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**BORNEO OIL BERHAD**

(Company No.: 121919-H)

(Incorporated in Malaysia under the Companies Act, 1965)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO THE**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 2,373,841,596 NEW ORDINARY SHARES OF RM0.10 EACH IN BORNEO OIL BERHAD ("BORNOIL") ("BORNOIL SHARE(S)") ("RIGHTS SHARE(S)") AT AN INDICATIVE ISSUE PRICE OF RM0.10 PER RIGHTS SHARE ON THE BASIS OF SIX (6) RIGHTS SHARES FOR EVERY ONE (1) EXISTING BORNOIL SHARE HELD, TOGETHER WITH UP TO 1,186,920,798 FREE DETACHABLE WARRANTS IN BORNOIL ("WARRANT(S) C") ON THE BASIS OF ONE (1) FREE WARRANT C FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED FOR, ON AN ENTITLEMENT DATE TO BE DETERMINED LATER**

**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 Wednesday, 12 August 2015 at 8.00 a.m., together with the Form of Proxy are enclosed herein.

A member entitled to attend, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, 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 stipulated for holding the EGM, as indicated below. The lodging of the Form of Proxy shall not preclude you from attending, 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 ..... : Monday, 10 August 2015 at 8.00 a.m.

Date and time of the EGM ..... : Wednesday, 12 August 2015 at 8.00 a.m.

This Circular is dated 29 July 2015

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## DEFINITIONS

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

"Act"	:	The Companies Act, 1965
"Board"	:	The Board of Directors of Bornoil
"BOG"	:	Borneo Oil & Gas Corporation Sdn Bhd, a wholly-owned subsidiary company of Bornoil
"Bornoil" or the "Company"	:	Borneo Oil Berhad
"Bornoil Group" or the "Group"	:	Bornoil and its subsidiary companies, collectively
"Bornoil Share(s)"	:	Ordinary share(s) of RM0.10 each in Bornoil
"Bursa Depository" or "Depository"	:	Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"Circular"	:	This circular dated 29 July 2015
"Deed Poll B"	:	The deed poll dated 18 January 2008, constituting the Warrants B
"Deed Poll C"	:	The deed poll to be executed by the Company, constituting the Warrants C
"Director(s)"	:	The director(s) of Bornoil and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act, 2007 and includes:- <ul style="list-style-type: none"><li>i. in the case of an issuer of structured warrants, a director of the issuer of the structured warrants; or</li><li>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</li></ul>
"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 Proposed Rights Issue with Warrants
"EPS"	:	Earnings per Share
"ESOS Option(s)"	:	149,000 outstanding options granted under the Company's ESOS Scheme as at the LPD
"ESOS Scheme"	:	The employees' share option scheme 2012/ 2017 of the Company

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**DEFINITIONS (CONT'D)**

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"FPE"	:	Financial period ended
"FYE"	:	Financial year ended/ ending
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	30 June 2015, being the latest practicable date prior to the printing and despatch of this Circular
"Maximum Scenario"	:	Assuming all the outstanding Warrants B and ESOS Options are exercised prior to the implementation of the Proposed Rights Issue with Warrants, and the Proposed Rights Issue with Warrants is undertaken on the Maximum Subscription Level basis
"Maximum Subscription Level"	:	A maximum level of subscription based upon the irrevocable and unconditional written undertakings provided by the substantial shareholders of Bornoil, namely Victoria Limited and Hap Seng Insurance Services Sdn Bhd, to subscribe in full for their respective entitlements under the Proposed Rights Issue with Warrants and the remaining open portion of the Rights Shares to be underwritten
"Minimum Scenario"	:	Assuming none of the outstanding Warrants B and ESOS Options are exercised prior to the implementation of the Proposed Rights Issue with Warrants, and the Proposed Rights Issue with Warrants is undertaken on the Maximum Subscription Level basis
"NA"	:	Net assets
"Proposed Rights Issue with Warrants"	:	The proposed renounceable rights issue of up to 2,373,841,596 Rights Shares at an indicative issue price of RM0.10 per Rights Share on the basis of six (6) Rights Shares for every one (1) existing Bornoil Share held, together with up to 1,186,920,798 free detachable Warrants C on the basis of one (1) free Warrant C for every two (2) Rights Shares subscribed for, on the Entitlement Date
"Record of Depositors"	:	A record of depositors established by Bursa Depository under the Rules of Depository
"RHBIB" or the "Adviser"	:	RHB Investment Bank Berhad
"Rights Share(s)"	:	Up to 2,373,841,596 new Bornoil Shares to be issued pursuant to the Proposed Rights Issue with Warrants
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"TERP"	:	Theoretical ex-rights price
"WAMP"	:	Weighted average market price
"Warrant(s) B"	:	15,217,934 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

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**DEFINITIONS (CONT'D)**

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"Warrant(s) C" : Up to 1,186,920,798 free detachable warrants in Bornoil to be issued pursuant to the Proposed Rights Issue with Warrants with a proposed tenure of ten (10) years

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 under the Companies Act, 1965)

**Registered Office**

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

29 July 2015

**Board of Directors**

Teo Kiew Leong (*Executive Director*)  
Tan Kok Chor (*Independent Non-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,

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 2,373,841,596 RIGHTS SHARES AT AN INDICATIVE ISSUE PRICE OF RM0.10 PER RIGHTS SHARE ON THE BASIS OF SIX (6) RIGHTS SHARES FOR EVERY ONE (1) EXISTING BORNOIL SHARE HELD, TOGETHER WITH UP TO 1,186,920,798 FREE DETACHABLE WARRANTS C ON THE BASIS OF ONE (1) FREE WARRANT C FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED FOR, ON AN ENTITLEMENT DATE TO BE DETERMINED LATER**

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**1. INTRODUCTION**

On 27 April 2015, RHBIB had, on behalf of the Board, announced that the Company proposes to undertake a renounceable rights issue of up to 2,373,841,596 Rights Shares at an indicative issue price of RM0.10 per Rights Share on the basis of six (6) Rights Shares for every one (1) existing Bornoil Share held, together with up to 1,186,920,798 free detachable Warrants C on the basis of one (1) free Warrant C for every two (2) Rights Shares subscribed for, on the Entitlement Date.

On 24 July 2015, RHBIB had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 24 July 2015, approved the listing of the following:-

- (a) Up to 2,373,841,596 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants;
- (b) Admission to the Official List and listing of and quotation for up to 1,186,920,798 Warrants C to be issued pursuant to the Proposed Rights Issue with Warrants;
- (c) Up to 1,186,920,798 new Bornoil Shares to be issued arising from the exercise of the Warrants C;
- (d) Up to 68,980,410 additional Warrants B to be issued arising from the adjustment pursuant to the Proposed Rights Issue with Warrants; and

- (e) Up to 68,980,410 new Bornoil Shares to be issued arising from the exercise of the additional Warrants B,

on the Main Market of Bursa Securities, subject to the conditions as disclosed in Section 7 of this Circular.

The purpose of this Circular is to provide the shareholders of Bornoil with the relevant information on the Proposed Rights Issue with Warrants, as well as to seek the approval from the shareholders of Bornoil for the resolution pertaining to the Proposed Rights Issue with Warrants 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 RESOLUTION PERTAINING TO THE PROPOSED RIGHTS ISSUE WITH WARRANTS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.**

## **2. DETAILS OF THE PROPOSED RIGHTS ISSUE WITH WARRANTS**

As at the LPD, the issued and paid-up share capital of Bornoil is RM38,027,333 comprising 380,273,332 Bornoil Shares. In addition, as at the LPD, the Company has the following:-

- i. A total of 15,217,934 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;
- ii. A total of 149,000 outstanding ESOS Options. Each ESOS Option provides the right to the grantee of the ESOS Option to subscribe for one (1) new Bornoil Share during the five (5)-year exercise period of the ESOS Option up to 27 February 2017 with an option of extension of a further five (5) years. The Company has undertaken that it shall not grant any new ESOS Options pursuant to its ESOS Scheme prior to the completion of the Proposed Rights Issue with Warrants; and
- iii. Share buy-back authority to purchase up to 10% of the total issued and paid-up share capital of the Company which shall lapse at the conclusion of the forthcoming 31st annual general meeting of the Company to be held on 31 July 2015 unless authority for the renewal is obtained at the said meeting. As at the LPD, there is no treasury share retained by the Company. The Company has undertaken that it shall not purchase additional shares of the Company pursuant to its share buy-back exercise prior to the completion of the Proposed Rights Issue with Warrants.

For illustrative purposes throughout this Circular, the effects of the Proposed Rights Issue with Warrants shall be illustrated based on the Minimum Scenario and the Maximum Scenario.

### **2.1 Basis and number of Rights Shares and Warrants C to be issued**

The Proposed Rights Issue with Warrants entails an issuance of up to 2,373,841,596 Rights Shares on a renounceable basis of six (6) Rights Shares for every one (1) existing Bornoil Share held, together with up to 1,186,920,798 free detachable Warrants C on the basis of one (1) free Warrant C for every two (2) Rights Shares subscribed for, by the Entitled Shareholders on the Entitlement Date.

The actual number of the Rights Shares and the Warrants C to be issued pursuant to the Proposed Rights Issue with Warrants will depend on the issued and paid-up share capital of the Company as at the Entitlement Date.

Assuming all the outstanding Warrants B and ESOS Options are exercised prior to the implementation of the Proposed Rights Issue with Warrants, and the Proposed Rights Issue with Warrants is undertaken on the Maximum Subscription Level basis, a total of up to 2,373,841,596 Rights Shares together with a total of up to 1,186,920,798 Warrants C may be issued. In addition, assuming all the 1,186,920,798 Warrants C are exercised, a total of 1,186,920,798 new Bornoil Shares will be issued therefrom.

The Warrants C will be immediately detached from the Rights Shares upon issuance and will be traded separately. The Warrants C will be issued in registered form and constituted by a Deed Poll C to be executed by the Company as supplemented from time to time.

The Proposed Rights Issue with Warrants is renounceable. The renunciation of the Rights Shares by the Entitled Shareholders will accordingly entail the renunciation of the Warrants C to be issued together with the Rights Shares pursuant to the Proposed Rights Issue with Warrants. However, if the Entitled Shareholders decide to accept only part of their Rights Shares entitlements, they shall then be entitled to the Warrants C in the proportion of their acceptance of their Rights Shares entitlements.

Any unsubscribed Rights Shares together with the Warrants C, will be made available to other Entitled Shareholders and/ or their renounee(s) under the excess Rights Shares with Warrants C application. Fractional entitlements of the Rights Shares and the Warrants C arising from the Proposed Rights Issue with 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.

## **2.2 Basis of determining and justification for the issue price of the Rights Shares**

The issue price of the Rights Shares shall be determined and fixed by the Board at a later date after receipt of all relevant approvals but before announcement of the Entitlement Date, after taking into consideration the following:-

- i. The issue price of the Rights Shares shall be deemed sufficiently attractive to encourage the subscription of the Rights Shares by the Entitled Shareholders and/ or their renounee(s) whilst taking into consideration the amount to be raised from the Proposed Rights Issue with Warrants, as set out in Section 2.8.3 of this Circular;
- ii. The historical trading prices of Bornoil Shares for the past 12 months and the TERP of Bornoil Shares based on the five (5)-day WAMP of Bornoil Shares immediately preceding the price-fixing date; and
- iii. The issue price of the Rights Shares will not be lower than the par value of Bornoil Shares.

For illustrative purposes only, the indicative issue price of the Rights Shares is assumed to be at RM0.10 per Rights Share, which represents a discount of approximately 36.51% to the TERP of Bornoil Shares of RM0.1575, calculated based on the five (5)-day WAMP of Bornoil Shares up to and including the LPD of RM0.6752 per Bornoil Share.

The discount of the indicative issue price of RM0.10 per Rights Share to the TERP of Bornoil Shares has been determined by the Board after taking into consideration the following factors:-



- (a) The historical price movements of Bornoil Shares. For illustrative purposes only, the historical market prices of Bornoil Shares and the discount of the TERP of Bornoil Shares and indicative issue price of RM0.10 per Rights Share to the historical market prices of Bornoil Shares are set out below:-

	Share price RM	TERP RM	Discount of TERP to historical share price %	Discount of indicative issue price of RM0.10 per Rights Share to historical share price %
Five (5)-day WAMP of Bornoil Shares up to and including the LPD	0.6752	0.1575	(76.67)	(85.19)
One (1)-month WAMP of Bornoil Shares up to and including the LPD	0.7100	0.1575	(77.82)	(85.92)
Three (3)-month WAMP of Bornoil Shares up to and including the LPD	0.7472	0.1575	(78.92)	(86.62)
Six (6)-month WAMP of Bornoil Shares up to and including the LPD	0.8558	0.1575	(81.60)	(88.32)
12-months WAMP of Bornoil Shares up to and including the LPD	0.8152	0.1575	(80.68)	(87.73)

(Source: Bloomberg)

The issue price of the Rights Shares shall be deemed sufficiently attractive to encourage the subscription of the Rights Shares by the Entitled Shareholders and/ or their renounee(s) whilst taking into consideration the amount to be raised from the Proposed Rights Issue with Warrants, as set out in Section 2.8.3 of this Circular. Based on the above, the TERP of Bornoil Shares represents discounts of approximately 76.67%, 77.82%, 78.92%, 81.60% and 80.68% to the five (5)-day, one (1)-month, three (3)-month, six (6)-month and 12-months WAMP of Bornoil Shares up to and including the LPD, respectively. In addition, the indicative issue price of RM0.10 per Rights Share represents discounts of approximately 85.19%, 85.92%, 86.62%, 88.32% and 87.73% to the five (5)-day, one (1)-month, three (3)-month, six (6)-month and 12-months WAMP of Bornoil Shares up to and including the LPD, respectively.

- (b) The trading liquidity of Bornoil Shares as traded on Bursa Securities. For illustrative purposes only, the monthly traded volume of Bornoil Shares for the past 12 months up to and including the LPD are set out below:-

Time period	Average daily traded volume No. of Shares	Average daily traded volume as a percentage of free float <sup>1</sup> %
Five (5) trading days up to and including the LPD	5,348,860	2.40
One (1) month up to and including the LPD	3,821,736	1.71
Three (3) months to and including the LPD	2,526,267	1.13
Six (6) months up to and including the LPD	3,686,912	1.65
12 months up to and including the LPD	4,285,865	1.92

(Source: Bloomberg)

**Note:-**

<sup>1</sup> Free float is calculated as the total number of shares in issue that excludes treasury shares and substantial shareholders' and directors' direct shareholdings, if any. As at the LPD, the total free float is 223,150,432 Bornoil Shares calculated based on 380,273,332 Bornoil Shares outstanding in issue and substantial shareholders' direct shareholdings of a total of 157,122,900 Bornoil Shares. For the avoidance of doubt, the Directors of Bornoil do not hold any Bornoil Shares as at the LPD.

Based on the above, Bornoil Shares were thinly traded for the past 12 months up to and including the LPD, where the average daily traded volume of Bornoil Shares as a percentage of free float were 2.40%, 1.71%, 1.13%, 1.65% and 1.92% for the five (5) trading days, one (1) month, three (3) months, six (6) months and 12 months up to and including the LPD, respectively. As such, a deep discount is given to the issue price of the Rights Shares to entice the Entitled Shareholders and/ or their renounee(s) to subscribe to their respective entitlements.

It should be noted that the bulk of the funds to be raised from the Proposed Rights Issue with Warrants is earmarked to expand the gold mining operation of the Group which is relatively new to the Group's business with contributions for the past two (2) financial years. For informative purpose, the breakdown of the revenue and profit/ (loss) before tax for gold mining operation of the Group for the past two (2) financial years up to the FYE 31 January 2015 and the three (3)-month FPE 30 April 2015 are set out below:-

	FYE 31 January 2014 RM'000	FYE 31 January 2015 RM'000	Three (3)- month FPE 30 April 2015 RM'000
Gold mining operation			
Revenue	1,237	34,357	1,199 <sup>1</sup>
Profit/ (Loss) before tax	(3,068)	6,481	406

**Note:-**

<sup>1</sup> The revenue from gold mining operations for the three (3)-month FPE 30 April 2015 is relatively lower as after BOG had entered into the Mukim Hulu Jelai Contract in January 2015, BOG had temporarily relocated part of the workforce, excavators, wheel loader and motor vehicles from the Mukim Batu Yon Mining Area to Mukim Hulu Jelai Mining Area for the purpose of carrying out basic earthworks, site clearing and infrastructure works such as roads, tailings and water ponds as well accommodation for staff at the Mukim Hulu Jelai Mining Area. In addition, part of the workforce at the Mukim Batu Yon Mining Area was relocated to exploration works as well as site clearing and infrastructure works at new mining site within the Mukim Batu Yon Mining Area.

Based on the above, the revenue derived from the gold mining operation of the Group increased from approximately RM1.24 million for the FYE 31 January 2014 to approximately RM34.36 million for the FYE 31 January 2015. In addition, the gold mining operation of the Group recorded improvement in profitability from loss before tax of approximately RM3.07 million for the FYE 31 January 2014 to profit before tax of approximately RM6.48 million for the FYE 31 January 2015. The Company takes note of the improving results of the gold mining operation albeit the gold mining operation of the Group is still relatively new at this juncture. Given the aforementioned, a deep discount is given to the issue price of the Rights Shares to further entice the Entitled Shareholders and/ or their renounee(s) to subscribe for their respective entitlements.

Bornoil will make an immediate announcement on the price-fixing date on the basis of determining the issue price of the Rights Shares, the quantum of discount applied, and justifications for the issue price of the Rights Shares including justifications for the quantum of discount applied.

## 2.3 Basis of determining and justification for the exercise price of the Warrants C

The Warrants C attached to the Rights Shares will be issued at no cost to the Entitled Shareholders and/ or their renouncee(s) who subscribe for the Rights Shares.

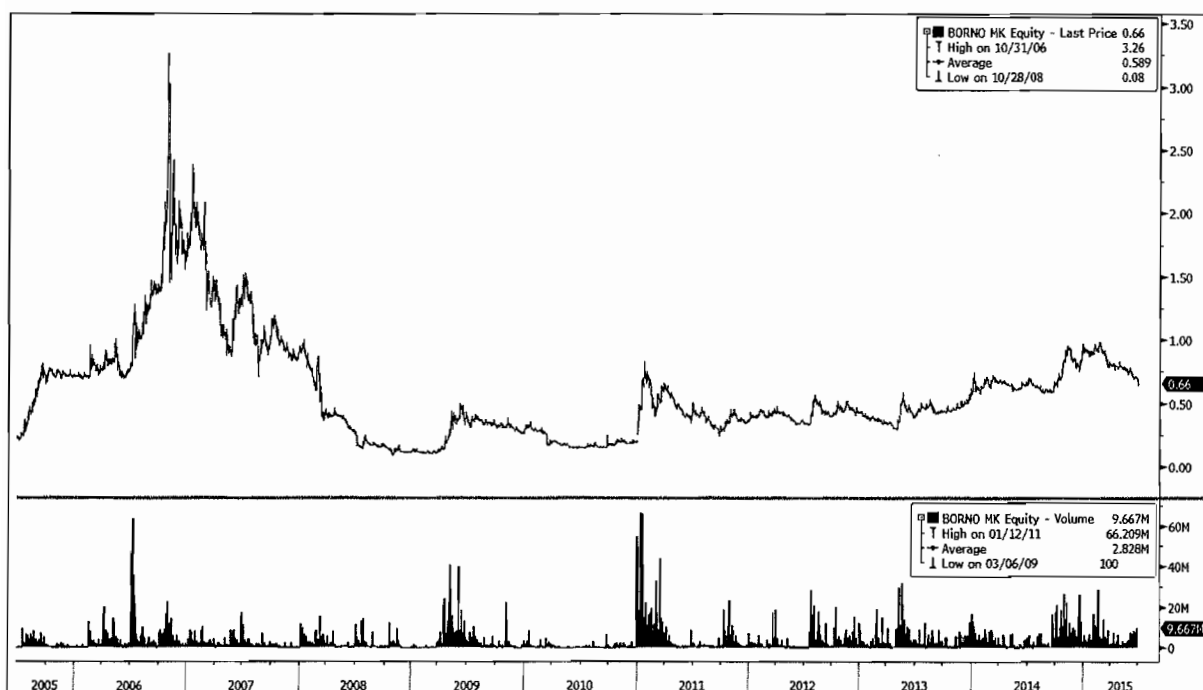
The exercise price of the Warrants C will be determined and fixed by the Board at a later date after receipt of all relevant approvals but before the announcement of the Entitlement Date, after taking into consideration the following:-

- i. The Warrants C will be issued at no cost to the Entitled Shareholders and/ or their renouncee(s) who successfully subscribe for the Rights Shares;
- ii. The historical trading prices of Bornoil Shares for the past 12 months and the TERP of Bornoil Shares based on the five (5)-day WAMP of Bornoil Shares immediately preceding the price-fixing date; and
- iii. The exercise price of the Warrants C will not be lower than the par value of Bornoil Shares.

