion on the pro forma statement of reserves of the Company as at 31 January 2016 and 31 January 2017 based on the procedures we have performed and the evidence we have obtained as to whether the available reserves for capitalisation are adequate to cover the entire Proposed Bonus Issue of Shares, pursuant to paragraph 6.30(3) of the Listing Requirements.

We have not audited any financial statements of the Company as of any or for any period subsequent to 31 January 2016. The purpose (and therefore the scope) of our audit for the financial year ended 31 January 2016 was to enable us to express our opinion on the financial statements of the Company as of 31 January 2016, and for the year then ended, but not on the financial statements for any interim period after that year. Therefore, we are unable to and do not express any audit opinion on the financial statements at any date or for any period subsequent to 31 January 2016.

Our audits of the financial statements for the year referred to the above comprised audit test and procedures necessary for the purposes of expressing an opinion on such financial statements taken as a whole. For none of the periods referred to therein, or any other period did we perform audit tests for the purpose of expressing an opinion on individual balances of accounts or summaries of selected transactions such as those enumerated below and accordingly, we do not express an opinion thereon.

SUMMARY OF WORK PERFORMED

We have performed the following procedures on the pro forma statement of reserves of the Company as at 31 January 2016 and 31 January 2017:

- a) Read the pro forma statement of reserves of the Company as at 31 January 2016 and 31 January 2017;
- b) Inquired of certain officers of the Company, who have the responsibility for the financial and accounting matters about:
 - (i) the basis for their determination of the pro forma adjustments;
 - (ii) whether the pro forma statement of reserves of the Company referred to in Annexure I, have been properly compiled on the bases stated; and
 - (iii) whether, within the context of the assumed date of the Proposals:
 - such bases are consistent with the accounting policies of the Company as disclosed in the audited financial statements for the year ended 31 January 2016; and
 - the adjustments set out are appropriate for the purpose of the pro forma statement of reserves of the Company.
- c) Checked the mathematical accuracy of the application of the pro forma adjustments to the historical amounts as at 31 January 2016 and the unaudited interim financial information as at 31 January 2017; and

- d) Considered the sufficiency of share premium and retained profits of the Company as at 31 January 2016 and 31 January 2017 for the purpose of the capitalisation of the Proposed Bonus Issue of Shares.

The foregoing procedures do not constitute an audit conducted in accordance with Malaysian Approved Standards on Auditing. Also, they would not necessarily reveal matters of significance with respect to the comments in the following paragraphs. Accordingly, we make no representations regarding the sufficiency of the foregoing procedures for your purposes.

CONCLUSION

In our opinion:

- a) the pro forma statement of reserves of the Company as at 31 January 2016 and 31 January 2017 have been properly compiled on the bases set out in the accompanying notes;
- b) Within the context of the assumed date of the Proposals:
- (i) such bases are consistent with the accounting policies of the Company as disclosed in the audited financial statement for the year ended 31 January 2016; and
- (ii) the adjustments set out are appropriate for the purposes of the pro forma statement of reserves of the Company as at 31 January 2016 and 31 January 2017;
- c) based on the pro forma statement of reserves of the Company as at 31 January 2016 and 31 January 2017 respectively, the share premium and retained profits of the Company are sufficient for the purpose of capitalisation for the Proposed Bonus Issue of Shares.

RESTRICTION ON DISTRIBUTION AND USE

This letter has been prepared solely for your information and for inclusion in the Circular to shareholders, in connection with the Proposals. As such, we accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any purpose contrary to the above. This letter should not be reproduced, referred to in any other documents, or used for any other purpose without our prior written consent.

Yours faithfully,



STYL ASSOCIATES
FIRM NUMBER: AF1929
CHARTERED ACCOUNTANTS



SI CHAY BENG
1200/08/18(J)
CHARTERED ACCOUNTANT

Borneo Oil Berhad (Company No: 121919-H)

PROFORMA STATEMENT OF RESERVES**Financial year ended 31 January 2016**

	Minimum Scenario		Maximum Scenario	
	Share premium RM '000	Retained profit RM '000	Share premium RM '000	Retained profit RM '000
Bornoil (Company level)				
Audited as at 31 January 2016	80,725	79,794	80,725	79,794
Add: Increase in share premium pursuant to the issuance of new Bornoil Shares arising from the exercise of ESOS Options ¹	2,010	-	2,010	-
Add: Gain on resale of treasury shares ²	2,214	-	2,214	-
Add: Partial reversal of warrants reserves to share premium account arising from the exercise of Warrants B and Warrants C ³	13	-	13	-
Add: Full reversal of the balance of warrants reserves to share premium account assuming all the outstanding Warrants B and Warrants C are exercised under the Maximum Scenario	-	-	94,001	-
Less: Amount to be capitalised pursuant to the Proposed Bonus Issue of Shares	(84,962)	(66,492)	(178,963)	(32,271)
Less: Estimated expenses in relation to the Proposals	-	(300)	(300)	(300)
After the Proposed Bonus Issue of Shares	-	13,002	13,002	47,223
				47,223

