

BORNEO OIL BERHAD

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED
31 JULY 2016**

(THE FIGURES HAVE NOT BEEN AUDITED)

BORNEO OIL BERHAD*(Company No. 121919-H)***Incorporated in Malaysia****QUARTERLY REPORT ON CONSOLIDATED RESULTS****FOR THE SECOND QUARTER ENDED 31 JULY 2016**

- THE FIGURES HAVE NOT BEEN AUDITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Second Quarter		Cummulative Quarter	
	Unaudited		Unaudited	
	Current	Preceding	Current	Preceding
	Period	Period	Period	Period
	31-Jul-16	31-Jul-15	31-Jul-16	31-Jul-15
	RM'000	RM'000	RM'000	RM'000
Revenue	1,047,538	51,181	2,542,274	65,813
Cost of sales	(1,037,941)	(42,828)	(2,520,740)	(51,624)
Gross profit	9,597	8,353	21,534	14,189
Other income	2,386	360	8,176	645
Operating expenses	(6,764)	(5,690)	(12,930)	(11,147)
Profit from operations	5,219	3,023	16,780	3,687
Finance cost	(869)	(134)	(1,730)	(273)
Profit before tax	4,350	2,889	15,050	3,414
Taxation	-	-	-	-
Profit for the period	4,350	2,889	15,050	3,414
Other comprehensive income:				
Exchange difference arising from translation of foreign operations	-	-	-	-
Comprehensive profit for the period	4,350	2,889	15,050	3,414
Profit attributable to equity holders of the Company	4,350	2,889	15,050	3,414
Total comprehensive profit attributable to equity holders of the Company	4,350	2,889	15,050	3,414
Profit per share (sen)				
- basic (sen)	0.15	0.76	0.50	0.92
- fully diluted (sen)	n/a	n/a	n/a	n/a

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FOR THE SECOND QUARTER ENDED 31 JULY 2016****- THE FIGURES HAVE NOT BEEN AUDITED****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Unaudited as at 31-Jul-16 RM'000	Audited as at 31-Jan-16 RM'000
Non Current Assets		
Property, plant & equipment	105,458	100,682
Investment properties	229,274	190,767
Prepaid lease payments	9,482	10,044
Intangible assets	14,000	14,000
Development expenditure	22,410	12,325
Investment in quoted shares.	3,625	3,971
Investment in golf club membership	64	64
	<u>384,313</u>	<u>331,853</u>
Current Assets		
Inventories	169,595	92,379
Trade receivables	3,058	4,608
Other receivables	86,798	109,529
Cash and bank balances	163,934	184,113
	<u>423,385</u>	<u>390,629</u>
Total Assets	<u><u>807,698</u></u>	<u><u>722,482</u></u>
Shareholders' Fund		
Share capital	301,080	296,180
Share premium	82,195	80,725
Other reserves	66,830	67,980
Retained profits	108,119	93,069
	<u>558,224</u>	<u>537,954</u>
Current Liabilities		
Trade Payables	140,652	78,476
Other Payables	12,920	9,263
Short term borrowings	94,507	95,394
Tax payable	248	248
	<u>248,327</u>	<u>183,381</u>
Non Current Liabilities		
Deferred taxation	1,147	1,147
Long term borrowings	-	-
	<u>1,147</u>	<u>1,147</u>
Total Equity and Liabilities	<u><u>807,698</u></u>	<u><u>722,482</u></u>
Net assets per share (RM)	<u><u>0.19</u></u>	<u><u>0.18</u></u>

BORNEO OIL BERHAD*(Company No. 121919-H)***Incorporated in Malaysia****QUARTERLY REPORT ON CONSOLIDATED RESULTS****FOR THE SECOND QUARTER ENDED 31 JULY 2016****- THE FIGURES HAVE NOT BEEN AUDITED****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Non-distributable reserves						Distributable reserves		
	Share capital	Share premium	Exchange reserves	Treasury Shares	ESOS reserves	Capital reserves	Warrants reserves	Accumulated (losses)/Profit	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Year ended 31 January 2016									
Balance as of 1 February 2015	35,129	73,269	(60)	(486)	44	172,472	1,560	2,688	284,616
Issue of shares	261,051	6,261	-	-	-	-	-	-	267,312
Reduction of share capital	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	(172,457)	-	172,457	-
Acquisition of treasury shares	-	-	-	(26,021)	-	-	-	-	(26,021)
Disposal of treasury shares	-	117	-	486	-	-	-	-	603
Effect of issuing warrant C	-	-	-	-	-	-	93,532	(93,532)	-
Effect of conversion of Warrant B	-	1,078	-	-	-	-	(1,078)	-	-
Other comprehensive income									
- Exchange reserve	-	-	(12)	-	-	-	-	-	(12)
Net profit for the year	-	-	-	-	-	-	-	11,456	11,456
Balance as of 31 January 2016	296,180	80,725	(72)	(26,021)	44	15	94,014	93,069	537,954
Year ended 31 January 2017									
Balance as of 1 February 2016	296,180	80,725	(72)	(26,021)	44	15	94,014	93,069	537,954
Issue of shares	4,900	1,470	-	-	-	-	-	-	6,370
Rights issue expenses	-	-	-	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-	-	-	-
Other comprehensive income									
- Exchange reserve	-	-	16	-	-	-	-	-	16
Acquisition of treasury shares	-	-	-	(1,166)	-	-	-	-	(1,166)
Net profit for the period	-	-	-	-	-	-	-	15,050	15,050
Balance as of 31 July 2016	301,080	82,195	(56)	(27,187)	44	15	94,014	108,119	558,224

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 January 2016 and the explanatory notes attached to the interim financial statements.