For illustrative purposes only, the indicative exercise price of the Warrants C is assumed to be at RM0.10 per Warrant C, which represents a discount of approximately 36.51% to the TERP of Bornoil Shares of RM0.1575, calculated based on the five (5)-day WAMP of Bornoil Shares up to and including the LPD of RM0.6752 per Bornoil Share.

The discount of the indicative exercise price of RM0.10 per Warrants C to the TERP of Bornoil Shares has been determined by the Board after taking into consideration the factors set out in items (a) and (b) in Section 2.2 of this Circular.

As the market prices of the securities of Bornoil are subject to, among others, the financial performance of the Group and the vagaries of Bursa Securities, the Board is unable to foresee the trend of the future market prices of the securities of the Company. Purely for illustrative purpose, the historical trading share prices of Bornoil Shares for the past ten (10) years up to the LPD are set out below:-



(Source: Bloomberg)

Based on the above, the historical trading share prices of Bornoil Shares recorded a high of RM3.26 on 31 October 2006 and a low of RM0.08 on 28 October 2008 during the past ten (10) years up to the LPD.

The Warrants C are expected to provide a further incentive to the Entitled Shareholders and/ or their renounee(s) to subscribe for the Rights Shares. The exercise price of the Warrants C with a proposed tenure of ten (10) years are indicatively assumed to be priced at a deep discount to the TERP of Bornoil Shares as to entice the holders of the Warrants C to exercise their Warrants C. The Warrants C will allow the Entitled Shareholders and/ or their renounee(s) who subscribe for the Rights Shares to benefit from any potential capital appreciation of the Warrants C and increase their equity participation in the Company at a predetermined price over the tenure of the Warrants C. Further, as and when the Warrants C are exercised, the Group would be able to raise additional funds for working capital of the Group. For illustrative purpose only, the gross proceeds that is expected to be raised upon full exercise of the Warrants C based on the indicative exercise price of RM0.10 per Warrant C is approximately RM114.08 million under the Minimum Scenario and approximately RM118.69 million under the Maximum Scenario. The said proceeds may be utilised to finance, amongst others, salaries, repayment to trade creditors as well as general expenses such as traveling, staff training, rental and utilities.

Bornoil will make an immediate announcement on the price-fixing date on the basis of determining the exercise price of the Warrants C, the quantum of discount applied, and justifications for the exercise price of the Warrants C including justifications for the quantum of discount applied.

#### 2.4 Substantial shareholders' undertakings and underwriting arrangement

The Board has determined to undertake the Proposed Rights Issue with Warrants on a Maximum Subscription Level basis. The Maximum Subscription Level has been determined by the Board after taking into consideration the level of funds that the Company wishes to raise from the Proposed Rights Issue with Warrants which will be channelled towards the proposed utilisation of proceeds as set out in Section 2.8.3 of this Circular.

The substantial shareholders of Bornoil, namely Victoria Limited and Hap Seng Insurance Services Sdn Bhd ("Hap Seng Insurance"), had vide their letters dated 15 April 2015, provided their respective irrevocable and unconditional undertakings to subscribe in full for their entitlements under the Proposed Rights Issue with Warrants based on their shareholdings ("Undertakings").

A summary of the irrevocable Undertakings is set out below:-

Substantial shareholders	Shareholdings as at the LPD		Entitlements/ Undertakings				Funding requirements <sup>2</sup>
	No. of Shares	%	No. of Rights Shares	% <sup>1</sup>	No. of Warrants C	% <sup>1</sup>	RM
Victoria Limited	94,874,900	24.95	569,249,400	23.98	284,624,700	23.98	56,924,940
Hap Seng Insurance	62,248,000	16.37	373,488,000	15.73	186,744,000	15.73	37,348,800
	<b>157,122,900</b>	<b>41.32</b>	<b>942,737,400</b>	<b>39.71</b>	<b>471,368,700</b>	<b>39.71</b>	<b>94,273,740</b>

**Notes:-**

<sup>1</sup> Computed based on up to 2,373,841,596 Rights Shares together with up to 1,186,920,798 free Warrants C available for subscription under the Maximum Scenario

<sup>2</sup> Computed based on the indicative issue price of RM0.10 per Rights Share

Victoria Limited and Hap Seng Insurance had, vide their letters dated 15 April 2015, provided their confirmations that they have sufficient financial resources to subscribe for their respective irrevocable and unconditional undertakings. The said confirmations have been verified by RHBIB, the Adviser for the Proposed Rights Issue with Warrants.

As the Proposed Rights Issue with Warrants will be undertaken on a Maximum Subscription Level basis, Bornoil will procure an underwriting arrangement for the remaining portion of the Rights Shares for which no irrevocable and unconditional written undertaking to subscribe for the Rights Shares has been obtained from other shareholders of Bornoil. For illustrative purpose only, the underwriting arrangement is set out below:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	%	No. of Shares	%
Total no. of Rights Shares to be issued	2,281,639,992	100.00	2,373,841,596	100.00
Less: Rights Shares pursuant to the Undertakings	942,737,400	41.32	942,737,400	39.71
<b>Rights Shares to be underwritten</b>	<b>1,338,902,592</b>	<b>58.68</b>	<b>1,431,104,196</b>	<b>60.29</b>

The underwriting agreement shall be finalised at a later date and shall be subject to an underwriting agreement to be executed between the Company and the underwriter for the Proposed Rights Issue with Warrants prior to the announcement of the Entitlement Date. RHBIB, as the Adviser for the Proposed Rights Issue with Warrants, shall be appointed as the underwriter for the Proposed Rights Issue with Warrants subject to the terms and conditions of the underwriting agreement to be finalised at a later date. The underwriting commissions will be fully borne by the Company at arms' length and based on normal commercial terms. Further details on the underwriting agreement will be disclosed in the abridged prospectus to be issued by the Company at a later date.

As the Proposed Rights Issue with Warrants is undertaken on a Maximum Subscription Level basis whereby underwriting arrangement will be procured by Bornoil, the Undertakings will not give rise to any mandatory general offer obligation pursuant to the Malaysian Code on Take-Overs and Mergers, 2010.

## **2.5 Ranking of the Rights Shares and new Bornoil Shares to be issued arising from the exercise of the Warrants C**

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

The new Bornoil Shares to be issued arising from the exercise of the Warrants C 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 C will not be entitled to any Distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the said new Bornoil Shares.

## **2.6 Listing and quotation for the Rights Shares, Warrants C, new Bornoil Shares to be issued arising from the exercise of the Warrants C, and other securities arising from consequential adjustment**

The approval from Bursa Securities was obtained vide its letter dated 24 July 2015 for the admission of the Warrants C to the official list of Bursa Securities as well as the listing of and quotation for the Rights Shares, the Warrants C, the additional Warrants B to be issued arising from such adjustment as may be made pursuant to the Deed Poll B, and the new Bornoil Shares to be issued arising from the exercise of the Warrants C and the additional Warrants B, on the Main Market of Bursa Securities.

## **2.7 Indicative salient terms of the Warrants C**

- Issue size : Up to 1,186,920,798 Warrants C
- Form : The Warrants C will be issued in registered form and constituted by the Deed Poll C
- Exercise period : The Warrants C may be exercised at any time within ten (10) years commencing on and including the date of issuance of the Warrants C ("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 C not exercised during the exercise period will thereafter lapse and cease to be valid
- Mode of exercise : The registered holder of the Warrant C is required to lodge a subscription form, as set out in the Deed Poll C, with the Company's registrar, duly completed and signed 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 C
- Exercise price : The exercise price of the Warrants C 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 C
- Exercise rights : Each Warrant C 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 C
- Board lot : For the purpose of trading on Bursa Securities, one (1) board lot of Warrants C shall comprise 100 Warrants C 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 C in any distribution and/ or offer of further securities : The holders of the Warrants C are not entitled to vote in any general meeting and/ or to participate in any 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 C becomes a shareholder of Bornoil by exercising his/ her Warrants C into new Bornoil Shares or unless otherwise resolved by Bornoil in a general meeting

- Adjustments in the exercise price and/ or number of Warrants C : The exercise price and/ or number of unexercised Warrants C 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 C. If the Company in any way modify the rights attached to any share or loan capital 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 C 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 C shall be entitled upon and subject to the provisions of the Deed Poll C 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 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 C 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 C shall be listed and quoted on the Main Market of Bursa Securities
- Modifications : Save for manifest error, any modification, amendment, deletion or addition to the Deed Poll C shall require the approval of the holders of Warrants C sanctioned by special resolution and may be effected only by the Deed Poll C, 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

## **2.8 Utilisation of proceeds**

As set out in Section 2.8.3 of this Circular, approximately 61.70% and 62.68% of the proceeds from the Proposed Rights Issue with Warrants under the Minimum Scenario and Maximum Scenario, respectively, are earmarked for the mining operations of Bornoil Group. Further information on the gold and limestone mining operations of the Group as well as the details of the proposed utilisation of proceeds are set out in the ensuing pages.

### 2.8.1 Information on the gold mining operation

Bornoil Group is involved in the gold mining operation through BOG, its wholly-owned subsidiary company. BOG has entered into the following contracts for gold mining operations:-

(A) Sub-contract of works agreement between BOG and Champmark Sdn Bhd ("CSB") dated 14 March 2014 ("Mukim Batu Yon Contract")

Prior to the execution of the Mukim Batu Yon Contract, Perbadanan Kemajuan Negeri Pahang ("PKNP"), as the implementation agency in the development of large-scale mineral resources in Pahang, had entered into an agreement with MMC Corporation Berhad ("MMC") on 9 July 1990 granting MMC the sole and exclusive right to carry out large scale prospecting and mining of minerals in the Merapoh area in Pahang ("Grant of the Merapoh Mining Rights" or "PKNP Agreement"). On 21 July 2004, MMC entered into a contract with CSB granting CSB the right to carry out mining works on nine (9) sub-blocks of the Merapoh area ("CSB Contract of Works Agreement").

On 14 March 2014, vide the Mukim Batu Yon Contract, CSB appointed BOG as its sub-contractor to carry out prospecting and mining of alluvial and lode gold on an exclusive basis in Mukim Batu Yon, Daerah Lipis, Pahang measuring approximately 162.3 hectares ("Mukim Batu Yon Mining Area"). Additionally, BOG and CSB shall carry out exploration works in the Mukim Batu Yon Mining Area on a joint-basis.

For informative purpose, alluvial gold deposit is gold deposit formed as a result of transportation by water from weathered mineralised rocks and veins, while lode gold deposit is gold deposit formed in mineralised rocks and veins.

The salient terms and conditions of the Mukim Batu Yon Contract are set out below:-

- (1) The Mukim Batu Yon Contract shall be for a period of five (5) years with two (2) renewals of five (5) years each subject to a review of the consideration as stated in the Mukim Batu Yon Contract and if in the opinion of BOG, there is still gold of commercial quantities in the Mukim Batu Yon Mining Area. For the avoidance of doubt, there are no conditions precedent for the Mukim Batu Yon Contract as it is a sub-contract of works whereby BOG is appointed by CSB as their operator to conduct works in the Mukim Batu Yon Mining Area. The scope of works of under the Mukim Batu Yon Contract is that BOG shall undertake large scale prospecting and mining for minerals ("Mukim Batu Yon Works") solely at its own risk with no recourse to CSB. Additionally, BOG and CSB shall, on a joint-basis, carry out exploration works for the purpose of data gathering and sharing as well as the monitoring of the processing, storage and sale of gold.



- (II) BOG and CSB shall jointly conduct all agreed exploration works in the Mukim Batu Yon Mining Area, in addition to CSB disclosing all information it has obtained in relation to the Mukim Batu Yon Mining Area as well as to keep all prospecting permits under the Mukim Batu Yon Mining Area in good standing, which includes renewing expired permits and applying for new permits if necessary.
- (III) All costs arising from the said exploration works shall be borne by CSB through advances from BOG subject to a repayment of such advances by way of deductions against the tribute payable by BOG to CSB. In this regard, BOG made an advance of RM1,300,000 to CSB and CSB had repaid the said advance in full in 2014. Thereafter, BOG has also made further advances amounting to approximately RM0.81 million to CSB of which is outstanding to BOG as at the LPD and which shall be repaid by way of deduction against future tributes payable by BOG to CSB. The breakdown of the tribute payable by BOG to CSB based on the gross revenue from sale of gold produced from alluvial gold mining are set out below:-

<b>Monthly gross revenue</b>	<b>Tribute payment as a percentage of monthly gross revenue</b>
Less than or equal to RM500,000	8%
Between RM500,000 and RM1,000,000	9%
Between RM1,000,000 and RM2,000,000	10%
More than RM2,000,000	12%

- (IV) In addition, the breakdown of the tribute payable by BOG to CSB based on the gross revenue from sale of gold produced from lode gold mining are set out below:-

<b>Monthly gross revenue</b>	<b>Tribute payment as a percentage of monthly gross revenue</b>
Less than or equal to RM5,000,000	10.5%
More than RM5,000,000	14.5% if gold price is less than USD1,400 per ounce; or 16.5% if gold price is equal to or more than USD1,400 per ounce

For the avoidance of doubt, there were no arrangements in the Mukim Batu Yon Contract for minerals other than gold produced by BOG in the Mukim Batu Yon Mining Area, if any. In the event minerals other than gold are found by BOG in its mining or processing processes, BOG will seek consultation with CSB to determine the arrangements for such minerals.

- (V) In the event the tribute payable by BOG to CSB is lower than the said advance, CSB shall make further deductions from its aforesaid/ future tribute portion after each sale of gold until such time when the advance is fully resolved. The timing of repayment of the advances shall depend on the eventual sales of gold and shall continue until the full settlement of the advances.
- (VI) BOG and CSB agree to adhere to the tribute which ranges from 6% to 7% to PKNP and MMC and the royalty payment of 5% to the Pahang State Government calculated based on the revenue from the total sale of gold produced as provided in the CSB Contract of Works Agreement and the PKNP Agreement. BOG shall be responsible only for tributes due to CSB based on the gross revenue from the sale of gold. After each sale of gold, CSB collects the sale proceeds to pay the relevant tribute due to PKNP and MMC and royalty payment to the Pahang State Government and to retain its portion of the tribute payable by BOG before paying the balance of the sale proceeds to BOG. However, as BOG had made advances to CSB, as stated in paragraph 2.8.1(A)(III) above, of which approximately RM0.81 million is outstanding as at the LPD, and CSB shall also make deduction from its tribute portion to repay the said advance to BOG.
- (VII) In the event of termination of the Mukim Batu Yon Contract by CSB, CSB shall repay all the advances to BOG prior to such termination. CSB reserves the right to terminate the Mukim Batu Yon Contract if BOG suspends its operation in the mining lease covering the Mukim Batu Yon Mining Area for more than four (4) weeks without any reasonable justification and in such an event CSB shall issue a notice to BOG for it to resume its operation within a month, failing which CSB shall have the right, subject to the repayment of all the advances paid to CSB, to immediately thereafter terminate the Mukim Batu Yon Contract.

(B) Sub-contract of works agreement between BOG and Jusra Mining Merapoh Sdn Bhd ("Jusra") dated 5 January 2015 ("Mukim Hulu Jelai Contract")

MMC as the holder to the Grant of the Merapoh Mining Rights, separately entered into a contract on 21 July 2014 with Jusra granting Jusra the right to prospect and mine minerals in five (5) blocks of the Merapoh area ("Jusra Contract of Works Agreement").

On 5 January 2015, vide the Mukim Hulu Jelai Contract, Jusra appointed BOG as its sub-contractor to carry out prospecting and mining of alluvial and lode gold on an exclusive basis on an area covering approximately 202.8 hectares located at Sungai Serumbang, Hutan Simpan Hulu Jelai, Daerah Lipis, Pahang ("Mukim Hulu Jelai Mining Area"). The Mukim Hulu Jelai Contract involves BOG prospecting, exploring and mining alluvial and lode gold on an exclusive basis over the Mukim Hulu Jelai Mining Area.

The salient terms and conditions of the Mukim Hulu Jelai Contract are set out below:-

- (l) Under the Mukim Hulu Jelai Agreement, BOG is to advance a total sum of RM1,273,383.50 ("Advances") to Jusra in the following manner:-
  - (a) RM500,000 upon the execution of the Mukim Hulu Jelai Agreement, which has been paid on 5 January 2015;
  - (b) Subject to the result of a preliminary geological study to determine the existence of payable gold, BOG shall advance a total of RM273,383.50 comprising:-
    - (i) 50% of the premium payable in respect of the Mukim Hulu Jelai Mining Area in the sum of RM437,600 equivalent to RM218,800;
    - (ii) 50% of the surveyor fees in the sum of RM61,667 equivalent to RM30,833.50; and
    - (iii) 50% of the fees due to KF Lee Mining Consultant Services in the sum of RM47,500 equivalent to RM23,750.

This advance of a total of RM273,383.50 has been paid on 31 January 2015.

- (c) An additional RM500,000 within seven (7) days from the date of fulfillment of the following conditions precedent to be confirmed by BOG:-
  - (i) Preliminary studies and area surveys to be conducted by BOG confirm that the Mukim Hulu Jelai Mining Area contains sufficient payable gold so as to be economically viable in the opinion of BOG;
  - (ii) The continued subsistence of the Jusra Contract of Works Agreement;
  - (iii) That the mining lease and mining permit are both subsisting and in good standing;
  - (iv) Confirmation by MMC that Jusra is not in breach of the Jusra Contract of Works Agreement and that MMC is in full compliance with the PKNP Agreement, wherein MMC was granted the sole and exclusive right to carry out large scale prospecting and mining of minerals on a large piece of land (in which the Mukim Hulu Jelai Mining Area forms part of this land), and that the PKNP Agreement is still in force; and

- (v) That notice has been issued and received by MMC with regard to the Mukim Hulu Jelai Contract as required in the Jusra Contract of Works Agreement.

This advance of a total of RM500,000 has been paid on 17 February 2015 for the amount of RM250,000 and 16 March 2015 for the amount of RM250,000, respectively.

- (II) The agreement to any further advances to Jusra by BOG shall be at the full discretion of BOG;
- (III) In addition, BOG shall pay tributes to Jusra based on 10% of the revenue from the total sale of gold produced ("Jusra Tribute").

For the avoidance of doubt, there were no arrangements in the Mukim Hulu Jelai Contract for minerals other than gold produced by BOG in the Mukim Hulu Jelai Mining Area, if any. In the event minerals other than gold are found by BOG in its mining or processing processes, BOG will seek consultation with Jusra to determine the arrangements for such minerals;

- (IV) BOG shall be entitled to deduct 50% of the Jusra Tribute until the Advances are fully repaid;
- (V) BOG and Jusra agree to adhere to the tribute which ranges from 6% to 7% to PKNP and MMC and royalty payment of 5% to the Pahang State Government calculated based on the revenue from the total sale of gold produced as provided in the Contract of Work Agreement and the PKNP Agreement.

For the avoidance of doubt, BOG shall be responsible only for the Jusra Tribute due to Jusra. Meanwhile, Jusra shall be responsible to pay the tribute to PKNP and MMC and royalty payment to the Pahang State Government;

- (VI) The Mukim Hulu Jelai Contract is for a period of five (5) years with an automatic renewal for another five (5) years subject to a review on the tribute payment percentage to be mutually agreed. A third (3rd) five (5)-year contract duration will be automatically extended if in the opinion of BOG there are still gold and other minerals of commercial quantities in the Mukim Hulu Jelai Mining Area and subject to a further review of tribute from the expiry of the second (2nd) five (5)-year contract duration;
- (VII) Jusra reserves the right to terminate the Mukim Hulu Jelai Contract if BOG suspends the operation on the Mukim Hulu Jelai Mining Area for more than four (4) weeks without any reasonable justification and in such an event Jusra shall issue a notice to BOG to resume its operation within a month, failing which Jusra shall have the right, subject to the repayment of all the remaining unpaid advances by BOG to immediately thereafter terminate the Mukim Hulu Jelai Contract;

- (VIII) BOG shall undertake the said works solely at its own risks with no recourse to Jusra;
- (IX) In the event further mining leases and permits are approved and issued by the Pahang State Government to Jusra, BOG shall be exclusively appointed to carry out the said mining works over these areas.

Bornoil will make immediate announcement on the arrangements and the salient terms and conditions of the contract/ agreement relating to the further mining leases and permits.

(C) Exclusive production sharing agreement between BOG and HDL Global Sdn Bhd ("HDL") dated 11 March 2015 ("Mukim Keratong Contract")

Prior to the execution of the Mukim Keratong Contract, PKNP entered into an agreement with HDL on 21 May 2010 granting HDL the sole and exclusive rights to undertake and carry out the Mukim Keratong Works (as herein defined) at the Mukim Keratong Mining Area (as herein defined).