4

STYL ASSOCIATES (AF1929)
Report on the Pro Forma Statement of Reserves of Borneo Oil Berhad as at 31 January 2016 and 31 January 2017

31

Borneo Oil Berhad (Company No: 121919-H)

PROFORMA STATEMENT OF RESERVES**Note:-**

*1 After adjusted for the increase in share premium of RM2.01 million pursuant to the issuance of a total of 67,000,000 new Borneoil Shares arising from the exercise of ESOS Options at the exercise price of RM0.13 per ESOS Option

*2 After adjusted for the net gain from resale of a total of 171,350,000 treasury shares by the Company:-

	RM '000
Net proceeds from resale of treasury shares	29,584
Less: Net acquisition costs of treasury shares	(27,370)
Net gain from resale of treasury shares	<u>2,214</u>

*3 After adjusted for the partial reversal of warrants reserve to share premium account of a total of approximately RM0.01 million arising from the exercise of 154,952 Warrants B and 130,960 Warrants C.

Borneo Oil Berhad (Company No: 121919-H)

PROFORMA STATEMENT OF RESERVES**Financial year ended 31 January 2017**

	Minimum Scenario		Maximum Scenario	
	Share premium RM '000	Retained profit RM '000	Share premium RM '000	Retained profit RM '000
Unaudited as at 31 January 2017	82,735	79,609	82,735	79,609
Add: Gain on resale of treasury shares ¹	2,214	-	2,214	-
Add: Partial reversal of warrants reserves to share premium account arising from the exercise of Warrants B and Warrants C ²	13	-	13	-
Add: Full reversal of the balance of warrants reserves to share premium account assuming all the outstanding Warrants B and Warrants C are exercised under the Maximum Scenario	-	-	94,001	-
Less: Amount to be capitalised pursuant to the Proposed Bonus Issue of Shares	(84,962)	(66,492)	(178,963)	(32,271)
Less: Estimated expenses in relation to the Proposals	-	(300)	(300)	(300)
After the Proposed Bonus Issue of Shares	-	12,817	12,817	47,038
				47,038
				162,344
				2,214
				13
				94,001
				(211,234)
				(300)
				47,038
				47,038

Borneo Oil Berhad (Company No: 121919-H)

PROFORMA STATEMENT OF RESERVES**Note:-**

¹ After adjusted for the net gain from resale of a total of 171,350,000 treasury shares by the Company:-

	RM '000
Net proceeds from resale of treasury shares	29,584
Less: Net acquisition costs of treasury shares	(27,370)
Net gain from resale of treasury shares	<u>2,214</u>

² After adjusted for the partial reversal of warrants reserve to share premium account of a total of approximately RM0.01 million arising from the exercise of 154,952 Warrants B and 130,950 Warrants C

FURTHER INFORMATION**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENTS

RHBIB, being the Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Messrs STYL Associates, being the external auditors for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, its letter on the proforma statement of reserves in relation to the Proposed Bonus Issue of Shares, and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTERESTS

RHBIB has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Adviser to Bornoil for the Proposals.

Messrs STYL Associates has given its written confirmation that there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the external auditors to Bornoil for the Proposals.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and does not have any knowledge of any proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect the financial position or business of the Group.

5. MATERIAL COMMITMENTS

Save as disclosed below, as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group which may have a material impact on the financial results/ position of the Group:-

	RM'000
Capital expenditure commitments	
In respect of property, plant and equipment	
Authorised and contracted for	4,549
Less: Amount paid up to-date	(1,557)
	<u>2,992</u>

6. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by the Group which, upon becoming enforceable, may have a material impact on the financial results/ position of the Group:-

	RM'000
Corporate guarantees given to banks and other financial institutions for credit facilities granted to subsidiary companies	843

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company at 1st & 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007 Wilayah Persekutuan Labuan, during normal business hours (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM of the Company:-

- i. Memorandum and Articles of Association of Bornoil;
- ii. Audited consolidated financial statements of Bornoil Group for the past two (2) financial years up to the FYE 31 January 2016 and the latest unaudited quarterly report of Bornoil Group for the FYE 31 January 2017;
- iii. The external auditors' letter on proforma statement of reserves in relation to the Proposed Bonus Issue of Shares prepared by Messrs STYL Associates, as set out in Appendix I of this Circular;
- iv. The Deed Poll B (together with the supplemental deed poll);
- v. The Deed Poll C;
- vi. The draft Deed Poll D; and
- vii. The letters of consent and declarations of conflict of interests referred to in Sections 2 and 3 above, respectively.

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BORNEO OIL
BORNEO OIL BERHAD
(Company No.: 121919-H)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of Borneo Oil Berhad ("Bornoil" or the "Company") will be held at 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007 Wilayah Persekutuan Labuan on Friday, 12 May 2017 at 8.00 a.m., for the purpose of considering and if thought fit, passing with or without modifications, the following resolutions:-

ORDINARY RESOLUTION 1

PROPOSED BONUS ISSUE OF UP TO 2,112,341,814 NEW ORDINARY SHARES IN BORNOIL ("BORNOIL SHARE(S)" OR "SHARE(S)") ("BONUS SHARE(S)") TO BE CREDITED AS FULLY PAID-UP ON THE BASIS OF FOUR (4) BONUS SHARES FOR EVERY EIGHT (8) EXISTING BORNOIL SHARES HELD ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED BONUS ISSUE OF SHARES")

"**THAT** subject to the passing of Ordinary Resolution 2 and approvals of all relevant authorities in respect of the listing of and quotation for up to 2,112,341,814 Bonus Shares on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), the board of directors of Bornoil ("Board") be and is hereby authorised to capitalise a total sum of up to RM211,234,181.40 from the share premium and retained profit accounts of the Company, the details of which are set out in Section 2.1.2 of the Circular to shareholders of the Company dated 27 April 2017, for the purposes of the Proposed Bonus Issue of Shares;

THAT the Board be and is hereby authorised to apply such capitalisation sum and to issue up to 2,112,341,814 Bonus Shares to be credited as fully paid-up and such new Bonus Shares be allotted to the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined and announced later by the Board ("Entitlement Date"), on the basis of four (4) Bonus Shares for every eight (8) existing Bornoil Shares held in the Company on the Entitlement Date;

THAT the Board be and is hereby authorised to deal with any fractional entitlements from the Proposed Bonus Issue of Shares, if any, in such a manner at its absolute discretion as the Board may deem fit and expedient and in the best interest of the Company;

THAT the Bonus Shares will, upon allotment and issuance, rank *pari passu* in all respects with each other, except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date for the aforesaid distribution precedes the date of allotment and issuance of the Bonus Shares;

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to and to complete the Proposed Bonus Issue of Shares with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things for and on behalf of the Company in any manner as they may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Bonus Issue of Shares."

ORDINARY RESOLUTION 2

PROPOSED BONUS ISSUE OF UP TO 528,085,453 NEW WARRANTS IN BORNOIL ("WARRANT(S) D") ON THE BASIS OF ONE (1) FREE WARRANT D FOR EVERY EIGHT (8) EXISTING BORNOIL SHARES HELD ON THE SAME ENTITLEMENT DATE AS THE PROPOSED BONUS ISSUE OF SHARES ("PROPOSED BONUS ISSUE OF WARRANTS")

"**THAT** subject to the passing of Ordinary Resolution 1 and approvals of all relevant authorities in respect of the admission to the official list of Bursa Securities and listing of and quotation for up to 528,085,453 Warrants D on the Main Market of Bursa Securities, the Board be and is hereby authorised to issue up to 528,085,453 free Warrants D to the shareholders of the Company whose names appear in the Record of Depositors of the Company on the same Entitlement Date as the Proposed Bonus Issue of Shares, in accordance with the provisions in the deed poll to be executed, constituting the Warrants D ("Deed Poll D"), on the basis of one (1) free Warrant D for every eight (8) existing Bornoil Shares;

THAT the Board be and is hereby authorised to issue such additional Warrants D as may be required or permitted to be issued as consequences of any adjustments under the provisions in the Deed Poll D ("Additional Warrant(s) D");

THAT the Board be and is hereby authorised to issue and allot such appropriate new number of Bornoil Shares arising from the exercise of the Warrants D by the holders of the Warrants D of their rights in accordance with the provisions of the Deed Poll D, including such appropriate number of new Bornoil Shares arising from the exercise of subscription rights represented by the Additional Warrants D;

THAT the new Bornoil Shares to be issued arising from the exercise of the Warrants D and Additional Warrants D will, upon allotment and issuance, rank *pari passu* in all respects with each other, except that such new Bornoil Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution that may be declared, made or paid for which the entitlement date for the aforesaid distribution precedes the date of allotment and issuance of such new Bornoil Shares;

THAT the Board be and is hereby authorised to deal with any fractional entitlements from the Proposed Bonus Issue of Warrants, if any, in such a manner at its absolute discretion as the Board may deem fit and expedient and in the best interest of the Company;

THAT the Board be and is hereby authorised to enter into and execute the Deed Poll D with full powers to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or imposed by the relevant authorities or deemed necessary by the Board, and subject to all provisions and adjustments contained in the Deed Poll D, to assent to any modifications and/ or amendment to the exercise price, exercise period and/ or number of Warrants D as may be required or permitted to be revised as consequences of any adjustments under the provisions of the Deed Poll D with full power to implement and give effects to the terms and conditions of the Deed Poll D, and to take all steps as the Board deems fit or expedient in order to implement, finalise and give full effect to the Deed Poll D;

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to and to complete the Proposed Bonus Issue of Warrants with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things for and on behalf of the Company in any manner as they may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Bonus Issue of Warrants."