On 11 March 2015, vide the Mukim Keratong Contract, BOG has been granted the sole and exclusive right, for 20 years, or when the minerals have been exhausted, whichever earlier, to prospect and explore and to carry on mining, extraction, processing, marketing, sales and collection of sales revenue with respect to all minerals and precious metals including gold ("Mukim Keratong Works") over an area covering approximately 1,200 hectares located at Mukim Keratong, District of Rompin, Pahang Darul Makmur ("Mukim Keratong Mining Area"). BOG and HDL will share the net profit after tax ("NPAT") from the sale of gold under the Mukim Keratong Contract on a basis of 60% of the NPAT for BOG and 40% of the NPAT for HDL.

The salient terms and conditions of the Mukim Keratong Contract are set out below:-

- (I) On the execution of the Mukim Keratong Contract, BOG is to advance a total sum of RM5,000,000 ("Mukim Keratong Advances") to HDL in the following manner:-
  - (a) RM500,000 upon of the execution of the Mukim Keratong Contract, which has been paid on 11 March 2015;
  - (b) An additional RM1,500,000 on the satisfaction of BOG on the termination of any agreements or arrangements previously entered into by HDL appointing other third parties as the previous sub-contractor to the Mukim Keratong Works on the Mukim Keratong Mining Area within 60 days from the date of execution of the Mukim Keratong Contract ("First Advance").

In this regard, HDL had entered into a Deed of Mutual Termination with the previous sub-contractor which was subject to, amongst others, payment of RM700,000 by HDL to the previous sub-contractor. In view thereto, BOG had made advances to HDL for the amount of RM350,000 on 6 June 2015 and another RM350,000 on 12 June 2015, respectively. The balance of this First Advance of RM800,000 will be made to HDL upon the previous sub-contractor granting vacant possession of Mukim Keratong Mining Area pursuant to the Deed of Mutual Termination executed between HDL and the previous sub-contractor and to the satisfaction of BOG;

- (c) A further RM2,000,000 on the satisfaction of the terms and conditions of the Mukim Keratong Contract ("Second Advance") as follows:-
- (i) HDL shall apply to the relevant authorities for the explosive licences and any other permits in relation to the Mining Works; and
  - (ii) HDL shall apply and cause and procure the exploration licences and mining leases to be issued with a validity of not less than two (2) years each or any duration acceptable to BOG.

For the avoidance of doubt, the said advance of RM2,000,000 has yet to be made as at the LPD; and

- (d) Upon the issuance of each of the additional five (5) mining leases to be issued after the date of the Mukim Keratong Contract with a validity period of not less than two (2) years or any duration acceptable to BOG including the application of the necessary permits to the relevant authorities in relation to the Mining Works, a sum of RM1,000,000 shall be paid for each new mining lease ("Subsequent Advances").

The Mukim Keratong Mining Area covers an area of approximately 1,200 hectares. As at the LPD, a mining lease has been issued to PKNP over a portion of the Mukim Keratong Mining Area measuring approximately 462 acres (or approximately 187 hectares). HDL has represented and warranted that PKNP has applied for five (5) additional mining leases for the remaining portion of the Mukim Keratong Mining Area of approximately 2,965 acres (or approximately 1,013 hectares). For the avoidance of doubt, no new mining leases have been issued as at the LPD and hence the said advance in the sum of RM1,000,000 payable for each of the new mining leases has yet to be made as at the LPD;

- (II) The following are the conditions precedent for the Mukim Keratong Contract which shall be fulfilled to the satisfaction of BOG at its absolute discretion, failing which all payments made by BOG shall be refunded and the Mukim Keratong Contract shall be terminated by BOG:-
- (a) Preliminary geological surveys undertaken by BOG confirming the presence and existence of payable gold on the Mukim Keratong Mining Area and any due diligence required by BOG on HDL, its affairs and the mining project within six (6) months from the date of the Mukim Keratong Contract; and
  - (b) HDL producing or causing the procurement of written evidence of the issuance of the requisite exploration licences and mining leases over the Mukim Keratong Mining Area and all other requisite approvals or permits to allow PKNP and HDL to carry out the Mukim Keratong Works on the Mukim Keratong Mining Area with a validity period of not less than two (2) years or any duration acceptable by BOG;
- (III) To share the NPAT generated from the Mukim Keratong Contract with 60% to BOG and 40% to HDL. This NPAT is derived from the sales revenue of the gold less all project and operational costs including recoverable costs (First Advance, 50% of the Second Advance and Subsequent Advances), tributes and all taxes, duties and levies payable or accrued to any authority whether the Federal Government, Pahang State Government or otherwise.
- For the avoidance of doubt, there were no arrangements in the Mukim Keratong Contract for minerals other than gold produced by BOG in the Mukim Keratong Mining Area, if any. In the event minerals other than gold are found by BOG in its mining or processing processes, BOG will seek consultation with HDL to determine the arrangements for such minerals;
- (IV) Under the Mukim Keratong Contract, BOG shall commence the Mukim Keratong Works within six (6) months from the date of the agreement and pay the HDL's portion of the NPAT to HDL within thirty (30) days of BOG's determination of the NPAT on a quarterly basis. BOG shall also ensure all payments, operation costs, expenses and tributes (which shall not at any time exceed 2.5% payable to PKNP and 5.0% payable to the Pejabat Tanah and Galian based on sales revenue) are made in time.
- (V) HDL shall apply to the relevant authorities for all the approvals, permits and licences (including forestry permits and licence to remove soil) required for the Mukim Keratong Mining Works as well as to ensure the validity and subsistence of the exploration licences, and mining leases, including to apply and procure the relevant renewals and/ or extensions. HDL further undertakes that BOG shall be the sole operator for the Mukim Keratong Mining Area and that no other third party shall be appointed.

- (VI) Either BOG or HDL shall have the right to terminate the Mukim Keratong Contract in the event:-
- (a) the government and/ or state authority prohibits or disallows the extraction, removal and transportation of minerals from Mukim Keratong Mining Area for any reason whatsoever or compulsorily acquires the said area due to no act or default on the part of HDL and HDL having exhausted all avenue to appeal against the said order;
  - (b) the prospecting licences and mining leases are withdrawn or if the prospecting licences and mining leases expire due to no act or default on HDL and/ or BOG and both parties have exhausted all avenues to restore the prospecting licences and mining leases; and
  - (c) if a receiver and/ or manager is appointed over the assets, undertaking and/ or properties of the other party or the other party is wound up.

The consequential arrangement upon termination shall be that HDL shall be required to repay to BOG all the remaining unpaid advances made by BOG to HDL, in the event HDL has not complied with its obligations, covenants and undertakings under the Mukim Keratong Contract.

The key management and personnel of BOG in the gold mining operation and their related experience in mining and its related activities are set out below:-

- i. Liu Jiew Shin, a Malaysian aged 49, is the Operation Manager of BOG and is responsible for the mining operations. He has more than 23 years of relevant experience in marble quarrying. In 1992, he joined Makin Teguh Sdn Bhd as a Manager and was responsible for the management of oil palm plantation and sand mining operation. In 2002, he joined Segama Stones Sdn Bhd as an Executive Director and was responsible for the day-to-day operation of marble quarry and factory for more than ten (10) years.
- ii. Phang Chan Seng, a Malaysian aged 50, is the Mining Supervisor of BOG. He has more than 17 years of mining experience. In 1998, he joined SJ Resources Sdn Bhd as a Mining Supervisor and his responsibilities included the maintenance of machine, management of waste water and day-to-day operation of the mine. In 2006, he joined Simpang Quarry Enterprise as a Mining Supervisor and his responsibilities included clearing of virgin land, construction of staff quarter, earth work, and management of day-to-day operation of the mine. In 2010, he joined CSB as a Mining Supervisor and his responsibilities included setting-up of mining operation, site preparation, construction of polong for gold processing, earth work, building of fresh and waste water pond, construction of staff quarter and management of day-to-day operation of the mine.



- iii. Ismail Bin Deraman, a Malaysian aged 42, is the Metallurgist of BOG. He has more than 15 years of experience in in the fields of mineral exploration, geologic reviews, mine and mining. In 1994, he joined Permint Minerals Sdn Bhd as a Production Supervisor at a local gold mine. In 1998, he joined Specific Resources Sdn Bhd as a Senior Metallurgist and his responsibilities included managing a team of metallurgist and technician for project metallurgical test work and pilot plant test. In 2010, he joined Raub Australian Gold Mining Sdn Bhd as a Senior Metallurgist and his responsibilities included coordinating and overseeing all metallurgist aspects of the gold mill operation as well as managing the operation of refinery operation from elution until gold dore shipment. In 2013, he joined Lynas Malaysia Sdn Bhd as a Senior Engineer where his responsibilities included rare earth cracking, leaching process and waste gas treatment plant.
- iv. Murtadha Bin Fathul Ariffin, a Malaysian aged 44, is the Geologist of BOG. He has more than 11 years of experience in the fields of geologic reviews, mine and mining. In 2003, he joined Specific Resources Sdn Bhd as a Mining Geologist where his responsibilities included organising the grade control section, producing geological mapping and coordinating with metallurgist to achieve production target. In 2011, he joined Raub Australian Gold Mining Sdn Bhd as a Production Geologist where his responsibilities included managing all samplings work, mining area and stockpile area as well as involved in tailings mining.
- v. Kalai Vani M Govindasamy Naidu, a Malaysian aged 36, is the Geologist of BOG. She graduated with a Bachelor Degree in Geology from Universiti Kebangsaan Malaysia in 2002. She has 13 years of experience in the fields of mineral exploration, geologic reviews, geophysics, mine and mining. In 2002, she started her career as a Contract Geologist with Avocet Mining PLC ("Avocet") at a local mine where she had worked in all roles of an exploration/ project geologist and had also gained experience in resource geology. In 2008, she had a short stint with Iron Ore Holdings Ltd in Australia as a Project Geologist in iron ore exploration. In 2009, she continued her career with Avocet as a Production Geologist before she joined Monument Mining Ltd in 2010 as an Exploration Manager where she was responsible for establishing an exploration department.
- vi. Siva Sankar Gopalan, a Malaysian aged 29, is the Geologist of BOG. He graduated with a Bachelor of Science in Geology from Universiti Malaysia Sabah in 2009. He has six (6) years of experience in the fields of mineral exploration, geologic reviews, mine and mining. In 2009, he started his career as a trainee Engineering Geologist with Soil Instruments (M) Sdn Bhd and later on as a Junior Geologist with Geo Pacific Sdn Bhd. In 2010, he joined CSB as an Exploration Geologist before he became Site Administrative Manager cum Geologist in 2013. During his tenure with CSB, he had worked in all roles of an exploration/ project geologist as well as day-to-day administrative roles at the mining site.

- vii. Sashi Kumar s/o Subramaniam, a Malaysian aged 29, is the Mining Engineer of BOG. He graduated with a Diploma from Sultan Haji Ahmad Shah polytechnic majoring in civil engineering. He has four (4) years of mining experience. In 2011, he joined CSB as a Mine Engineer and was responsible for planning and leading the excavation of mining site as well as leading and monitoring of related earthworks.

In addition, BOG has also engaged the following consultants for advisory services in support of its gold mining operation:-

- i. Peter Alan Flindell, an Australian aged 51, has 30 years of experience in the development of exploration projects through feasibility to mining, including mineral resource estimations. He also has more than ten (10) years of experience in orogenic lode gold deposits in Malaysia. He has considerable experience in minerals exploration in Southeast Asia, the People's Republic of China ("PRC"), Central Asia and West Africa. He is a member of the Society of Economic Geologists, the Australian Institute of Mining and Metallurgy, and the Australian Institute of Geoscientists.
- ii. Shukeri Bin Ismail, a Malaysian aged 46, has 21 years of experience in local and international mining activities, mine development from green field to production, planning, budgeting, metallurgical research and development, metallurgical test work, processing plant design and construction, commissioning and practical operations experience in the gold, copper and iron ore industry as well as experience in exploration work, project due diligence and mining permit application. He has considerable experience in countries such as Malaysia, Indonesia, the Philippines, Papua New Guinea, Australia, South Africa, Burkina Faso, Zimbabwe, Tajikistan and Canada. He was involved in the Malaysian Working Group on Precious Metal (Code and Act of Practice).

BOG has yet to conduct any feasibility study or expert report on gold reserve and/ or relating to mining operations in the Mukim Batu Yon Mining Area, Mukim Hulu Jelai Mining Area and Mukim Keratong Mining Area. The mining operation in Mukim Batu Yon Mining Area has proven the presence of gold and has produced results for the past two (2) financial years, while the Group's mining operations in Mukim Hulu Jelai Mining Area and Mukim Keratong Mining Area are relatively new at this juncture. In addition, BOG has been actively undertaking exploration activities and has in place a team of geologists and metallurgists to progressively expand the prospecting of gold reserves at the mining areas. As set out in Section 2.8.3 of this Circular, the Group has allocated a total of RM15.00 million from the proceeds to be raised from the Proposed Rights Issue with Warrants for exploration expenditure at the mining areas. At this juncture, BOG's mining operations are presently on alluvial mining and processing of tailings pond for residues of gold deposits. However, BOG may conduct feasibility study on the gold reserve at the mining areas if exploration results for lode gold are positive and subject to securing appropriate funding for the feasibility study.

Bornoil will make announcement(s) on the feasibility study including the name of experts, information on reserve and extraction rate, and other related information, if and as and when such feasibility study or expert report are carried out.

As BOG has yet to conduct any feasibility study or expert report on gold reserve in the Mukim Batu Yon Mining Area, Mukim Hulu Jelai Mining Area and Mukim Keratong Mining Area, BOG is unable to provide an estimation of the gold reserves therein. Further details on the status of the gold mining operation up to 30 June 2015 are set out below:-

<b>Mining area</b>	<b>Extraction rate</b>	<b>Production output</b>	<b>Status of exploration/ mining activities</b>
Mukim Batu Yon Mining Area	1,000 metric tonnes ("MT") per day	56,123.91 grams	<p>Earthworks, site clearing and infrastructure works such as roads, tailings and water ponds are undertaken on new mining sites.</p> <p>The main focus of current exploration is to identify lode gold for hard rock mining. BOG has appointed several geologists as well as consultants for the exploration activities. Preliminary exploration activities are being undertaken where up to-date a total of 6,479 soil samples were collected and nine (9) drilling holes were done. The results of the preliminary exploration are in the process of being assessed as at to-date.</p> <p>Mining operations are presently on alluvial mining and processing of tailings pond for residues of gold deposits. As this juncture, mining operations are mainly focused on alluvial mining while studies are being undertaken to determine the economical method to process the tailings.</p>
Mukim Hulu Jelai Mining Area	Extraction rate is not available as mining activities have yet to commence	Production output is not available as mining activities have yet to commence	<p>Basic earthworks, site clearing and infrastructure works such as roads, tailings and water ponds as well accommodation for staff are being undertaken.</p> <p>Preliminary exploration activities are also being undertaken for alluvial mining. As at to-date a total of 1,825 soil samples were collected from pitting activities. The pitting activities on alluvial gold are currently undertaken on area covering up to 30% of the Mukim Hulu Jelai Mining Area. The results of the preliminary exploration activities are in the process of being assessed as at to-date.</p> <p>Mining activities have yet to commence as at to-date. Alluvial mining operations will commence after the completion of the preliminary exploration study and high grade alluvial gold areas are identified.</p>
Mukim Keratong Mining Area	Extraction rate is not available as mining activities have yet to commence	Production output is not available as mining activities have yet to commence	<p>BOG is in the process of taking possession of the mining site pending the vacation and demobilisation of the previous sub-contractor from the Mukim Keratong Mining Area. BOG will undertake the setting up of necessary infrastructure once the previous sub-contractor vacates the Mukim Keratong Mining Area.</p> <p>Preliminary geological studies are being undertaken for alluvial mining as well as studies to determine the volume of the existing tailings and the economical method to process the existing tailings pond for residues of gold deposits.</p> <p>Mining activities have yet to commence as at to-date. Alluvial mining operations will commence after the completion of the preliminary exploration study.</p>

Bornoil will make announcement(s) on the results of the preliminary exploration of the Mukim Batu Yon Mining Area, Mukim Hulu Jelai Mining Area and Mukim Keratong Mining Area including the name of experts, information on reserve and extraction rate, and other related information.

The breakdown of the major expenditure incurred for the gold mining operation up to 30 June 2015 is set out below:-

	<b>Mukim Batu Yon Mining Area RM'000</b>	<b>Mukim Hulu Jelai Mining Area RM'000</b>	<b>Mukim Keratong Mining Area RM'000</b>
Purchase of machinery, vehicles, plant and equipment	10,349	-	-
Exploration expenditure	3,890	1,113	1,384
Staff salary and benefits	1,903	196	105
Fuel and lubricants	1,077	245	8
Repair and maintenance of plant and machinery	499	65	5
Rental of existing heavy mining equipment	182	76	-
<b>Total</b>	<b>17,900</b>	<b>1,695</b>	<b>1,502</b>

Save as disclosed above, there is no major commitment incurred for the gold mining operation up to 30 June 2015.

## **2.8.2 Information on the limestone mining operation**

The Group's limestone mining operation is located in Ulu Segama at Lahad Datu, Sabah. The total size of the land area of which BOG has access in Ulu Segama for limestone mining operation is approximately 262.60 acres.

The key management of BOG in the limestone mining operation and his related experience in mining and its related activities is set out below:-

- i. Poh Woon Choon, a Malaysian aged 61, is the General Manager of BOG. He has more than 25 years of working experience in the marble quarrying business. In 1990, he joined S P Marble Sdn Bhd as a Quarry and Factory Manager and was responsible for the day-to-day operation of marble quarry and factory. In 1991, he joined Borneo Marble Corporation Sdn Bhd as a Quarry and Factory Manager. In 2003, he joined SAM Abrasivi Sdn Bhd as a Factory Manager. In 2006, he returned to Borneo Marble Corporation Sdn Bhd as a Quarry and Factory Manager and subsequently in 2009, he worked at a quarry in Gua Musang as a Quarry and Factory Manager. In 2013, he joined CEP Entity Resources Sdn Bhd as a Quarry Manager.

BOG has yet to conduct any feasibility study or expert report on limestone reserves and/ or relating to mining operations in Ulu Segama mining area. The limestone mining operation of the Group is undertaken on open-pit site which involves unearthing and excavation of limestone deposits which are easily accessible from the surface of the earth. The open-pit mining activities are carried out until the limestone resource is exhausted or an increasing ratio of overburden (the layer of surface rock or soil covering the limestone deposits) to ore makes further mining uneconomic. In addition, the Group is also continuously seeking commercially viable limestone reserves for the Group's limestone mining operation.

Bornoil will make announcement(s) on the feasibility study or expert report on the limestone mining operation including the name of experts, information on reserve and extraction rate, and other related information, if and as and when such feasibility study or expert report are carried out.

As BOG has yet to conduct any feasibility study or expert report on limestone reserves in the Ulu Segama mining area, BOG is unable to provide an estimation of the limestone reserves therein. Further details on the status of the limestone mining operation up to 30 June 2015 are set out below:-

<b>Mining area</b>	<b>Extraction rate</b>	<b>Production output</b>	<b>Status of mining activities</b>
Ulu Segama, Lahad Datu, Sabah	28 MT per day	2,250.5 MT	Site preparation works, infrastructure and blasting works are been undertaken.  Studies and on-site planning works are also been undertaken to study the possibility of embarking into downstream activities for value-added products such as limestone powder for farming benefits and other limestone-related products.

The breakdown of the major expenditure incurred for the limestone mining operation up to 30 June 2015 is set out below:-

	<b>RM'000</b>
Purchase of machinery, vehicles, plant, equipment and land together with factory building	13,719
Staff salary and benefits	408
Repair and maintenance of plant and machinery	237
Fuel and lubricants	110
Rental of existing heavy mining equipment	86
<b>Total</b>	<b><u>14,560</u></b>

Save as disclosed above, there is no major commitment incurred for the limestone mining operation up to 30 June 2015.

### **2.8.3 Details of the proposed utilisation of proceeds**

Based on the indicative issue price of RM0.10 per Rights Share, the total gross proceeds that are expected to be raised from the Proposed Rights Issue with Warrants and the intended utilisation are set out in the ensuing page. For clarification purpose, it should be noted that the management of Bornoil has arrived at the following breakdown for each of the components relating to the Group's mining operations after taking into consideration, amongst others, the total mining area of the respective mining areas as well as the type and number of machineries, plant and equipment intended to be purchased for the mining operations. In addition, the amount allocated for Mukim Batu Yon Mining Area is higher than the amount allocated for Mukim Hulu Jelai Mining Area is mainly due to the fact that the mining operation in Mukim Batu Yon Mining Area has proven the presence of gold and has produced results for the past two (2) financial years, while the Group's mining operation in Mukim Hulu Jelai Mining Area is relatively new at this juncture.