By Order of the Board

CHIN SIEW KIM (L.S. 000982)
CHIN CHEE KEE, J.P. (MIA 3040)
Company Secretaries

Wilayah Persekutuan Labuan
27 April 2017

Notes:-

1. *In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at 5 May 2017 shall be eligible to attend, participate, speak and vote at this meeting or appoint proxy(ies) to attend, participate, speak and vote on his/ her behalf.*
2. *A member of the Company who is entitled to attend, participate, speak and vote at this meeting is entitled to appoint not more than two (2) proxies, and in the case of a corporation, a duly authorised representative to attend, participate, speak and vote in its stead.*
3. *A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar. Where a member appoints more than one (1) proxy, he/ she shall specify the proportions of his/ her shareholdings to be represented by each proxy.*
4. *Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his/ her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.*
6. *The original instrument appointing a proxy must be deposited at the Registered Office of the Company situated at 1st & 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007 Wilayah Persekutuan Labuan, not less than 48 hours before the time set for holding this meeting, or in the case of a poll, not less than 24 hours before the time appointed for taking the poll.*

Personal data privacy:-

By submitting an instrument appointing a proxy(ies) and/ or representative(s) to attend, participate, speak and vote at this meeting, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for this meeting and the preparation and compilation of the attendance lists, minutes and other documents relating to this meeting, and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/ or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/ or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



BORNEO OIL BERHAD

(Company No.: 121919-H)
(Incorporated in Malaysia under the Companies Act, 2016)

FORM OF PROXY

No. of shares held	
CDS account no.	

I/ We _____ *NRIC/ Company No. _____
(FULL NAME IN BLOCK CAPITAL)

of _____
(FULL ADDRESS)

being *a member / members of **BORNEO OIL BERHAD (121919-H)** hereby appoint _____

_____ *NRIC No./ Passport No. _____
(FULL NAME IN BLOCK CAPITAL)

of _____
(FULL ADDRESS)

or failing *him/ her _____ *NRIC No./ Passport No. _____
(FULL NAME IN BLOCK CAPITAL)

of _____
(FULL ADDRESS)

or failing *him/ her the Chairman of the Meeting as *my/ our proxy/ proxies to attend, participate, speak and vote for *me/ us on *my/ our behalf at the Extraordinary General Meeting of Borneo Oil Berhad ("Company") to be held at 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007 Wilayah Persekutuan Labuan on Friday, 12 May 2017 at 8.00 a.m.

*My/ our proxy is to vote as indicated below:-

RESOLUTION	FOR	AGAINST
ORDINARY RESOLUTION 1 – PROPOSED BONUS ISSUE OF SHARES		
ORDINARY RESOLUTION 2 – PROPOSED BONUS ISSUE OF WARRANTS		

Please mark with "X " in either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit.

* *Strike out whichever is not desired*

Signature of Member(s)/ Common Seal

Date: _____

Notes:-

- In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at 5 May 2017 shall be eligible to attend, participate, speak and vote at this meeting or appoint proxy(ies) to attend, participate, speak and vote on his/ her behalf.*
- A member of the Company who is entitled to attend, participate, speak and vote at this meeting is entitled to appoint not more than two (2) proxies, and in the case of a corporation, a duly authorised representative to attend, participate, speak and vote in its stead.*
- A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar. Where a member appoints more than one (1) proxy, he/ she shall specify the proportions of his/ her shareholdings to be represented by each proxy.*
- Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
- The instrument appointing a proxy shall be in writing under the hand of the appointer or his/ her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised in writing.*
- The original instrument appointing a proxy must be deposited at the Registered Office of the Company situated at 1st & 2nd Floor, Victoria Point, Jalan OKK Awang Besar, 87007 Wilayah Persekutuan Labuan, not less than 48 hours before the time set for holding this meeting, or in the case of a poll, not less than 24 hours before the time appointed for taking the poll.*

Personal Data Privacy:-

By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 27 April 2017.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretaries
BORNEO OIL BERHAD (121919-H)
1st & 2nd Floor, Victoria Point
Jalan OKK Awang Besar
87007 Wilayah Persekutuan Labuan

1st fold here