Details of utilisation	Minimum Scenario		Maximum Scenario	
	Time frame for utilisation <sup>*1</sup>	Amount of proceeds RM'000	Time frame for utilisation <sup>*1</sup>	Amount of proceeds RM'000
Exploration expenditure for gold mining operation <sup>*2</sup>	Within 24 months	15,000	Within 24 months	15,000
Purchase of machineries and equipment <sup>*3</sup> for gold mining operation	Within 24 months	30,000	Within 24 months	30,000
Working capital for gold mining operation <sup>*4</sup>	Within 24 months	77,775	Within 30 months	85,795
Purchase of plant and equipment for limestone mining operation <sup>*5</sup>	Within 12 months	10,000	Within 12 months	10,000
Working capital for limestone mining operation <sup>*6</sup>	Within 24 months	8,000	Within 24 months	8,000
Working capital for fast food operation <sup>*7</sup>	Within 12 months	5,000	Within 12 months	5,000
Future investments <sup>*8</sup>	Within 24 months	60,000	Within 24 months	60,000
Repayment of borrowings <sup>*9</sup>	Within 12 months	18,839	Within 12 months	18,839
Estimated expenses in relation to the Proposed Rights Issue with Warrants <sup>*10</sup>	Within three (3) months	3,550	Within three (3) months	4,750
<b>Total</b>		<b>228,164</b>		<b>237,384</b>

**Notes:-**

<sup>\*1</sup> Expected time frame for utilisation of proceeds from the completion of the Proposed Rights Issue with Warrants.

<sup>\*2</sup> At present, BOG has been appointed as sub-contractor to carry out, amongst others, prospecting, exploration and mining of alluvial and lode gold on an exclusive basis at the Mukim Batu Yon Mining Area, Mukim Hulu Jelai Mining Area and Mukim Keratong Mining Area, covering a total of approximately 162.3 hectares, 202.8 hectares and 1,200 hectares, respectively. Brief summary of the contractors and their rights as well as the period and salient terms and conditions of the mining contracts entered into by the Group for its aforementioned mining operations are set out below:-

	<b>Mukim Batu Yon Contract</b>	<b>Mukim Hulu Jelai Contract</b>	<b>Mukim Keratong Contract</b>
<b>Contractor</b>	CSB	Jusra	HDL
<b>Rights of contractor over mining area</b>	To carry out mining works on nine (9) sub-blocks in the Merapoh area in Pahang, which includes the Mukim Batu Yon Mining Area.	To prospect and mine minerals in five (5) blocks of the Merapoh area in Pahang which includes the Mukim Hulu Jelai Mining Area.	To prospect and explore and to carry on mining, extraction, processing, marketing, sales and collection of sales revenue with respect to all minerals and precious metals including gold at the Mukim Keratong Mining Area.

	<b>Mukim Batu Yon Contract</b>	<b>Mukim Hulu Jelai Contract</b>	<b>Mukim Keratong Contract</b>																
<b>Fees/ royalty, cost and profit sharing</b>	<p>Tributes payable by BOG to CSB as a percentage of monthly gross revenue from sale of gold are summarised below:-</p> <p>i. Alluvial gold</p> <table border="1"> <thead> <tr> <th><b>Monthly gross revenue</b></th> <th><b>Tribute payment</b></th> </tr> </thead> <tbody> <tr> <td>Less than or equal to RM500,000</td> <td>8%</td> </tr> <tr> <td>Between RM500,000 and RM1,000,000</td> <td>9%</td> </tr> <tr> <td>Between RM1,000,000 and RM2,000,000</td> <td>10%</td> </tr> <tr> <td>More than RM2,000,000</td> <td>12%</td> </tr> </tbody> </table> <p>ii. Lode gold</p> <table border="1"> <thead> <tr> <th><b>Monthly gross revenue</b></th> <th><b>Tribute payment</b></th> </tr> </thead> <tbody> <tr> <td>Less than or equal to RM5,000,000</td> <td>10.5%</td> </tr> <tr> <td>More than RM5,000,000</td> <td>14.5% if gold price &lt; USD1,400 per ounce; or 16.5% if gold price ≥ USD1,400 per ounce</td> </tr> </tbody> </table> <p>In addition, BOG and CSB agree to adhere to the tribute which ranges from 6% to 7% to PKNP and MMC and royalty payment to the Pahang State Government calculated based on the revenue from the total sale of gold produced.</p> <p>For the avoidance of doubt, BOG shall be responsible only for tributes due to CSB based on the gross revenue from the sale of gold. Meanwhile, CSB shall be responsible to pay the relevant tribute to PKNP and MMC and royalty payment to the Pahang State Government.</p>	<b>Monthly gross revenue</b>	<b>Tribute payment</b>	Less than or equal to RM500,000	8%	Between RM500,000 and RM1,000,000	9%	Between RM1,000,000 and RM2,000,000	10%	More than RM2,000,000	12%	<b>Monthly gross revenue</b>	<b>Tribute payment</b>	Less than or equal to RM5,000,000	10.5%	More than RM5,000,000	14.5% if gold price < USD1,400 per ounce; or 16.5% if gold price ≥ USD1,400 per ounce	<p>Tributes payable by BOG to Jusra based on 10% of the revenue from the total sale of gold produced ("Jusra Tribute").</p> <p>In addition, BOG and Jusra agree to adhere to the tribute which ranges from 6% to 7% to PKNP and MMC and royalty payment of 5% to the Pahang State Government calculated based on the revenue from the total sale of gold produced.</p> <p>For the avoidance of doubt, BOG shall be responsible only for the Jusra Tribute due to Jusra. Meanwhile, Jusra shall be responsible to pay the tribute to PKNP and MMC and royalty payment to the Pahang State Government.</p>	<p>To share the NPAT with 60% to BOG and 40% to HDL. The NPAT shall be derived from the sales revenue of the gold less all project and operational costs including recoverable costs (First Advance, 50% of the Second Advance and Subsequent Advances), tributes (which shall not at any time exceed 2.5% payable to PKNP and 5.0% payable to the Pejabat Tanah and Galian based on sales revenue) and all taxes, duties and levies payable or accrued to any authority whether the Federal Government, Pahang State Government or otherwise.</p>
<b>Monthly gross revenue</b>	<b>Tribute payment</b>																		
Less than or equal to RM500,000	8%																		
Between RM500,000 and RM1,000,000	9%																		
Between RM1,000,000 and RM2,000,000	10%																		
More than RM2,000,000	12%																		
<b>Monthly gross revenue</b>	<b>Tribute payment</b>																		
Less than or equal to RM5,000,000	10.5%																		
More than RM5,000,000	14.5% if gold price < USD1,400 per ounce; or 16.5% if gold price ≥ USD1,400 per ounce																		
<b>Period of contract</b>	<p>Five (5) years with two (2) renewals of five (5) years each subject to a review on the consideration as stated in the Mukim Batu Yon Contract and if in the opinion of BOG, there is still gold of commercial quantities in the Mukim Batu Yon Mining Area.</p>	<p>Five (5) years with an automatic renewal for another five (5) years subject to a review on the tribute payment percentage to be mutually agreed. A third (3rd) five (5)-year contract duration will be automatically extended if in the opinion of BOG there are still gold and other minerals of commercial quantities in the Mukim Hulu Jelai Mining Area and subject to a further review of tribute from the expiry of the second (2nd) five (5)-year contract duration.</p>	<p>20 years, or on the exhaustion of minerals, whichever earlier.</p>																

Further details on the Mukim Batu Yon Contract, Mukim Hulu Jelai Contract and Mukim Keratong Contract are set out in Section 2.8.1 of this Circular.

The gross proceeds earmarked for exploration expenditure for gold mining operation of the Group is intended to be utilised in the following manner according to the mining site location:-

	<----Amount of proceeds---->	
	Minimum Scenario RM'000	Maximum Scenario RM'000
<i>Financing of exploration expenditure for alluvial and lode gold resources including the hiring of geological equipment, sampling tests costs as well as geological fees:-</i>		
• Mukim Batu Yon	5,000	5,000
• Mukim Hulu Jelai	2,000	2,000
• Mukim Keratong	8,000	8,000
<b>Total</b>	<b>15,000</b>	<b>15,000</b>

<sup>3</sup>

The gross proceeds earmarked for purchase of new machineries and equipment for gold mining operation of the Group is intended to be utilised in the following manner according to the mining site location:-

	<----Amount of proceeds---->	
	Minimum Scenario RM'000	Maximum Scenario RM'000
<i>Purchase of two (2) units of mobile gold wash plant with leaching circuit, seven (7) units of excavators, one (1) unit of wheel loader, one (1) unit of bulldozer, nine (9) units of motor vehicles, two (2) units of tractors, five (5) units of trucks and other mining-related equipment for the mining area at Mukim Batu Yon</i>	15,000	15,000
<i>Purchase of three (3) units of excavators, one (1) unit of wheel loader, one (1) unit of bulldozer, three (3) units of motor vehicles, two (2) units of tractors and other mining-related equipment for the mining area at Mukim Hulu Jelai</i>	5,000	5,000
<i>Purchase of one (1) unit of mobile gold wash plant with leaching circuit, five (5) units of excavators, one (1) unit of wheel loader, one (1) unit of bulldozer, five (5) units of motor vehicles, one (1) unit of tractor, three (3) units of trucks and other mining-related equipment for the mining area at Mukim Keratong</i>	10,000	10,000
<b>Total</b>	<b>30,000</b>	<b>30,000</b>

<sup>4</sup>

The gross proceeds earmarked for working capital for gold mining operation of the Group is intended to be utilised in the following manner according to the mining site location:-

	<----Amount of proceeds---->	
	Minimum Scenario RM'000	Maximum Scenario RM'000
<i>Mining site development costs which includes, amongst others, staff salary and benefits, land clearing works, construction of infrastructures such as water and tailing ponds, roads and repair and maintenance of infrastructures:-</i>		
• Mukim Batu Yon	5,000	5,000
• Mukim Hulu Jelai	5,000	5,000
• Mukim Keratong	5,000	10,000



	<-----Amount of proceeds----->	
	Minimum Scenario RM'000	Maximum Scenario RM'000
<i>General working capital# which includes, amongst others, staff salary and benefits, repair and maintenance of plant and machinery, fuel and lubricants and rental of existing heavy mining equipment:-</i>		
• Mukim Batu Yon	22,000	22,000
• Mukim Hulu Jelai	12,000	12,000
• Mukim Keratong	23,775	26,795
<i>Advances payable by BOG to HDL pursuant to the Mukim Keratong Contract. Further details and status of each of the tranches of advances payable are set out in Section 2.8.1(C) of this Circular. For the avoidance of doubt, the proceeds allocated for the purpose hereunder shall be utilised to pay the remaining tranches of the advances payable as well as to reimburse to the working capital of the Group the portion of the advances that has been paid up to date.</i>	5,000	5,000
<b>Total</b>	<b>77,775</b>	<b>85,795</b>

**Note:-**

# Further breakdown of the general working capital for gold mining operation of the Group intended to be utilised according to the mining site location are set out below:-

<u>Minimum Scenario</u>	<-----Amount of proceeds----->		
	Mukim Batu Yon RM'000	Mukim Hulu Jelai RM'000	Mukim Keratong RM'000
Staff salary and benefits	8,000	2,800	6,300
Repair and maintenance of plant and machinery	2,700	1,300	3,400
Fuel and lubricants	6,000	3,200	6,000
Rental of existing heavy mining equipment	1,000	300	500
Other expenses	4,300	4,400	7,575
<b>Total</b>	<b>22,000</b>	<b>12,000</b>	<b>23,775</b>

<u>Maximum Scenario</u>	<-----Amount of proceeds----->		
	Mukim Batu Yon RM'000	Mukim Hulu Jelai RM'000	Mukim Keratong RM'000
Staff salary and benefits	8,000	2,800	6,300
Repair and maintenance of plant and machinery	2,700	1,300	3,400
Fuel and lubricants	6,000	3,200	6,000
Rental of existing heavy mining equipment	1,000	300	500
Other expenses	4,300	4,400	10,595
<b>Total</b>	<b>22,000</b>	<b>12,000</b>	<b>26,795</b>

<sup>5</sup> The Group's limestone mining operation is located in Ulu Segama at Lahad Datu, Sabah. The total size of the land area of which BOG has access in Ulu Segama for limestone mining is approximately 262.60 acres. The Group intends to further expand its limestone mining operation in Ulu Segama. The gross proceeds earmarked for the purchase of plant and equipment for the limestone mining operation of the Group is intended to be utilised for the purchase of one (1) unit of crushing plant, four (4) units of core drills, 12 units of wire saw, four (4) units of generator sets, two (2) units of excavators, one (1) unit of motor grader, two (2) units of motor chain saw, four (4) units of cranes, one (1) unit of truck and other limestone mining-related equipment.

<sup>6</sup> The gross proceeds earmarked for working capital for limestone mining operation is intended to be utilised for staff salary, repair and maintenance works, utilities, fuel and lubricants, and selling and marketing expenses.

<sup>7</sup> In December 2014, the Group secured the master license for a Singapore pizza chain, for operations in Sabah and Sarawak, namely Pezzo. The concept of Pezzo is as a quick service restaurant where customers can simply grab a slice of pizza and head off, or stay for a drink and to relax. The proceeds earmarked for working capital for the fast food operation of the Group will be utilised for staff salary, payment of rental, and selling and marketing expenses.

<sup>8</sup> Apart from expanding the Group's business organically via the internal growth of its existing businesses, the Group's future plans also includes expanding inorganically, via mergers and acquisitions of businesses or investments. In line with the above, up to RM60.00 million of the proceeds raised from the Proposed Rights Issue with Warrants shall be utilised to part finance any suitable and viable potential business(es)/ investment(s), within 24 months from completion. As potential acquisition(s) of business(es)/ investment(s) may cost a substantial amount, part of the proceeds raised from the Proposed Rights Issue with Warrants may allow the Group to capitalise on suitable and viable investment opportunities as and when it arises, which in turn may generate positive returns to the Group in the future, thereby increasing shareholders' value.

The Group intends to seek future investments mainly for its existing businesses, which may include options such as acquisition of assets or companies which has synergistic benefits. As at the LPD, the management of Bornoil is still exploring options for identifying suitable business(es)/ investment(s) or strategic acquisition(s) and will continuously seek and identify such opportunities. The Company shall make the necessary announcements (in accordance with the Listing Requirements) as and when new business(es)/ investment(s) have been identified by the Group and are likely to materialise. If the nature of the transaction requires shareholders' approval pursuant to the Listing Requirements, the Company will seek the necessary approval from its shareholders.

In the event the Group is unable to identify any suitable and viable business(es)/ investment(s) within the timeframe stipulated (or any extended timeframe, if applicable), the proceeds allocated for future viable investments shall be transferred for working capital purposes of the Group.

<sup>9</sup> As at the LPD, the Group's total borrowings amounted to approximately RM18.84 million. For illustrative purpose, the repayment of the Group's borrowings of RM18.84 million is expected to result in an interest cost savings of approximately RM1.09 million per annum based on the effective interest rate at approximately 5.76% per annum.

<sup>10</sup> The gross proceeds earmarked for estimated expenses in relation to the Proposed Rights Issue with Warrants shall be utilised as set out below:-

	<----Amount of proceeds---->	
	Minimum Scenario RM'000	Maximum Scenario RM'000
Professional fees (i.e. adviser, reporting accountants and solicitors)	650	650
Regulatory fees	135	135
Underwriting fees	2,600	3,800
Other incidental expenses in relation to the Proposed Rights Issue with Warrants	165	165
<b>Total</b>	<b>3,550</b>	<b>4,750</b>

Any variation to the amount of proceeds to be raised, which is dependent upon the actual number of Rights Shares to be issued, will be adjusted against the working capital.

The gross proceeds to be raised from the exercise of the Warrants C is dependent on the total number of Warrants exercised during the tenure of the Warrants C as well as the exercise price of the Warrants C, which will be determined at a later date. For illustrative purpose only, the gross proceeds that is expected to be raised upon full exercise of the Warrants C based on the indicative exercise price of RM0.10 per Warrant C is approximately RM114.08 million under the Minimum Scenario and approximately RM118.69 million under the Maximum Scenario. The gross proceeds to be raised from the exercise of the Warrants C will be utilised as additional working capital of Bornoil Group. The proceeds may be utilised to finance, amongst others, salaries, repayment to trade creditors as well as general expenses such as traveling, staff training, rental and utilities.

In the event the results of exploration is not as expected, the Board may utilise the amount of RM15.00 million allocated for exploration expenditure to the working capital requirements of the existing business and operations of the Group. It should be noted that Mukim Batu Yon Mining Area has produced positive results for the past two (2) years. In addition, the Board is cautiously optimistic that the results of exploration for gold may also be positive for the Group's relatively recent mining operations at Mukim Hulu Jelai Mining Area and Mukim Keratong Mining Area.

Pending utilisation of the proceeds from the Proposed Rights Issue with Warrants 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 of Bornoil Group.

## **2.9 Foreign Entitled Shareholders**

This Circular is issued for the purposes of, *inter-alia*, explaining the details of the Proposed Rights Issue with Warrants and does not constitute the making available of, an offer of, or an invitation by or on behalf of Bornoil for the subscription or purchase of any securities.

The abridged prospectus which will be issued in connection with the Proposed Rights Issue with Warrants, together with its accompanying documents, have not and will not be made to comply with the laws of any jurisdiction other than Malaysia, and have not and will not be registered under any applicable securities legislation of any jurisdiction other than Malaysia or with or by any regulatory authorities or other relevant bodies of any jurisdiction other than Malaysia, and the Proposed Rights Issue with Warrants will not be offered for subscription in any country other than Malaysia.

Accordingly, the documents relating to the Proposed Rights Issue with Warrants will only be sent to the Entitled Shareholders who have a registered address or an address for service in Malaysia as registered in the Record of Depositors of Bornoil on the Entitlement Date. The Entitled Shareholders who do not have a registered address or an address for service in Malaysia as registered in the Record of Depositors of Bornoil on the Entitlement Date ("Foreign Entitled Shareholders") and who wish to change their addresses to Malaysia should inform their respective stockbrokers to effect the change of address. Such notification should be done prior to the Entitlement Date.

Alternatively, such Foreign Entitled Shareholders may collect the abridged prospectus from the Company's share registrar who shall be entitled to request for such evidence as they deem necessary to satisfy themselves as to the identity and authority of the person collecting the abridged prospectus.

Foreign Entitled Shareholders may only exercise their rights in respect of the Proposed Rights Issue with Warrants to the extent that it would be lawful to do so, and Bornoil and/ or RHBIB would not, in connection with the Proposed Rights Issue with Warrants, be in breach of the laws of any jurisdiction which the Foreign Entitled Shareholders and/ or their renounee(s) might be subject to.

Foreign Entitled Shareholders will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such jurisdiction and Bornoil shall be entitled to be fully indemnified and held harmless by such foreign applicants for any such issue, transfer or any other taxes or duties. They will have no claims whatsoever against Bornoil, Bornoil's share registrar and/ or RHBIB in respect of their rights or entitlement under the Proposed Rights Issue with Warrants. Such applicants should also consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to exercise their rights in respect of the Proposed Rights Issue with Warrants.

Foreign Entitled Shareholders shall be solely responsible to seek advice as to the laws of any jurisdiction to which they may be subject to, and participation by the Foreign Entitled Shareholders in the Proposed Rights Issue with Warrants shall be on the basis of a warranty by them that they may lawfully so participate without Bornoil and/ or RHBIB being in breach of the laws of any jurisdictions.

Neither Bornoil, RHBIB nor any other advisers to the Proposed Rights Issue with Warrants shall accept any responsibility or liability in the event that any acceptance of a Foreign Entitled Shareholder of his/ her rights in respect of the Proposed Rights Issue with Warrants is or shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

### 3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED RIGHTS ISSUE WITH WARRANTS

As set out in Section 2.8.3 of this Circular, the proceeds from the Proposed Rights Issue with Warrants earmarked for the mining operations of Bornoil Group is approximately 61.70% and 62.68% under the Minimum Scenario and Maximum Scenario, respectively.

The financial performance by segment of the main operating segments of Bornoil Group for the past two (2) financial years up to the FYE 31 January 2015 and the three (3)-month FPE 30 April 2015 are set out below:-

	FYE 31 January 2014 <sup>1</sup> RM'000	FYE 31 January 2015 <sup>1</sup> RM'000	Three (3)- month FPE 30 April 2015 <sup>2</sup> RM'000
Revenue			
- Fast food operations	34,323	37,315	9,621
- Management and operations of properties	5,540	4,603	1,086
- Oil, gas and energy related businesses <sup>3</sup>	1,918	34,695	3,766
Profit/ (Loss) before tax			
- Fast food operations	1,744	5,269	865
- Management and operations of properties	6,343	(1,313)	(162)
- Oil, gas and energy related businesses <sup>3</sup>	(6,085)	5,502	709

**Notes:-**

- <sup>1</sup> Based on the latest audited consolidated financial statements of the Group for the FYE 31 January 2015.
- <sup>2</sup> Based on the latest unaudited quarterly report of the Group for the three (3)-month FPE 30 April 2015.
- <sup>3</sup> For the avoidance of doubt, the oil, gas and energy related businesses segment of the Group consists of limestone mining and manufacturing of other related products as well as gold mining operations. For informative purpose, the breakdown of the revenue and profit/ (loss) before tax for the aforementioned segment for the past two (2) financial years up to the FYE 31 January 2015 and the three (3)-month FPE 30 April 2015 are set out below:-

	FYE 31 January 2014 RM'000	FYE 31 January 2015 RM'000	Three (3)-month FPE 30 April 2015 RM'000
<i>Revenue</i>			
- Limestone mining and manufacturing of other related products	681	338	2,567 <sup>(a)</sup>
- Gold mining operations	1,237	34,357	1,199 <sup>(b)</sup>
<i>Profit/ (Loss) before tax</i>			
- Limestone mining and manufacturing of other related products	(3,017)	(979)	303
- Gold mining operations	(3,068)	6,481	406

**Notes:-**

- (a) The revenue from limestone mining and manufacturing of other related products for the three (3)-month FPE 30 April 2015 is relatively higher as BOG had purchased inventories for trading activities during the three (3)-month FPE 30 April 2015.
- (b) The revenue from gold mining operations for the three (3)-month FPE 30 April 2015 is relatively lower as after BOG had entered into the Mukim Hulu Jelai Contract in January 2015, BOG had temporarily relocated part of the workforce, excavators, wheel loader and motor vehicles from the Mukim Batu Yon Mining Area to Mukim Hulu Jelai Mining Area for the purpose of carrying out basic earthworks, site clearing and infrastructure works such as roads, tailings and water ponds as well accommodation for staff at the Mukim Hulu Jelai Mining Area. In addition, part of the workforce at the Mukim Batu Yon Mining Area was relocated to exploration works as well as site clearing and infrastructure works at new mining site within the Mukim Batu Yon Mining Area.

Based on the above, during the FYE 31 January 2014, the Group derived its revenue mainly from its fast food operations. During the FYE 31 January 2015, the Group derived its revenue mainly from its fast food operations and its gold mining operations at the Mukim Batu Yon Mining Area. The revenue derived from gold mining operations of the Group has increased from approximately RM1.24 million to RM34.36 million for the FYE 31 January 2015.

As mentioned above, the contribution from the gold mining operation of the Group for the past two (2) financial years are mainly from the mining operation at Mukim Batu Yon. Following the Mukim Hulu Jelai Contract and Mukim Keratong Contract in early 2015, at present, the Group's gold mining operation has expanded from covering a total mining area of approximately 162.3 hectares to covering a total mining area of approximately 1,565.1 hectares. The increase in investment in the gold mining operation is in line with the expansion plan of the Group. The Board has noted that the gold mining division has produced encouraging results and barring any unforeseen circumstances, the Board is cautiously optimistic that the gold mining operation of the Group would contribute positively to the Group in the future.

After due consideration, the Board is of the view that the Proposed Rights Issue with Warrants is the most appropriate avenue for raising funds for the purposes stated in Section 2.8.3 of this Circular while potentially enhancing the Company's capital base as the Proposed Rights Issue with Warrants shall:-

- i. Enable the Company to raise funds without incurring interests expenses as compared to bank borrowings;

- ii. Optimise the Group's capital structure by strengthening its statement of financial position and reducing its current gearing level. Upon completion of the Proposed Rights Issue with Warrants, the Group is able to raise funding of approximately RM228.16 million and RM237.38 million under the Minimum Scenario and Maximum Scenario, respectively. The funds raised would be partially utilised by the Group for full repayment of borrowings of approximately RM18.84 million. In addition, the NA of the Group is expected to increase from approximately RM294.46 million (after adjusted for the movements in share capital up to the LPD) to approximately RM519.08 million and RM528.71 million after the Proposed Rights Issue with Warrants under the Minimum Scenario and Maximum Scenario, respectively (prior to the full exercise of the Warrants C). As the Proposed Rights Issue with Warrants will enable the Group to raise funding for, amongst others, full repayment of borrowings as well as increasing the NA of the Group, the gearing level of the Group is also expected to reduce from approximately 0.06 times (after adjusted for the movements in share capital up to the LPD) to nil after the Proposed Rights Issue with Warrants under both the Minimum Scenario and Maximum Scenario. Further details on the proforma net assets and gearing level of the Group have been set out in Section 5.2 of this Circular; and
- iii. Provide the shareholders of Bornoil with an opportunity to further increase their equity participation in the Company via the issuance of new Bornoil Shares without diluting the existing shareholders' equity interest (assuming all the Entitled Shareholders fully subscribe for their respective entitlements).

The Warrants C to be issued pursuant to the Proposed Rights Issue with Warrants are expected to provide an incentive to the Entitled Shareholders and/ or their renounee(s) to subscribe for the Rights Shares. The Warrants C will allow the Entitled Shareholders and/ or their renounee(s) who subscribe for the Rights Shares to benefit from any potential capital appreciation of the Warrants C and increase their equity participation in the Company at a predetermined price over the tenure of the Warrants C. In addition, the Company would also be able to raise further proceeds as and when the Warrants C are exercised.

#### **4. INDUSTRY OVERVIEW AND OUTLOOK AND FUTURE PROSPECTS OF BORNOIL GROUP**

##### **4.1 Overview and outlook of the Malaysian economy**

The Malaysian economy recorded a growth of 6.0% in 2014, driven primarily by the continued strength of domestic demand and supported by an improvement in external trade performance. Net exports turned around to contribute positively to growth after seven years of negative contribution, as Malaysia benefitted from the recovery in the advanced economies and the sustained demand from the regional economies. While the growth in private domestic demand remained strong, public sector expenditure registered slower growth, consistent with the Government's fiscal consolidation efforts.

Private consumption grew by 7.1% in 2014, supported by favourable income growth and stable labour market conditions. Private consumption growth was also supported by the targeted Government transfers to low- and middle-income households. These partially mitigated some of the dampening effects on household spending growth from the higher cost of living following adjustments to administered prices. Public consumption recorded a slower growth rate of 4.4% given the more moderate increase in Government expenditure on supplies and services, which was in line with expenditure rationalisation initiatives announced towards the end of 2013.

On the supply side, all economic sectors recorded higher growth rates in 2014, driven by domestic and external factors. In particular, the recovery in the advanced economies and the continued demand from regional economies resulted in the manufacturing sector recording a strong growth of 6.2%. The services sector remained the largest contributor to growth, expanding by 6.3%.

Despite a challenging external environment, the Malaysian economy is expected to register steady growth of 4.5% - 5.5% in 2015, supported mainly by sustained expansion in domestic demand amid strong domestic fundamentals and a resilient export sector. Domestic demand will continue to anchor growth in 2015, driven by private sector spending. Private consumption is expected to grow by 6.0% in 2015. While the implementation of the Goods and Services Tax ("GST") in April 2015 and lower earnings in the commodity-related sectors are expected to affect spending, this will, however, be partially offset by higher household disposable incomes from lower fuel prices, the favourable labour market conditions and the Government measures to assist low- and middle-income households.

On the supply side, all economic sectors are expected to expand. The services and manufacturing sectors will remain the key drivers of overall growth. Growth in the mining sector is projected to be sustained amid rising output from a new oil field. Weighed down by lower commodity prices, the agriculture sector is expected to record a marginal positive growth. The construction sector is expected to continue to record high growth, albeit at a more moderate pace. Although activity in the residential sub-sector is expected to increase at a more moderate pace, growth in the non-residential sub-sector is projected to be sustained while new and existing multi-year civil engineering projects will continue to provide additional support to the sector.

*(Source: Bank Negara Malaysia Annual Report 2014)*

#### **4.2 Overview and outlook of the mining industry**

The overall mining sector recorded a stronger growth of 3.1% in 2014 as a result of higher production of natural gas and crude oil. Continued demand for liquefied natural gas from North Asia led to higher production of natural gas, while crude oil output registered higher growth, especially in the second half of the year. Growth in the overall mining sector in 2015 is expected to be sustained, supported by oil production from a new major oil field at offshore Sabah.

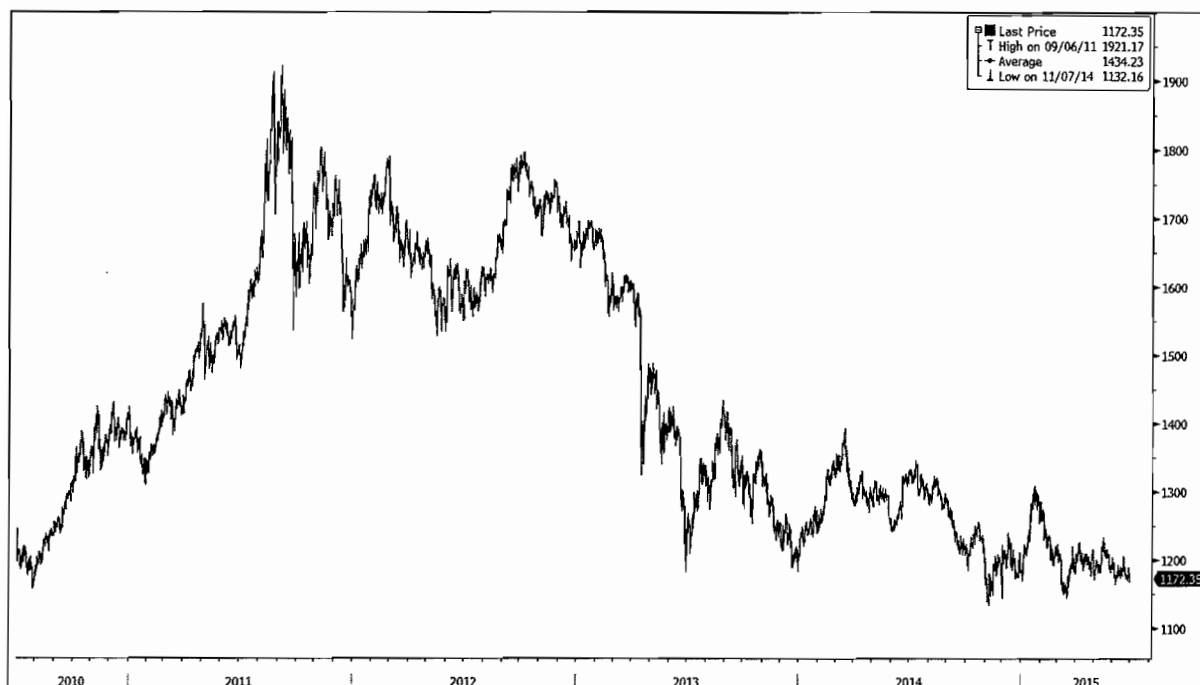
*(Source: Bank Negara Malaysia Annual Report 2014)*

Gold prices rose at the start of 2015 on safe-haven buying fueled by uncertainty over the impact of the European Central Bank's ("ECB") quantitative easing, Greece's election and debt sustainability prospects, and the Swiss National Bank's decision to abandon its ceiling exchange rate with the euro. After touching United States Dollar ("USD") 1,300 per ounce in January 2015, prices fell after the ECB announced that it would buy 60 billion euros per month until September 2016. Attention turned to USD strength and speculation over when the United States Federal Reserve Bank would raise interest rates, which contributed to lower investment demand. Typically, rising interest rates have negative implications for gold prices, as investors seek yield bearing assets. Festival related consumption in India and Dubai in January 2015 and the PRC in February 2015 was less than anticipated and inventories remained high.

Gold mine output continues to grow, aided by falling costs and weakening currencies in a number of producing countries. In 2014, global mine production rose by 3%, with most of the net growth in Asia and Africa as well as Canada and the PRC.

*(Source: Commodity Markets Outlook April 2015, World Bank)*

For illustrative purposes, the movements of gold prices in USD for the past five (5) years up to the LPD are set out below:-



(Source: Bloomberg)

From the chart above, gold price was traded highest at approximately USD1,921 per ounce on 6 September 2011 and lowest traded at approximately USD1,132 per ounce on 7 November 2014 during the past five (5) years up to the LPD. The average of the gold prices traded for the past five (5) years up to the LPD is approximately USD1,434 per ounce. For informative purpose only, the price of gold as at the LPD of approximately USD1,172 per ounce is higher than the lowest traded price of gold for the past five (5) years of approximately USD1,132 per ounce.

#### 4.3 Overview and outlook of the food services industry

The services sector is expected to grow 5.6% in 2015 (2014: 5.9%), accounting for 55.4% share of gross domestic product (2014: 55.3%), supported by expansion across all subsectors.

The accommodation and restaurant subsectors are anticipated to increase 5.9%, in 2015 (2014: 6.1%) driven by favourable domestic consumption and higher tourist arrivals following the Malaysia Year of Festivals 2015.

(Source: Chapter 3: Economic Performances and Prospects, Economic Report 2014/ 2015, Ministry of Finance Malaysia)



Private consumption is projected to grow by 6.0% in 2015. The implementation of the GST in April 2015 may have some effect on household spending. This will, however, be partially offset by the government's measures to assist targeted groups, the additional household disposable income from lower fuel prices, and the favourable labour market conditions. The targeted Government assistance to low- and middle-income groups is expected to provide support to private consumption. These include the higher amount of Bantuan Rakyat 1Malaysia cash transfers, the RM100 cash assistance programme to primary and secondary school students, and the Baucar Buku 1Malaysia for Malaysian students in higher learning institutions. The reduction of individual income tax rates by one to three percentage points with the implementation of the GST is also expected to increase the household disposable income. The lower fuel prices may support household spending through savings from paying lower prices for fuel and from lower inflation. All these factors may raise disposable income and consequently, support consumption spending.

(Source: Bank Negara Malaysia Annual Report 2014)

#### 4.4 Future prospects of Bornoil Group

On 17 March 2014, the Board announced that BOG, a wholly-owned subsidiary of the Group, was appointed on 14 March 2014 as sub-contractor to carry out prospecting and mining of alluvial and lode gold on an exclusive basis in the Mukim Batu Yon Mining Area.

On 8 May 2014, RHBIB had, on behalf of the Board, announced that the Company proposes to undertake the following:-

- i. A par value reduction via the cancellation of RM0.90 of the par value of every existing ordinary share of RM1.00 each in the issued and paid-up share capital of Bornoil pursuant to Section 64 of the Act ("Par Value Reduction");
- ii. A private placement of up to 20% of the issued and paid-up share capital of Bornoil after the Par Value Reduction ("Private Placement");
- iii. Diversification of the existing core businesses of Bornoil Group to include mining and its related activities ("Diversification"); and
- iv. Amendments to the Memorandum and Articles of Association of Bornoil.

(collectively referred to as the "Previous Proposals")

The Group had on 9 September 2014 procured the approval of the shareholders of the Company for the Previous Proposals. The Par Value Reduction was completed and took effect on 24 September 2014. The 46,248,000 Bornoil Shares issued pursuant to the Private Placement were listed on the Main Market of Bursa Securities on 7 October 2014, marking the completion of the Previous Proposals. At the issue price of RM0.56 per Share, the total proceeds raised from the Private Placement was RM25,898,880.

The status of the utilisation of proceeds from the Private Placement as at 30 June 2015 is set out below:-

Purposes	Time frame for utilisation (i.e. from 7 October 2014)	Amount raised RM'000	As at 30 June 2015	
			Amount utilised RM'000	Balance RM'000
Repayment of hire purchase	Within three (3) months (i.e. by 6 January 2015)	5,829	2,882	2,947 <sup>*1</sup>

Purposes	Time frame for utilisation (i.e. from 7 October 2014)	Amount raised RM'000	As at 30 June 2015	
			Amount utilised RM'000	Balance RM'000
Purchase of new mining plant and equipment	Within eight (8) months (i.e. by 6 June 2015)	5,000	4,520	480 <sup>2</sup>
Exploration expenditure	Within 12 months (i.e. by 6 October 2015)	5,000	5,000	-
Setting up of new food processing factory	Within 12 months (i.e. by 6 October 2015)	5,000	-	5,000
Working capital for mining operations	Within nine (9) months (i.e. by 6 July 2015)	3,770	7,455 <sup>3</sup>	(3,685)
Expenses in relation to the Previous Proposals	Within one (1) month (i.e. by 6 November 2014)	1,300	1,042	258 <sup>4</sup>
<b>Total</b>		<b>25,899</b>	<b>20,899</b>	<b>5,000</b>

**Notes:-**

<sup>1</sup> The balance of the proceeds earmarked for repayment of hire purchase amounting to approximately RM2.95 million which was unutilised within the intended time frame for utilisation by 6 January 2015 was re-allocated to working capital for mining operations of the Group after expiry of the intended time frame for utilisation. In addition, the Board is of the view that the re-allocation of the said balance to the working capital for mining operations to meet the increasing operating requirements of the mining operations is in line with the expansion plan of the Group and is in the best interest of the Group.

<sup>2</sup> The balance of the proceeds earmarked for purchase of new mining plant and equipment amounting to approximately RM0.48 million which was unutilised within the intended time frame for utilisation by 6 June 2015 was re-allocated to working capital for mining operations of the Group after expiry of the intended time frame for utilisation. In addition, the Board is of the view that the re-allocation of the said balance to the working capital for mining operations to meet the increasing operating requirements of the mining operations is in line with the expansion plan of the Group and is in the best interest of the Group.

<sup>3</sup> The amount of proceeds earmarked for working capital for mining operations of the Group increased due to Notes (1) and (2) above and Note (4) below. The additional working capital was utilised for operational mining expenses such as payment of staff salary and benefits, fuel and lubricants, and repair and maintenance of plant and machinery.

<sup>4</sup> The excess of the proceeds earmarked for expenses in relation to the Previous Proposals amounting to approximately RM0.26 million was re-allocated to working capital for mining operations of the Group.

In 2014, Bornoil Group had raised funds via the Private Placement mainly for the gold mining operation at the material time at the Mukim Batu Yon Mining Area, which were mainly utilised for repayment of hire purchase, purchase of new mining plant and equipment, exploration expenditure and working capital requirement of the gold mining operation. Apart from that, a portion of the funds raised from the Private Placement for the purpose of setting up a new food processing factory for the fast food operation of the Group.

In early 2015, BOG has entered into two (2) new mining contracts, namely the Mukim Hulu Jelai Contract and Mukim Keratong Contract whereby at present, the Group's gold mining operation has expanded from covering a total mining area of approximately 162.3 hectares to covering a total mining area of approximately 1,565.1 hectares. Further details of the aforementioned contracts and the current status of the exploration/ mining activities at the respective gold mining area are set out in Section 2.8.1 of this Circular.

Barring any unforeseen circumstances, the Board is of the view that the funds intended to be raised from the Proposed Rights Issue with Warrants shall be sufficient in addressing the capital requirement of the Group for the purposes of utilisation within the time frame as stated in Section 2.8.3 of this Circular. However, in the event that the funds raised for the purposes of utilisation is not sufficient within the time frame as stated in Section 2.8.3 of this Circular, the Group may utilise internally-generated funds and/ or obtain borrowings to fund the shortfall. The Board is unable to determine the exact quantum at this juncture as the actual amount to be utilised by each component of working capital may differ subject to the operating requirements at the time of utilisation.

Subsequent to the Diversification, the businesses of Bornoil Group currently consist of three (3) main segments, namely the fast food operations, management and operations of properties as well as oil, gas and energy related businesses. The financial performance by segment of the aforementioned operating segments of Bornoil Group for the past two (2) financial years up to the FYE 31 January 2015 and the three (3)-month FPE 30 April 2015 are set out below:-

	FYE 31 January 2014 <sup>1</sup> RM'000	FYE 31 January 2015 <sup>1</sup> RM'000	Three (3)- month FPE 30 April 2015 <sup>2</sup> RM'000
Revenue			
- Fast food operations	34,323	37,315	9,621
- Management and operations of properties	5,540	4,603	1,086
- Oil, gas and energy related businesses <sup>3</sup>	1,918	34,695	3,766
Profit/ (Loss) before tax			
- Fast food operations	1,744	5,269	865
- Management and operations of properties	6,343	(1,313)	(162)
- Oil, gas and energy related businesses <sup>3</sup>	(6,085)	5,502	709

**Notes:-**

<sup>1</sup> Based on the latest audited consolidated financial statements of the Group for the FYE 31 January 2015.

<sup>2</sup> Based on the latest unaudited quarterly report of the Group for the three (3)-month FPE 30 April 2015.

<sup>3</sup> For the avoidance of doubt, the oil, gas and energy related businesses segment of the Group consists of limestone mining and manufacturing of other related products as well as gold mining operations. For informative purpose, the breakdown of the revenue and profit/ (loss) before tax for the aforementioned segment for the past two (2) financial years up to the FYE 31 January 2015 and the three (3)-month FPE 30 April 2015 are set out below:-

	FYE 31 January 2014 RM'000	FYE 31 January 2015 RM'000	Three (3)- month FPE 30 April 2015 RM'000
Revenue			
- Limestone mining and manufacturing of other related products	681	338	2,567 <sup>(a)</sup>
- Gold mining operations	1,237	34,357	1,199 <sup>(b)</sup>
Profit/ (Loss) before tax			
- Limestone mining and manufacturing of other related products	(3,017)	(979)	303
- Gold mining operations	(3,068)	6,481	406

**Notes:-**

(a) The revenue from limestone mining and manufacturing of other related products for the three (3)-month FPE 30 April 2015 is relatively higher as BOG had purchased inventories for trading activities during the three (3)-month FPE 30 April 2015.

- (b) *The revenue from gold mining operations for the three (3)-month FPE 30 April 2015 is relatively lower as after BOG had entered into the Mukim Hulu Jelai Contract in January 2015, BOG had temporarily relocated part of the workforce, excavators, wheel loader and motor vehicles from the Mukim Batu Yon Mining Area to Mukim Hulu Jelai Mining Area for the purpose of carrying out basic earthworks, site clearing and infrastructure works such as roads, tailings and water ponds as well accommodation for staff at the Mukim Hulu Jelai Mining Area. In addition, part of the workforce at the Mukim Batu Yon Mining Area was relocated to exploration works as well as site clearing and infrastructure works at new mining site within the Mukim Batu Yon Mining Area.*

Based on the above, during the FYE 31 January 2014, the Group derived its revenue mainly from its fast food operations. During the FYE 31 January 2015, the Group derived its revenue mainly from its fast food operations and its gold mining operations.

In the fast food operations segment, the Group holds franchise in SugarBun, a fast food restaurant chain which is mainly based in Sarawak. As at to date, the Group has a total of 79 SugarBun franchise outlets of which 69 outlets are in Malaysia and 10 outlets are overseas. It is the Group's intention to continuously nurture its SugarBun fast food business. In addition, the Group had in December 2014 secured the master license for a Singapore pizza chain, for operations in Sabah and Sarawak, namely Pezzo. The concept of Pezzo is as a quick service restaurant where customers can simply grab a slice of pizza and head off, or stay for a drink and to relax. The Group's plans for the fast food operation at this juncture consist of the following:-

- i. Expanding production capacity – The Group manufactures and supplies some ingredients including the controlled ingredients to its SugarBun fast food restaurant chain which is mainly based in Sarawak. The Group intends to set up of a new fast food central processing factory in Kuching for the existing fast food business of the Group with a higher production capacity to cater for the increase in sales of its fast food business. The Group had secured funding of RM5.00 million from the Private Placement for the said purpose. As at the LPD, the management of Bornoil have not identified nor have they entered into any agreement for the new fast food central processing factory. However, the management of the Company will continuously seek and identify suitable option for the new factory; and
- ii. Expanding business – The Group intends to expand its fast food business to open more outlets in line with its intention to expand its production capacity. The Group intends to secure funding from the Proposed Rights Issue with Warrants to finance the hiring of more staff, payment of rental, and selling and marketing expenses. The Group will also constantly monitor and review its workforce and operation in the fast food business.

In the gold mining operations of the Group, apart from BOG being engaged as sub-contractor at the Mukim Batu Yon Mining Area, BOG has also been appointed in early 2015 as sub-contractor to carry out, amongst others, prospecting, exploration and mining of alluvial and lode gold on an exclusive basis at the Mukim Hulu Jelai Mining Area and Mukim Keratong Mining Area, covering a total of approximately 202.8 hectares and 1,200 hectares, respectively. The status of the exploration activities and mining activities in the Mukim Batu Yon Mining Area, Mukim Hulu Jelai Mining Area and Mukim Keratong Mining Area are set out in Section 2.8.1 of this Circular. The Group's plans for the gold mining operations at this juncture consist of the following:-

- i. Expanding production capacity – The Group is currently at its initial stages to expand the production capacity of the gold mining operation. The Group intends to secure funding from the Proposed Rights Issue with Warrants to finance the exploration expenditure for alluvial and lode gold resources, to fund the purchase of more vehicles, machineries and equipment as well as to fund the mining site development costs, details of which are set out in Notes (2), (3) and (4) of Section 2.8.3 of this Circular;

- ii. Expanding workforce – The Group intends to expand the workforce to employ more workers in the mining field in line with its intention to expand its production capacity. The Group intends to secure funding from the Proposed Rights Issue with Warrants to finance the hiring of more workers at the mining sites which are now covering a total area of approximately 1,565.1 hectares. The Group will also constantly review its workforce and operation for optimum productivity; and
- iii. Expanding to new mining sites – In the long-run, the Group intends to seek new mining contracts and secure more mining leases and permits for other mining areas to enhance the prospects of the Group in the gold mining industry.

The Group's limestone mining operation is located in Ulu Segama at Lahad Datu, Sabah. The total size of the land area of which BOG has access in Ulu Segama for limestone mining is approximately 262.60 acres. The status of the mining activities in the Ulu Segama mining area are set out in Section 2.8.2 of this Circular. As set out in Notes (5) and (6) of Section 2.8.3 of this Circular, the Group has allocated a total of RM18.00 million (under both the Minimum Scenario and Maximum Scenario) for the purchase of machinery and equipment as well as the working capital purposes of the limestone mining operation, in line with the expansion plan of the Group in its mining business.

The Group is aware of the potential risk factors relating to the mining operations, which may not be exhaustive, are set out below:-

**(a) Reliance on mining leases and permits**

As BOG is currently purely a sub-contractor for gold mining works and operator for limestone mining works, the obligation to procure approvals from relevant authorities for its gold mining operations lies with the main contractor and/ or the mining lease holder, where applicable, while the obligation to procure approvals from relevant authorities for its limestone mining operation lies with the landowner of the limestone reserves. Nevertheless, BOG seeks to ensure that the relevant parties make and/ or complete the necessary application, renewal and/ or documentation that are required to sustain the leases and permits to operate the mining site.

Whilst it is vital that these leases and permits be obtained in order for BOG to undertake and carry out its mining operations, it is also important that the holders strictly adhere and comply with the terms and conditions stipulated in these leases and permits. Further, the mining leases and permits are subject to periodic renewals and risk of renewal lag or early termination by the issuing authorities. As such, any non-compliance of terms and conditions and/ or non-renewal and/ or early termination of such leases and permits may adversely affect the operations and financial performance of BOG in the mining business.

In mitigating this risk, BOG will continuously seek to ensure that the holders of the leases and permits are aware of the latest development or change in the regulatory environment governing the operations and also in ensuring compliance with the terms and conditions stipulated in the leases and permits. BOG will also seek to ensure that the relevant parties make early renewal application in advance prior to expiry of the said leases and permits.

**(b) Reliance on mining contracts**

BOG's mining contracts are subject to legal recourse or risk of early termination arising from contractual breaches including amongst others, non-compliance with the relevant laws and regulations governing its operation. As such, any legal recourse or early termination arising from such contractual breaches in its existing mining contracts may adversely affect the Group's mining operations and financial performance.

BOG has not encountered any situation in its mining contracts giving rise to legal recourse or early termination arising from contractual breaches which has a material adverse effect on its mining operations and financial performance in the past. In the long-run, the Group intends to seek new mining contracts and secure more mining leases and permits for other mining areas to enhance the prospects of the Group's mining operations.

**(c) Dependence on key management and personnel**

The performance and success of the Group in the mining business is dependent to a certain extent on the skills, abilities, experience and competencies of BOG's key management and personnel managing the mining operations. The current key management and personnel of the Group in the gold mining operation and the limestone mining operation have been set out in Sections 2.8.1 and 2.8.2 of this Circular, respectively. The loss of and failure to recruit suitable candidates to timely replace any such key management or personnel may adversely affect the mining operations and productivity.

In order to mitigate this risk, the Group has taken into consideration effective human resource management and development which includes competitive remuneration packages and training to attract and retain experienced and competent staff as well as service agreements to retain the existing key management and personnel in the mining operations.

**(d) Movements in prices of gold**

The proceeds from the sale of gold is subject to the movements in prices of gold. Any downward movement in the prices of gold may have effect on the revenue of the Group from its gold mining operation. Purely for illustrative purpose, the historical movements of gold prices in USD for the past five (5) years up to the LPD are set out in Section 4.2 of this Circular. It is noted that the highest and lowest traded prices of gold during the said period were approximately USD1,921 per ounce and USD1,132 per ounce, respectively. In addition, the closing gold price as at the LPD was approximately USD1,172 per ounce, which was within the range of the highest and lowest traded prices of gold during the said period.

BOG is aware of the risk of potential downward movements in the prices of gold on the financial performance of the Group in the gold mining operation. In mitigating this risk, BOG has been implementing prudent management and cost effective approach in its gold mining operations. BOG closely monitors its mining operations and expenses as well as the productivity of its workforce.

**(e) Risk of grade or purity of gold and limestone deposits**

Further, the Group is also aware that the Group is exposed to the risk of the grade or purity of the gold deposits available at its gold mining operation in Pahang and the limestone deposits available at its limestone mining operation in Sabah. There is no assurance that the Group would be able to consistently mine the desired grade or purity of the gold and limestone deposits at the said mining areas.

In mitigating this risk, BOG will leverage on its metallurgists' expertise and experience to extract and process gold deposits from ore to produce a higher grade of gold product. As for the limestone boulders mined, depending on the purity and uniqueness of the limestone boulders, the higher purity boulders shall be processed into higher value products such as marble tiles or furniture as per customers' requirements, while the lower purity boulders shall be processed into downstream value-added products such as limestone powder.

**(f) Investment risk**

Whilst the investment in gold and limestone mining may require significant initial investment in capital expenditure for the purchase of machinery, vehicles, plant and equipment, as well as significant investment in engaging experts for highly costly feasibility reports or studies for a certain mining project, there could be no assurance that the mining project may produce satisfactory or projected return to the investor.

The Group is highly aware of the investment risk in gold and limestone mining and has made considerable planning and due diligence on the viability and potential of the gold mining operation in Pahang as well as limestone mining operation in Sabah prior to making investment in the mining operations at the said areas. The Group takes note that albeit the gold mining operation of the Group is still relatively new at this juncture, the gold mining operation at Mukim Batu Yon Mining Area has produced positive results for the past two (2) financial years whereby the revenue increased from approximately RM1.24 million for the FYE 31 January 2014 to approximately RM34.36 million for the FYE 31 January 2015. Nonetheless, the Group will continuously monitor closely the progress and its investment in its gold and limestone mining operations.

The gold mining and limestone mining operations are subject to approvals from relevant government authorities, of which the major approvals are as set out below:-

<b>Activity</b>	<b>Major approvals from relevant authority</b>
Gold mining	Mining lease from the Pahang State Government to PKNP, mining permit from PKNP to the main contractors, and operational mining scheme from the Minerals and Geoscience Department of Pahang to PKNP
Limestone mining	Approval from the Sabah State Government as endorsed on title deeds for mining of stone, and licence from the Lands and Survey Department (Schedule B)

For the avoidance of doubt, as BOG is currently purely a sub-contractor for gold mining works and operator for limestone mining works, the obligation to procure approvals from relevant authorities for its gold mining operations lies with the main contractor and/ or the mining lease holder, where applicable, while the obligation to procure approvals from relevant authorities for its limestone mining operation lies with the landowner of the limestone reserves.

As mentioned above, the contribution from the gold mining operation of the Group for the past two (2) financial years are mainly from the mining operation at Mukim Batu Yon. Following the Mukim Hulu Jelai Contract and Mukim Keratong Contract in early 2015, at present, the Group's gold mining operation has expanded from covering a total mining area of approximately 162.3 hectares to covering a total mining area of approximately 1,565.1 hectares. The increase in investment in the gold mining operation is in line with the expansion plan of the Group. The Board has noted that the gold mining division has produced encouraging results and barring any unforeseen circumstances, the Board is cautiously optimistic that the gold mining operation of the Group would contribute positively to the Group in the future.

Apart from expanding Bornoil Group's business organically via the internal growth of its existing businesses, the Group's future plans also includes expanding inorganically, via mergers and acquisitions of businesses or investments which may generate positive returns to the Group in the future, thereby further increasing Bornoil's shareholders' value.

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 4.2 and 4.3 of this Circular, respectively, is optimistic of the future prospects of the Group.

(Source: Management of Bornoil)

## 5. EFFECTS OF THE PROPOSED RIGHTS ISSUE WITH WARRANTS

The effects of the Proposed Rights Issue with Warrants are set out below:-

### 5.1 Issued and paid-up share capital

The proforma effects of the Proposed Rights Issue with Warrants on the issued and paid-up share capital of Bornoil are set out below:-

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued and paid-up share capital as at the LPD	380,273,332	38,027,333	380,273,332	38,027,333
Shares to be issued assuming all the outstanding ESOS Options are exercised prior to the implementation of the Proposed Rights Issue with Warrants	-	-	149,000	14,900
Shares to be issued assuming all the outstanding Warrants B are exercised prior to the implementation of the Proposed Rights Issue with Warrants	-	-	15,217,934	1,521,793
	<u>380,273,332</u>	<u>38,027,333</u>	<u>395,640,266</u>	<u>39,564,026</u>
Shares to be issued pursuant to the Proposed Rights Issue with Warrants	2,281,639,992	228,163,999	2,373,841,596	237,384,160
	<u>2,661,913,324</u>	<u>266,191,332</u>	<u>2,769,481,862</u>	<u>276,948,186</u>
Shares to be issued assuming full exercise of the Warrants C	1,140,819,996	114,082,000	1,186,920,798	118,692,080
<b>Enlarged issued and paid-up share capital</b>	<b><u>3,802,733,320</u></b>	<b><u>380,273,332</u></b>	<b><u>3,956,402,660</u></b>	<b><u>395,640,266</u></b>

### 5.2 NA per Share and gearing

Based on the latest audited consolidated statements of financial position of Bornoil Group as at 31 January 2015, and after taking into consideration the movements in the share capital of Bornoil up to the LPD, the proforma effects of the Proposed Rights Issue with Warrants on the NA per share and gearing of Bornoil Group are set out in the ensuing pages.



### Minimum Scenario

	Audited as at 31 January 2015 RM'000	I Adjusted for movements in the share capital up to the LPD <sup>*2</sup> RM'000	II After I and the Proposed Rights Issue with Warrants RM'000	III After II and assuming full exercise of the Warrants C RM'000
Share capital	35,129	38,027 <sup>*2</sup>	266,191	380,273
Treasury shares, at cost	(486)	- <sup>*2</sup>	-	-
Share premium	73,270	80,784 <sup>*2</sup>	- <sup>*4</sup>	108,720 <sup>*6</sup>
ESOS reserves	44	10 <sup>*2</sup>	10	10
Warrants reserves	1,560	761 <sup>*2</sup>	109,481 <sup>*4</sup>	761 <sup>*6</sup>
Capital reserves	172,472	172,254 <sup>*2</sup>	140,768 <sup>*4</sup>	140,768
Currency translation reserves	(60)	(60)	(60)	(60)
Unappropriated profit	2,688	2,688	2,688	2,688
<b>Shareholders' funds/ NA</b>	<b>284,617</b>	<b>294,464</b>	<b>519,078</b>	<b>633,160</b>
Number of Shares outstanding (excluding treasury shares) ('000)	350,669 <sup>*1</sup>	380,273	2,661,913	3,802,733
NA per Share (RM)	0.81	0.77	0.20	0.17
Total borrowings (RM'000)	21,143	18,839 <sup>*3</sup>	- <sup>*5</sup>	-
Gearing ratio (times)	0.07	0.06	-	-

#### Notes:-

<sup>\*1</sup> Adjusted for 623,000 shares held as treasury shares as at 31 January 2015

<sup>\*2</sup> Adjusted for the movements in the share capital of Bornoil up to the LPD as set out below:-

- i. Balance amounting to approximately RM0.22 million of the expenses incurred in relation to the corporate exercises of the Company comprising, amongst others, the par value reduction and private placement exercises of the Company completed during the FYE 31 January 2015;
- ii. Resale of 623,000 treasury shares by the Company on 25 February 2015;
- iii. Issuance of a total of 15,981,500 new Bornoil Shares arising from the exercise of the Warrants B from 1 February 2015 up to the LPD; and
- iv. Issuance of a total of 13,000,000 new Bornoil Shares arising from the exercise of the ESOS Options from 1 February 2015 up to the LPD

<sup>\*3</sup> Adjusted for the total borrowings of the Group amounting to approximately RM18.84 million as at the LPD, which partially consists of the borrowings amounting to RM10.50 million to fund the purchase of a piece of land measuring approximately 32.65 acres located at Lahad Datu, Sabah for the relocation of the Group's limestone grinding operation from another location which was previously rented by the Group for the said purpose. For the avoidance of doubt, the Company has confirmed that the highest percentage ratio of the purchase of land is below 5% pursuant to Paragraph 10.02(g) of the Listing Requirements

<sup>\*4</sup> After recognising the theoretical fair value of the Warrants C of RM0.0953 per Warrant C amounting to approximately RM108.72 million where approximately RM77.23 million and RM31.49 million are recognised from the share premium account and capital reserves account, respectively, and after deducting estimated expenses of approximately RM3.55 million in relation to the Proposed Rights Issue with Warrants from the share premium account

<sup>\*5</sup> For illustrative purposes only, assuming the proceeds for the repayment of borrowings amounting to RM18.84 million is utilised at this juncture

<sup>\*6</sup> After adjusting for the reversal of warrant reserve amounting to approximately RM108.72 million to the share premium account pursuant to the full exercise of the Warrants C at the indicative exercise price of RM0.10 per Warrant C

### Maximum Scenario

		I	II	III	IV
	Audited as at 31 January 2015 RM'000	Adjusted for movements in the share capital up to the LPD <sup>2</sup> RM'000	After I and assuming all the outstanding ESOS Options and Warrants B are exercised RM'000	After II and the Proposed Rights Issue with Warrants RM'000	After III and assuming full exercise of the Warrants C RM'000
Share capital	35,129	38,027 <sup>2</sup>	39,564	276,948	395,640
Treasury shares, at cost	(486)	- <sup>2</sup>	-	-	-
Share premium	73,270	80,784 <sup>2</sup>	81,630 <sup>4</sup>	- <sup>5</sup>	113,114 <sup>7</sup>
ESOS reserves	44	10 <sup>2</sup>	- <sup>4</sup>	-	-
Warrants reserves	1,560	761 <sup>2</sup>	- <sup>4</sup>	113,114 <sup>5</sup>	- <sup>7</sup>
Capital reserves	172,472	172,254 <sup>2</sup>	172,254	136,020 <sup>5</sup>	136,020
Currency translation reserves	(60)	(60)	(60)	(60)	(60)
Unappropriated profit	2,688	2,688	2,688	2,688	2,688
<b>Shareholders' funds/ NA</b>	<b>284,617</b>	<b>294,464</b>	<b>296,076</b>	<b>528,710</b>	<b>647,402</b>
Number of Shares outstanding (excluding treasury shares) ('000)	350,669 <sup>1</sup>	380,273	395,640	2,769,482	3,956,403
NA per Share (RM)	0.81	0.77	0.75	0.19	0.16
Total borrowings (RM'000)	21,143	18,839 <sup>3</sup>	18,839	- <sup>6</sup>	-
Gearing ratio (times)	0.07	0.06	0.06	-	-

#### Notes:-

<sup>1</sup> Adjusted for 623,000 shares held as treasury shares as at 31 January 2015

<sup>2</sup> Adjusted for the movements in the share capital of Bornoil up to the LPD as set out below:-

- i. Balance amounting to approximately RM0.22 million of the expenses incurred in relation to the corporate exercises of the Company comprising, amongst others, the par value reduction and private placement exercises of the Company completed during the FYE 31 January 2015;
- ii. Resale of 623,000 treasury shares by the Company on 25 February 2015;
- iii. Issuance of a total of 15,981,500 new Bornoil Shares arising from the exercise of the Warrants B from 1 February 2015 up to the LPD; and
- iv. Issuance of a total of 13,000,000 new Bornoil Shares arising from the exercise of the ESOS Options from 1 February 2015 up to the LPD

<sup>3</sup> Adjusted for the total borrowings of the Group amounting to approximately RM18.84 million as at the LPD, which partially consists of the borrowings amounting to RM10.50 million to fund the purchase of a piece of land measuring approximately 32.65 acres located at Lahad Datu, Sabah for the relocation of the Group's limestone grinding operation from another location which was previously rented by the Group for the said purpose. For the avoidance of doubt, the Company has confirmed that the highest percentage ratio of the purchase of land is below 5% pursuant to Paragraph 10.02(g) of the Listing Requirements.

<sup>4</sup> After adjusting for the reversal of warrant reserves and ESOS reserves assuming all the outstanding ESOS Options and Warrants B are exercised

<sup>5</sup> After recognising the theoretical fair value of the Warrants C of RM0.0953 per Warrant C amounting to approximately RM113.11 million where approximately RM76.88 million and RM36.23 million are recognised from the share premium account and capital reserves account, respectively, and after deducting estimated expenses of approximately RM4.75 million in relation to the Proposed Rights Issue with Warrants from the share premium account

<sup>6</sup> For illustrative purposes only, assuming the proceeds for the repayment of borrowings amounting to RM RM18.84 million is utilised at this juncture

<sup>7</sup> After adjusting for the reversal of warrant reserve amounting to approximately RM113.11 million to the share premium account pursuant to the full exercise of the Warrants C at the indicative exercise price of RM0.10 per Warrant C

### 5.3 Substantial shareholding structure

The effects of the Proposed Rights Issue with Warrants on the substantial shareholders' shareholdings of Borneoil are set out below:-

#### Minimum Scenario

Substantial shareholders	Shareholdings as at the LPD			I After the Proposed Rights Issue with Warrants			II After I and assuming full exercise of the Warrants C		
	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	94,874,900	24.95	-	664,124,300	24.95	-	948,749,000	24.95	-
Hap Seng Insurance	62,248,000	16.37	-	435,736,000	16.37	-	622,480,000	16.37	-
Gek Poh (Holdings) Sdn Bhd ("Gek Poh")	-	-	62,248,000 <sup>2</sup>	-	-	435,736,000 <sup>2</sup>	-	-	622,480,000 <sup>2</sup>
Tan Sri Datuk Seri Panglima Lau Cho Kun @ Lau Yu Chak ("Tan Sri Datuk Seri Panglima Lau")	-	-	62,248,000 <sup>3</sup>	-	-	435,736,000 <sup>3</sup>	-	-	622,480,000 <sup>3</sup>

#### Notes:-

<sup>1</sup> The proforma effects of the Proposed Rights Issue with Warrants on the substantial shareholding structure of the Company is based on the Maximum Subscription Level basis, where Borneoil will procure an underwriting arrangement at a later date prior to the announcement of the Entitlement Date, for the remaining portion of the Rights Shares for which no irrevocable and unconditional written undertakings to subscribe for the Rights Shares has been obtained from other shareholders of the Company. Save for the irrevocable and unconditional written undertakings by Victoria Limited and Hap Seng Insurance, as at the LPD, Borneoil has yet to obtain any other irrevocable and unconditional written undertakings from other shareholders of the Company to subscribe for the Rights Shares. As such, the Board is not in a position to indicate at this juncture whether all the Entitled Shareholders and/or their renouncee(s) will subscribe in full for their respective entitlements, and whether the underwriter of the open portion of the Rights Shares will emerge as substantial shareholder of the Company. Nevertheless, the Board is also cautiously optimistic that, with the improving financial performance of the Group coupled with the attractive pricing of the Rights Shares and the expansion plan of the Group, the Rights Shares shall be fully subscribed by the Entitled Shareholders and/or their renouncee(s).

<sup>2</sup> Deemed interest by virtue of being the holding company of Hap Seng Insurance.

<sup>3</sup> Deemed interest by virtue of his substantial interest in Gek Poh, being the holding company of Hap Seng Insurance.

## Maximum Scenario

Substantial shareholders	I Shareholdings as at the LPD				Assuming all the outstanding Warrants B and ESOS Options are exercised			
	Direct No. of Shares	%	Indirect No. of Shares	%	Direct No. of Shares	%	Indirect No. of Shares	%
Victoria Limited	94,874,900	24.95	-	-	94,874,900	23.98	-	-
Hap Seng Insurance	62,248,000	16.37	-	-	62,248,000	15.73	-	-
Gek Poh	-	-	62,248,000 <sup>2</sup>	16.37	-	-	62,248,000 <sup>2</sup>	15.73
Tan Sri Datuk Seri Panglima Lau	-	-	62,248,000 <sup>3</sup>	16.37	-	-	62,248,000 <sup>3</sup>	15.73

Substantial shareholders	II After I and the Proposed Rights Issue with Warrants <sup>1</sup>				III After II and assuming full exercise of the Warrants C			
	Direct No. of Shares	%	Indirect No. of Shares	%	Direct No. of Shares	%	Indirect No. of Shares	%
Victoria Limited	664,124,300	23.98	-	-	948,749,000	23.98	-	-
Hap Seng Insurance	435,736,000	15.73	-	-	622,480,000	15.73	-	-
Gek Poh	-	-	435,736,000 <sup>2</sup>	15.73	-	-	622,480,000 <sup>2</sup>	15.73
Tan Sri Datuk Seri Panglima Lau	-	-	435,736,000 <sup>3</sup>	15.73	-	-	622,480,000 <sup>3</sup>	15.73

### Notes:-

<sup>1</sup> The proforma effects of the Proposed Rights Issue with Warrants on the substantial shareholding structure of the Company is based on the Maximum Subscription Level basis, where Borneil will procure an underwriting arrangement at a later date prior to the announcement of the Entitlement Date, for the remaining portion of the Rights Shares for which no irrevocable and unconditional written undertakings to subscribe for the Rights Shares has been obtained from other shareholders of the Company. Save for the irrevocable and unconditional written undertakings by Victoria Limited and Hap Seng Insurance, as at the LPD, Borneil has yet to obtain any other irrevocable and unconditional written undertakings from other shareholders of the Company to subscribe for the Rights Shares. As such, the Board is not in a position to indicate at this juncture whether all the Entitled Shareholders and/ or their renounee(s) will subscribe in full for their respective entitlements, and whether the underwriter of the open portion of the Rights Shares will emerge as substantial shareholder of the Company. Nevertheless, the Board is also cautiously optimistic that, with the improving financial performance of the Group coupled with the attractive pricing of the Rights Shares and the expansion plan of the Group, the Rights Shares shall be fully subscribed by the Entitled Shareholders and/ or their renounee(s).

<sup>2</sup> Deemed interest by virtue of being the holding company of Hap Seng Insurance.

<sup>3</sup> Deemed interest by virtue of his substantial interest in Gek Poh, being the holding company of Hap Seng Insurance.

#### 5.4 Earnings and EPS

The Proposed Rights Issue with Warrants is not expected to have any material effect on the earnings of Bornoil Group for the financial year ending 31 January 2016. 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 Rights Issue with Warrants which is expected to be completed by the fourth quarter of 2015, and as and when the Warrants C are exercised into new Bornoil Shares.

#### 5.5 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 Rights Issue with Warrants 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 Rights Issue with Warrants and to ensure that the status of the holders of the outstanding Warrants B are not prejudiced after the completion of the Proposed Rights Issue with Warrants. 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. ESOS Options

The Proposed Rights Issue with Warrants may give rise to adjustments to the exercise price and/ or subscription rights of the outstanding ESOS Options held by each grantee of the ESOS Options ("Grantee(s)") pursuant to the by-laws dated 28 February 2012, governing the ESOS Scheme ("By-Laws").

Any adjustment which is required will be made in accordance with the provisions of the By-Laws to mitigate any potential equity dilution resulting from the Proposed Rights Issue with Warrants and to ensure that the status of the Grantees holding the outstanding ESOS Options are not prejudiced after the completion of the Proposed Rights Issue with Warrants. Any such adjustment will only be finalised on the Entitlement Date. In addition, a written notification will be despatched to the Grantees holding the outstanding ESOS Options in the event of any such adjustment.

### 6. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Bornoil Shares as traded on Bursa Securities for the past 12 months from July 2014 to June 2015 are set out below:-

	High RM	Low RM
<b>2014</b>		
July	0.71	0.62
August	0.64	0.58
September	0.67	0.58
October	0.85	0.62
November	0.96	0.82
December	0.97	0.75

	High RM	Low RM
<b>2015</b>		
January	0.95	0.87
February	0.99	0.89
March	0.96	0.78
April	0.83	0.77
May	0.80	0.73
June	0.79	0.64

Last transacted market price on 24 April 2015  
(being the date prior to the announcement on the Proposed Rights Issue with Warrants) RM0.78

Last transacted market price on the LPD RM0.66

(Source: Bloomberg)

## 7. APPROVALS REQUIRED/ OBTAINED

The Proposed Rights Issue with Warrants is subject to the following approvals being obtained:-

- i. Bursa Securities, which was obtained vide its letter dated 24 July 2015, for the listing of the following:-
  - (a) Up to 2,373,841,596 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants;
  - (b) Admission to the Official List and listing of and quotation for up to 1,186,920,798 Warrants C to be issued pursuant to the Proposed Rights Issue with Warrants;
  - (c) Up to 1,186,920,798 new Bornoil Shares to be issued arising from the exercise of the Warrants C;
  - (d) Up to 68,980,410 additional Warrants B to be issued arising from the adjustment pursuant to the Proposed Rights Issue with Warrants; and
  - (e) Up to 68,980,410 new Bornoil Shares to be issued arising from the exercise of the additional Warrants B,

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 Proposed Rights Issue with Warrants	Noted
(ii) Bornoil and RHBIB to inform Bursa Securities upon the completion of the Proposed Rights Issue with Warrants	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 Proposed Rights Issue with Warrants is completed	To be complied
(iv) Bornoil to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at the EGM for the Proposed Rights Issue with Warrants; and	To be complied

Conditions	Status of compliance
(v) Bornoil to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to the exercise of Warrants B and Warrants C as at the end of each quarter together with a detailed computation of the listing fees payable	To be complied
ii. The shareholders of Bornoil, for the Proposed Rights Issue with Warrants at the forthcoming EGM of the Company; and	
iii. Any other relevant authority, if required.	

The Proposed Rights Issue with Warrants is not conditional upon any other proposals.

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

None of the Directors and/ or major shareholders of Bornoil and/ or persons connected to them have any interest, whether direct or indirect, in the Proposed Rights Issue with Warrants beyond their respective entitlements, if any, as shareholders of Bornoil under the Proposed Rights Issue with Warrants, the rights of which are also available to all other existing shareholders of Bornoil as at the Entitlement Date, including the right to apply for excess Rights Shares with Warrants under the excess Rights Shares with Warrant application.

## 9. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Rights Issue with Warrants is expected to be completed by the fourth quarter of 2015. The tentative timetable in relation to the Proposed Rights Issue with Warrants is set out below:-

Month	Events
12 August 2015	<ul style="list-style-type: none"> <li>Convening of EGM to obtain the approval of the shareholders of Bornoil for the Proposed Rights Issue with Warrants</li> </ul>
Mid September 2015	<ul style="list-style-type: none"> <li>Announcement on the issue price of the Rights Shares as well as the exercise price for the Warrants C in relation to the Proposed Rights Issue with Warrants</li> <li>Announcement on the Entitlement Date for the Proposed Rights Issue with Warrants</li> </ul>
Early October 2015	<ul style="list-style-type: none"> <li>Entitlement Date</li> <li>Issuance of abridged prospectus in relation to the Proposed Rights Issue with Warrants</li> </ul>
Mid October 2015	<ul style="list-style-type: none"> <li>Closing date of acceptances of and applications for the Rights Shares with the Warrants C</li> </ul>
End October 2015	<ul style="list-style-type: none"> <li>Listing of and quotation for the Rights Shares and the Warrants C on the Main Market of Bursa Securities</li> </ul>

## **10. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION**

Save for the proposed renewal of share buy-back authority to purchase up to 10% of the total issued and paid-up share capital of the Company to be tabled at the forthcoming 31st annual general meeting of the Company and the Proposed Rights Issue with Warrants, 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.

## **11. DIRECTORS' RECOMMENDATION**

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

## **12. 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 Wednesday, 12 August 2015 at 8.00 a.m., for the purpose of considering and if thought fit, passing with or without modification, the resolution to give effect to the Proposed Rights Issue with Warrants.

If you are unable to attend, 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 stipulated for holding the EGM. The lodging of the Form of Proxy shall not preclude you from attending, speaking and voting in person at the EGM should you subsequently wish to do so.

## **13. 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**

**TEO KIEW LEONG**  
Executive Director



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF BORNOIL GROUP  
AS AT 31 JANUARY 2015 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER****STYL Associates** (AF1929)

902, 9<sup>th</sup> 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](mailto:stylaudit@gmail.com)

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

Date: **29 JUL 2015**

Dear Sirs,

**BORNEO OIL BERHAD ("BORNOIL" OR THE "COMPANY")**

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statements of financial position of Bornoil and its subsidiary companies ("Bornoil Group" or the "Group") as at 31 January 2015 together with the accompanying notes and assumptions thereto, for which have been compiled by the Directors of the Company for inclusion in the Circular in relation to the proposed renounceable rights issue of up to 2,373,841,596 new ordinary shares of RM0.10 each in Bornoil ("Bornoil Share(s)") ("Rights Share(s)") at an indicative issue price of RM0.10 per Rights Share on the basis of six (6) Rights Shares for every one (1) existing Bornoil Share held, together with up to 1,186,920,798 free detachable warrants in Bornoil ("Warrant(s) C") on the basis of one (1) free Warrant C for every two (2) Rights Shares subscribed for, on an entitlement date to be determined later ("Proposed Rights Issue with Warrants").

The pro forma consolidated statements of financial position of the Group have been compiled by the Directors, for illustrative purpose only, to show the effects of the Proposed Rights Issue with Warrants on the audited consolidated statements of financial position of the Group as at 31 January 2015 had the Proposed Rights Issue with Warrants been effected on that date.

**The Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position of Bornoil Group as at 31 January 2015**

The Directors are responsible for compiling the pro forma consolidated statements of financial position of Bornoil Group as at 31 January 2015 for inclusion in the Circular in relation to the Proposed Rights Issue with Warrants.

**Our Responsibilities**

Our responsibility is to express an opinion whether the pro forma consolidated statements of financial position of Bornoil Group as at 31 January 2015 have been compiled, in all material respects, by the Directors on the basis of the applicable criteria.

We conducted our work in accordance with the Malaysian Approved Standard on Assurance Engagements, ISAE 3000 Assurance Engagements Other than Audits or Review of Historical Financial Information issued by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma consolidated statements of financial position of Bornoil Group as at 31 January 2015 on the basis of the applicable criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statements of financial position of the Group, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position of the Group.

The purpose of the inclusion of the pro forma consolidated statements of financial position of the Group in the Circular is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position of the Group has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma consolidated statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statements of financial position of the Group reflect the proper application of those adjustments to the unadjusted financial information of the entity.

The procedures selected depend on our judgment, having regard to our understanding of the nature of Bornoil Group, the events or transactions in respect of which the pro forma consolidated statements of financial position of the Group has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position of the Group.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion,

- (a) the pro forma consolidated statements of financial position of the Group have been properly compiled in accordance with the basis of preparation set out in the accompanying notes thereto and such basis is consistent with the format of the financial statements and accounting policies adopted by Bornoil Group;
- (b) the audited consolidated financial statements of Bornoil Group for the financial year ended 31 January 2015 used in the preparation of the pro forma consolidated statements of financial position of the Group were prepared in accordance with the Malaysian Financial Reporting Standards; and
- (c) each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position of Bornoil Group are appropriate for the purpose of preparing such pro forma consolidated statements of financial position of the Group.

**Other Matter**

This letter is issued for the sole purpose of inclusion in the Circular in relation to the Proposed Rights Issue with Warrants. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than described above. 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  
1200/08/16(J)  
CHARTERED ACCOUNTANT**

**BORNEO OIL BERHAD**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

The pro forma consolidated statements of financial position of Borneoil Group have been compiled by the Directors, for illustrative purpose only, to show the effects of the Proposed Rights Issue with Warrants on the audited consolidated statements of financial position of Borneoil Group as at 31 January 2015 had the Proposed Rights Issue with Warrants been effected on that date:-

**(a) Minimum Scenario**

ASSETS	Audited as at	Adj I	Pro forma I	Adj II	Pro forma II	Adj III	Pro forma III
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Non-current assets</b>							
Property, plant and equipment	90,464		90,464	40,000	130,464		130,464
Investment properties	138,068		138,068		138,068		138,068
Investment in quoted securities	61		61		61		61
Investment in golf club membership	64		64		64		64
Prepaid lease payments	11,167		11,167		11,167		11,167
Development expenditure	21,000		21,000	30,000	51,000		51,000
Intangible assets	12		12		12		12
<b>Total non-current assets</b>	<b>260,836</b>		<b>260,836</b>		<b>330,836</b>		<b>330,836</b>

**BORNEO OIL BERHAD**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

**(a) Minimum Scenario (continued)**

	Audited as at 31 January 2015 RM'000	Adj I RM'000	Pro forma I RM'000	Adj II RM'000	Pro forma II RM'000	Adj III RM'000	Pro forma III RM'000
<b>Current assets</b>							
Inventories	14,763		14,763		14,763		14,763
Trade receivables	4,833		4,833		4,833		4,833
Other receivables	13,543		13,543		13,543		13,543
Cash and cash equivalents	29,494	7,543	37,037	135,775	172,812	114,082	286,894
<b>Total current assets</b>	<b>62,633</b>		<b>70,176</b>		<b>205,951</b>		<b>320,033</b>
<b>TOTAL ASSETS</b>	<b>323,469</b>		<b>331,012</b>		<b>536,787</b>		<b>650,869</b>

**BORNEO OIL BERHAD**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

**(a) Minimum Scenario (continued)**

	Audited as at 31 January 2015 RM'000	Adj I RM'000	Pro forma I RM'000	Adj II RM'000	Pro forma II RM'000	Adj III RM'000	Pro forma III RM'000
<b>EQUITY AND LIABILITIES</b>							
<b>Equity attributable to owners of the parent</b>							
Share capital	35,129	2,898	38,027	228,164	266,191	114,082	380,273
Reserves							
Share premium	73,270	7,514	80,784	(80,784)	-	108,720	108,720
ESOS reserves	44	(34)	10		10		10
Warrants reserves	1,560	(799)	761	108,720	109,481	(108,720)	761
Capital reserves	172,472	(218)	172,254	(31,486)	140,768		140,768
Currency translation reserves	(60)		(60)		(60)		(60)
Treasury shares	(486)	486	-		-		-
Unappropriated profit	2,688		2,688		2,688		2,688
<b>Shareholders' equity</b>	<b>284,617</b>		<b>294,464</b>		<b>519,078</b>		<b>633,160</b>

**BORNEO OIL BERHAD**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

**(a) Minimum Scenario (continued)**

	Audited as at 31 January 2015 RM'000	Adj I RM'000	Pro forma I RM'000	Adj II RM'000	Pro forma II RM'000	Adj III RM'000	Pro forma III RM'000
<b>Non-current liabilities</b>							
Long term borrowings	16,501		16,501	(16,501)	-		-
Deferred tax liabilities	227		227		227		227
<b>Total non-current liabilities</b>	<b>16,728</b>		<b>16,728</b>		<b>227</b>		<b>227</b>
<b>Current liabilities</b>							
Trade payables	1,782		1,782		1,782		1,782
Other payables	14,978		14,978		14,978		14,978
Short term borrowings	4,642	(2,304)	2,338	(2,338)	-		-
Provision for taxation	722		722		722		722
<b>Total current liabilities</b>	<b>22,124</b>		<b>19,820</b>		<b>17,482</b>		<b>17,482</b>
<b>Total liabilities</b>	<b>38,852</b>		<b>36,548</b>		<b>17,709</b>		<b>17,709</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>323,469</b>		<b>331,012</b>		<b>536,787</b>		<b>650,869</b>

**BORNEO OIL BERHAD**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

**(a) Minimum Scenario (continued)**

	Audited as at 31 January 2015	Pro forma I	Pro forma II	Pro forma III
Number of Shares outstanding (excluding treasury shares) ('000)	350,669	380,273	2,661,913	3,802,733
NA per Share (RM)	0.81	0.77	0.20	0.17
Total borrowings (RM'000)	21,143	18,839	-	-
Gearing ratio (times)	0.07	0.06	-	-



**BORNEO OIL BERHAD**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

**(b) Maximum Scenario**

	Audited as at 31 January 2015 RM'000	Adj I RM'000	Pro forma I RM'000	Adj II RM'000	Pro forma II RM'000	Adj III RM'000	Pro forma III RM'000	Adj IV RM'000	Pro forma IV RM'000
<b>ASSETS</b>									
<b>Non-current assets</b>									
Property, plant and equipment	90,464		90,464		90,464	40,000	130,464		130,464
Investment properties	138,068		138,068		138,068		138,068		138,068
Investment in quoted securities	61		61		61		61		61
Investment in golf club membership	64		64		64		64		64
Prepaid lease payments	11,167		11,167		11,167		11,167		11,167
Development expenditure	21,000		21,000		21,000	35,000	56,000		56,000
Intangible assets	12		12		12		12		12
<b>Total non-current assets</b>	<b>260,836</b>		<b>260,836</b>		<b>260,836</b>		<b>335,836</b>		<b>335,836</b>

**BORNEO OIL BERHAD  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

**(b) Maximum Scenario (continued)**

	Audited as at 31 January 2015 RM'000	Adj I RM'000	Pro forma I RM'000	Adj II RM'000	Pro forma II RM'000	Adj III RM'000	Pro forma III RM'000	Adj IV RM'000	Pro forma IV RM'000
<b>Current assets</b>									
Inventories	14,763		14,763		14,763		14,763		14,763
Trade receivables	4,833		4,833		4,833		4,833		4,833
Other receivables	13,543		13,543		13,543		13,543		13,543
Cash and cash equivalents	29,494	7,543	37,037	1,612	38,649	138,795	177,444	118,692	296,136
<b>Total current assets</b>	<b>62,633</b>		<b>70,176</b>		<b>71,788</b>		<b>210,583</b>		<b>329,275</b>
<b>TOTAL ASSETS</b>	<b>323,469</b>		<b>331,012</b>		<b>332,624</b>		<b>546,419</b>		<b>665,111</b>

**BORNEO OIL BERHAD  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

**(b) Maximum Scenario (continued)**

	Audited as at 31 January 2015 RM'000	Adj I RM'000	Pro forma I RM'000	Adj II RM'000	Pro forma II RM'000	Adj III RM'000	Pro forma III RM'000	Adj IV RM'000	Pro forma IV RM'000
<b>EQUITY AND LIABILITIES</b>									
<b>Equity attributable to owners of the parent</b>									
Share capital	35,129	2,898	38,027	1,537	39,564	237,384	276,948	118,692	395,640
Reserves									
Share premium	73,270	7,514	80,784	846	81,630	(81,630)	-	113,114	113,114
ESOS reserves	44	(34)	10	(10)	-	-	-	-	-
Warrants reserves	1,560	(799)	761	(761)	-	113,114	113,114	(113,114)	-
Capital reserves	172,472	(218)	172,254		172,254	(36,234)	136,020		136,020
Currency translation reserves	(60)		(60)		(60)		(60)		(60)
Treasury shares	(486)	486	-		-		-		-
Unappropriated profit	2,688		2,688		2,688		2,688		2,688
<b>Shareholders' equity</b>	<b>284,617</b>		<b>294,464</b>		<b>296,076</b>		<b>528,710</b>		<b>647,402</b>

**BORNEO OIL BERHAD**  
**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

**(b) Maximum Scenario (continued)**

	Audited as at 31 January 2015 RM'000	Adj I RM'000	Pro forma I RM'000	Adj II RM'000	Pro forma II RM'000	Adj III RM'000	Pro forma III RM'000	Adj IV RM'000	Pro forma IV RM'000
<b>Non-current liabilities</b>									
Long term borrowings	16,501		16,501		16,501	(16,501)	-		-
Deferred tax liabilities	227		227		227		227		227
<b>Total non-current liabilities</b>	<b>16,728</b>		<b>16,728</b>		<b>16,728</b>		<b>227</b>		<b>227</b>
<b>Current liabilities</b>									
Trade payables	1,782		1,782		1,782		1,782		1,782
Other payables	14,978		14,978		14,978		14,978		14,978
Short term borrowings	4,642	(2,304)	2,338		2,338	(2,338)	-		-
Provision for taxation	722		722		722		722		722
<b>Total current liabilities</b>	<b>22,124</b>		<b>19,820</b>		<b>19,820</b>		<b>17,482</b>		<b>17,482</b>
<b>Total liabilities</b>	<b>38,852</b>		<b>36,548</b>		<b>36,548</b>		<b>17,709</b>		<b>17,709</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>323,469</b>		<b>331,012</b>		<b>332,624</b>		<b>546,419</b>		<b>665,111</b>

**BORNEO OIL BERHAD  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JANUARY 2015**

**(b) Maximum Scenario (continued)**

	Audited as at 31 January 2015	Pro forma I	Pro forma II	Pro forma III	Pro forma IV
Number of Shares outstanding (excluding treasury shares) ('000)	350,669	380,273	395,640	2,769,482	3,956,403
NA per Share (RM)	0.81	0.77	0.75	0.19	0.16
Total borrowings (RM'000)	21,143	18,839	18,839	-	-
Gearing ratio (times)	0.07	0.06	0.06	-	-

**BORNEO OIL BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT**  
**31 JANUARY 2015**

**1. Basis of Preparation**

The Pro forma Consolidated Statements of Financial Position of Borneo Oil Berhad ("Bornoil" or the "Company") and its subsidiary companies ("Bornoil Group" or "Group") as at 31 January 2015 together with the accompanying notes thereon have been prepared based on accounting principles and bases which are consistent with those adopted in the preparation of the audited consolidated financial statements of Bornoil Group for the financial year ended 31 January 2015, assuming that the Proposed Rights Issue with Warrants mentioned below had taken place on 31 January 2015:-

*Proposed renounceable rights issue of up to 2,373,841,596 new ordinary shares of RM0.10 each in Bornoil ("Bornoil Share(s)") ("Rights Share(s)") at an indicative issue price of RM0.10 per Rights Share on the basis of six (6) Rights Shares for every one (1) existing Bornoil Share held, together with up to 1,186,920,798 free detachable warrants in Bornoil ("Warrant(s) C") on the basis of one (1) free Warrant C for every two (2) Rights Shares subscribed for, on an entitlement date to be determined later ("Proposed Rights Issue with Warrants").*

For illustrative purposes, the effects of the Proposed Rights Issue with Warrants shall be illustrated based on the following scenarios:-

**"Minimum Scenario"** : Assuming **none** of the 15,217,934 outstanding Warrants 2008/ 2018 in Bornoil ("Warrant(s) B") and 149,000 outstanding options granted under the employees' share option scheme 2012/ 2017 of the Company ("ESOS Option(s)") are exercised prior to the implementation of the Proposed Rights Issue with Warrants, and the Proposed Rights Issue with Warrants is undertaken on a maximum subscription level basis.

**"Maximum Scenario"** : Assuming **all** the 15,217,934 outstanding Warrants B and 149,000 outstanding ESOS Options are exercised prior to the implementation of the Proposed Rights Issue with Warrants, and the Proposed Rights Issue with Warrants is undertaken on a maximum subscription level basis.

**2. Minimum Scenario**

**2.1 Pro forma I (*Minimum Scenario*)**

Pro forma I incorporates the following adjustments subsequent to the audited consolidated statements of financial position of Bornoil Group as at 31 January 2015:-

- (i) Relevant expenses incurred and paid after 31 January 2015 in relation to the corporate exercises of the Company comprising, amongst others, the Par Value Reduction and Private Placement, of RM217,760 is deducted from the capital reserve account of the Company;
- (ii) Issuance of a total of 15,981,500 new Bornoil Shares arising from the exercise of Warrants B from 1 February 2015 up to 30 June 2015, being the latest practicable date ("LPD");
- (iii) Issuance of a total of 13,000,000 new Bornoil Shares arising from the exercise of ESOS Options from 1 February 2015 up to the LPD;
- (iv) Warrants reserves adjusted for 15,217,934 outstanding Warrants B as at the LPD;
- (v) ESOS reserves adjusted for 149,000 outstanding ESOS Options as at the LPD;

**BORNEO OIL BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT**  
**31 JANUARY 2015**

- (vi) Net gain from the resale of treasury shares amounting to RM116,486 is credited into the share premium account, details as follows: -

	<i>No. of shares</i>	<i>RM</i>
<i>Audited treasury shares account as at 31 January 2015</i>	623,000	(485,630)
<i>Total consideration received from the resale of treasury shares on 25 February 2015</i>	(623,000)	602,116
		<hr/>
<i>Net gain from the resale of treasury shares up to the LPD</i>		<b>116,486</b>
		<hr/> <hr/>

- (vii) Adjusted for the total borrowings of the Group amounting to RM18,839,741 as at the LPD;

*The effects of Pro forma I are illustrated as Adjustment I or "Adj I".*

**2.2 Pro forma II (Minimum Scenario)**

Pro forma II incorporates the effects of Pro forma I and the effects of the Proposed Rights Issue with Warrants as follows:-

- (i) Issuance of 2,281,639,992 Rights Shares at an indicative issue price of RM0.10 per Rights Share;
- (ii) After recognising the theoretical fair value of the 1,140,819,996 Warrants C at RM0.0953\* per Warrant C amounting to RM108,720,146 where RM77,233,478 and RM31,486,668 are recognised from the share premium account and capital reserves account, respectively;

*Note: \* based on Black-Scholes Options Pricing Model sourced from Bloomberg Finance*

- (iii) The estimated expenses of RM3,550,000 in relation to the Proposed Rights Issue with Warrants is deducted from the share premium account; and

**BORNEO OIL BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT**  
**31 JANUARY 2015**

- (iv) The gross proceeds arising from the Proposed Rights Issue with Warrants amounting to RM228,163,999 based on the indicative issue price of RM0.10 per Rights Share is intended to be utilised for the following:-

	<b>RM'000</b>
Exploration expenditure for gold mining operation	15,000
Purchase of machineries and equipment for gold mining operation	30,000
Working capital for gold mining operation <sup>*1</sup>	77,775
Purchase of plant and equipment for limestone mining operation	10,000
Working capital for limestone mining operation	8,000
Working capital for fast food operation	5,000
Future investments	60,000
Repayment of borrowings	18,839
Estimated expenses in relation to the Proposed Rights Issue with Warrants	3,550
	<b><u>228,164</u></b>

**Note:-**

\*1 From the proceeds earmarked for the working capital for gold mining operation, a total of RM15,000,000 is allocated for mining site development costs.

It is assumed that none of the 15,217,934 outstanding Warrants B and the 149,000 outstanding ESOS Options as at the LPD are exercised.

*The effects of Pro forma II are illustrated as Adjustment II or "Adj II".*

**2.3 Pro forma III (Minimum Scenario)**

Pro forma III incorporates the effects of Pro forma II and assuming the full exercise of 1,140,819,996 Warrants C, as follows:-

- (i) The issuance of 1,140,819,996 new Bornoil Shares at the indicative exercise price of RM0.10 per Warrant C; and
- (ii) Reversal of warrants reserves amounting to RM108,720,146 to the share premium account pursuant to the full exercise of the Warrants C at the indicative exercise price of RM0.10 per Warrant C.

*The effects of Pro forma III are illustrated as Adjustment III or "Adj III".*



**BORNEO OIL BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT**  
**31 JANUARY 2015**

**3. Maximum Scenario**

**3.1 Pro forma I (*Maximum Scenario*)**

Pro forma I incorporates the following adjustments subsequent to the audited consolidated statements of financial position of Borneoil Group as at 31 January 2015:-

- (i) Relevant expenses incurred and paid after 31 January 2015 in relation to the corporate exercises of the Company comprising, amongst others, the Par Value Reduction and Private Placement, of RM217,760 is deducted from the capital reserve account of the Company;
- (ii) Issuance of a total of 15,981,500 new Borneoil Shares arising from the exercise of Warrants B from 1 February 2015 up to the LPD;
- (iii) Issuance of a total of 13,000,000 new Borneoil Shares arising from the exercise of ESOS Options from 1 February 2015 up to the LPD;
- (iv) Warrants reserves adjusted for 15,217,934 outstanding Warrant B as at the LPD;
- (v) ESOS reserves adjusted for 149,000 outstanding ESOS Options as at the LPD;
- (vi) Net gain from the resale of treasury shares amounting to RM116,486 is credited into the share premium account, details as follows: -

	<i>No. of shares</i>	<i>RM</i>
<i>Audited treasury shares account as at 31 January 2015</i>	623,000	(485,630)
<i>Total consideration received from the resale of treasury shares on 25 February 2015</i>	(623,000)	602,116
<i>Net gain from the resale of treasury shares up to the LPD</i>		<b>116,486</b>

- (vii) Adjusted for the total borrowings of the Group amounting to RM18,839,741 as at the LPD;

*The effects of Pro forma I are illustrated as Adjustment I or "Adj I".*

**BORNEO OIL BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT**  
**31 JANUARY 2015**

**3.2 Pro forma II (*Maximum Scenario*)**

Pro forma II incorporates the effects of Pro forma I and the effects assuming all the 15,217,934 outstanding Warrants B and 149,000 outstanding ESOS Options as at the LPD are exercised, as follows:-

- (i) The issuance of 15,217,934 new Bornoil Shares arising from the exercise of all the outstanding Warrants B at the exercise price of RM0.10 per Warrant B;
- (ii) The issuance of 149,000 new Bornoil Shares arising from the exercise of all the outstanding ESOS Options at the exercise price of RM0.605 per ESOS Option;
- (iii) The reversal of the warrants reserves of RM760,897 to the share premium account; and
- (iv) The reversal of the ESOS reserves of RM10,460 to the share premium account.

*The effects of Pro forma II are illustrated as Adjustment II or "Adj II".*

**3.3 Pro forma III (*Maximum Scenario*)**

Pro forma III incorporates the effects of Pro forma II and the effects of the Proposed Rights Issue with Warrants as follows:-

- (i) Issuance of 2,373,841,596 Rights Shares at an indicative issue price of RM0.10 per Rights Share;
- (ii) After recognising the theoretical fair value of the 1,186,920,798 Warrants C at RM0.0953\* per Warrant C amounting to RM113,113,552 where RM76,880,079 and RM36,233,473 are recognised from the share premium account and capital reserves account, respectively;

*Note: \* based on Black-Scholes Options Pricing Model sourced from Bloomberg Finance*

- (iii) The estimated expenses of RM4,750,000 in relation to the Proposed Rights Issue with Warrants is deducted from the share premium account; and
- (iv) The gross proceeds arising from the Proposed Rights Issue with Warrants amounting to RM237,384,160 based on the indicative issue price of RM0.10 per Rights Share is intended to be utilised for the following:-

	<b>RM'000</b>
Exploration expenditure for gold mining operation	15,000
Purchase of machineries and equipment for gold mining operation	30,000
Working capital for gold mining operation <sup>†1</sup>	85,795
Purchase of plant and equipment for limestone mining operation	10,000
Working capital for limestone mining operation	8,000
Working capital for fast food operation	5,000
Future investments	60,000
Repayment of borrowings	18,839
Estimated expenses in relation to the Proposed Rights Issue with Warrants	4,750
	<b>237,384</b>

**BORNEO OIL BERHAD**  
**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT**  
**31 JANUARY 2015**

**Note:-**

"1 From the proceeds earmarked for the working capital for gold mining operation, a total of RM20,000,000 is allocated for mining site development costs.

*The effects of Pro forma III are illustrated as Adjustment III or "Adj III".*

**3.4 Pro forma IV (Maximum Scenario)**

Pro forma IV incorporates the effects of Pro forma III and assuming the full exercise of 1,186,920,798 Warrants C, as follows:-

- (i) The issuance of 1,186,920,798 new Bornoil Shares at the indicative exercise price of RM0.10 per Warrant C; and
- (ii) Reversal of warrants reserves amounting to RM113,113,552 to the share premium account pursuant to the full exercise of the Warrants C at the indicative exercise price of RM0.10 per Warrant C.

*The effects of Pro forma IV are illustrated as Adjustment IV or "Adj IV".*

**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 Proposed Rights Issue with Warrants, 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 Reporting Accountants for the Proposed Rights Issue with Warrants, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the proforma consolidated statements of financial position of Bornoil Group as at 31 January 2015 together with its letter, 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 Proposed Rights Issue with Warrants.

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 Reporting Accountants to Bornoil for the Proposed Rights Issue with Warrants.

**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**

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.

## 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:-

	<b>RM'000</b>
Corporate guarantees given to banks and other financial institutions for credit facilities granted to subsidiary companies	29,834

## 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 2015 and the latest unaudited quarterly report of Bornoil Group for the three (3)-month FPE 30 April 2015;
- iii. The Deed Poll B;
- iv. The draft Deed Poll C;
- v. The By-Laws;
- vi. The proforma consolidated statements of financial position of Bornoil Group as at 31 January 2015 together with the Reporting Accountants' letter prepared by Messrs STYL Associates, as set out in Appendix I of this Circular; and
- vii. The letters of consent and declarations of conflict of interests referred to in Sections 2 and 3 above, respectively.

**THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK**

  
**BORNEO OIL**  
**BORNEO OIL BERHAD**

(Company No.: 121919-H)  
(Incorporated in Malaysia under the Companies Act, 1965)

**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 Wednesday, 12 August 2015 at 8.00 a.m., for the purpose of considering and if thought fit, passing with or without modifications, the following resolution:-

**ORDINARY RESOLUTION**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 2,373,841,596 NEW ORDINARY SHARES OF RM0.10 EACH IN BORNOIL ("BORNOIL SHARE(S)") ("RIGHTS SHARE(S)") AT AN INDICATIVE ISSUE PRICE OF RM0.10 PER RIGHTS SHARE ON THE BASIS OF SIX (6) RIGHTS SHARES FOR EVERY ONE (1) EXISTING BORNOIL SHARE HELD, TOGETHER WITH UP TO 1,186,920,798 FREE DETACHABLE WARRANTS IN BORNOIL ("WARRANT(S) C") ON THE BASIS OF ONE (1) FREE WARRANT C FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED FOR, ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE WITH WARRANTS")**

**"THAT**, subject to the approvals of all relevant authorities being obtained, where required, approval be and is hereby given to the Directors of the Company for the following:-

- i. to provisionally allot and issue by way of a renounceable rights issue of up to 2,373,841,596 Rights Shares at an indicative issue price of RM0.10 per Rights Share on the basis of six (6) Rights Shares for every one (1) existing Bornoil Share held, together with up to 1,186,920,798 free detachable Warrants C on the basis of one (1) free Warrant C for every two (2) Rights Shares subscribed for, by the entitled shareholders 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 of Directors of the Company ("Board") ("Entitlement Date");
- ii. wherein each of the Warrant C will carry the right to subscribe, subject to any adjustment in accordance with a deed poll constituting the Warrants C to be executed by the Company as supplemented from time to time ("Deed Poll C"), at any time during the exercise period, for one (1) new Bornoil Share at an exercise price to be determined and fixed at a later date by the Board, but in any case, not lower than the par value of Bornoil Shares;
- iii. to allot and issue such number of new Bornoil Shares arising from the exercise of the Warrants C, from time to time during the tenure of the Warrants, in accordance with the provisions of the Deed Poll C;
- iv. to allot and issue such further Warrants C and new Bornoil Shares arising from the subscription of further Warrants C as a consequence of any adjustment in accordance with the provisions of the Deed Poll C and/ or as may be required by the relevant authorities; and
- v. to do all such acts and things including but not limited to the application to Bursa Malaysia Securities Berhad for the listing of and quotation for the new Bornoil Shares which may from time to time be allotted and issued arising from the exercise of the Warrants C.

**THAT** any fractional entitlements of the Rights Shares and the Warrants C arising from the Proposed Rights Issue with Warrants 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;

**THAT** the proceeds of the Proposed Rights Issue with Warrants be utilised for the purposes as set out in the circular to shareholders of the Company dated 29 July 2015 ("Circular"), and the Directors of the Company be and are hereby authorised with full power to vary the manner and/ or purpose of utilisation of such proceeds in such manner as they may deem fit, necessary and/ or expedient, subject to the approval of the relevant authorities, where required;

**THAT** the Rights Shares will, upon allotment and issuance, rank *pari passu* in all respects with the then existing Bornoil Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/ or other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the Rights Shares;

**THAT** the new Bornoil Shares arising from the exercise of the Warrants C will, upon allotment and issuance, rank *pari passu* in all respects with the then existing Bornoil Shares, save and except that the new Bornoil Shares to be issued arising from the exercise of the Warrants C will not be entitled to any dividends, rights, allotments and/ or other forms of distribution that may be declared, made or paid prior to the relevant date of allotment and issuance of the said new Bornoil Shares;

**THAT** the Directors of the Company be and are hereby authorised to enter into and execute the Deed Poll C with full powers to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required by the relevant authorities or deemed necessary by the Directors of the Company, and with full powers to implement and give effect to the terms and conditions of the Deed Poll C;

**AND THAT**, the Directors of the Company be and are hereby authorised to sign and execute all documents, do all things and acts as may be required to give effect to the aforesaid Proposed Rights Issue with 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 such acts and things in any manner as they may deem fit, necessary and/ or expedient to implement, finalise and give full effect to the Proposed Rights Issue with Warrants."

#### **By Order of the Board**

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

Wilayah Persekutuan Labuan  
29 July 2015

#### **Notes:-**

1. *In respect of deposited securities, only members whose names appear in the Company's Record of Depositors as at 5 August 2015 shall be eligible to attend, speak and vote at this meeting or appoint proxy(ies) to attend, speak and vote on his/ her behalf.*
2. *A member of the Company who is entitled to attend, 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, 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 (the provisions of Section 149(1) of the Companies Act, 1965 shall not apply). Where a member appoints more than one (1) proxy, he shall specify the proportions of his 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 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 forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof.*

**BORNEO OIL**  
**BORNEO OIL BERHAD**

(Company No.: 121919-H)  
(Incorporated in Malaysia under the Companies Act, 1965)

**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, 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 Wednesday, 12 August 2015 at 8.00 a.m.

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

RESOLUTION	FOR	AGAINST
<b>ORDINARY RESOLUTION – PROPOSED RIGHTS ISSUE WITH WARRANTS</b>		

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 August 2015 shall be eligible to attend, speak and vote at this meeting or appoint proxy(ies) to attend, speak and vote on his/ her behalf.*
- A member of the Company who is entitled to attend, 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, 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 (the provisions of Section 149(1) of the Companies Act, 1965 shall not apply). Where a member appoints more than one (1) proxy, he shall specify the proportions of his 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 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 forty-eight (48) hours before the time set for holding this meeting or at any adjournment thereof.*





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AFFIX  
STAMP

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

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