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CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	Preceding year
	Current year	to date
	to date	to date
	31-Jul-16	31-Jan-16
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	15,050	12,391
Adjustment for:		
Allowance for impairment written back	-	(22)
Amortisation of prepaid lease rental	562	1,123
Impairment loss on investment in quoted shares	-	77
Impairment loss on investment in quoted shares written back	-	(44)
Depreciation - current year	2,633	4,787
- overprovision in prior years	-	(194)
Goodwill written off	-	12
Gain on disposal of investment in quoted shares	-	(5,474)
Gain on investment in quoted shares	-	(117)
(Gain)/loss on disposal of property, plant & equipment	(5,236)	6
Project cost written off	-	50
Property, plant & equipment written off	-	1
Interest income	(456)	(1,464)
Interest expenses	1,730	1,433
Operating profit before working capital changes	14,283	12,565
Receivables	24,030	(95,357)
Payables	65,834	70,980
Inventory	(77,215)	(77,614)
Cash used in operations	26,932	(89,426)
Interest paid	(1,730)	(1,433)
Tax refund	-	86
Tax paid	251	(845)
Net cash used in operating activities	25,453	(91,618)

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CONSOLIDATED CASH FLOW STATEMENT (Continue)

	Unaudited current year to date 31-Jul-16 RM'000	Preceding year to date 31-Jan-16 RM'000
CASH FLOW FROM INVESTING ACTIVITIES		
Additional development expenditure	(10,085)	(8,879)
Realisation of development expenditure	-	(1,117)
Interest received	456	1,464
Purchase of property, plant & equipment	(2,173)	(21,774)
Purchase of investment property	(38,508)	(52,699)
Investment in quoted shares	346	(3,943)
Purchase of intangible assets	-	(14,000)
Proceeds from disposal of investment in quoted shares	-	24,096
Placement of fixed deposits	-	-
Proceeds from disposal of property, plant & equipment	-	6,956
Net cash used in investing activities	<u>(49,964)</u>	<u>(69,896)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Acquisition of treasury shares	(1,166)	(26,021)
Disposal of treasury shares	-	602
Proceeds from issuance of shares	6,370	267,311
Repayment of term loan	(811)	(5,500)
Repayment of finance lease creditor	-	(14,831)
Net cash from financing activities	<u>4,393</u>	<u>221,561</u>
Net (decrease)/increase in cash and cash equivalents	(20,118)	60,047
Exchange reserve	16	(12)
Cash & cash equivalents at the beginning of period	<u>89,529</u>	<u>29,494</u>
Cash & cash equivalents at the end of period	<u>69,427</u>	<u>89,529</u>
Cash & cash equivalents at the end of the financial period:		
Cash and bank balances	51,938	19,169
Fixed deposits with licensed bank	111,996	164,944
	<u>163,934</u>	<u>184,113</u>
Bank overdraft	(94,507)	(94,584)
	<u>69,427</u>	<u>89,529</u>

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 January 2016 and the accompanying explanatory notes attached to the interim financial statements.

A. EXPLANATORY NOTES AS PER FRS 134 – INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting and Chapter 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Company for the year ended 31 January 2016. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 January 2016.

As at 31 July 2016, the following FRSs and IC Interpretations were not in issue but not yet effective and have not been applied by the Group:

		Effective date for Financial periods <u>Beginning on or after</u>
MFRS 9	Financial instruments (IFRS 9 issued By IABS in November 2009) Financial instruments (IFRS 9 issued By IASB in October 2010)	1 January 2016

All other FRSs where applicable have been applied by the Group as in previous quarters.

A2. Audit Report

The auditors' report on the audited financial statements for the year ended 31 January 2016 was not qualified.

A3. Seasonal or Cyclical Factors

The operations of the Group generally move in tandem with the performance of the various industries undertaken.

A4. Unusual Items

During the quarter under review there were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that were unusual by reason of their nature, size or incidence.

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A5. Changes in Estimates

There were no changes in estimates of amounts reported that have a material effect on the results in the quarter under review.

A6. Issuance, Cancellations, Repurchases, Resale and Repayments of Debts and Equity Securities

- (a) There was an issuance of 38,000,000 ESOS shares of RM0.10 each.
- (b) Repurchased of Company's own shares of 6,210,000 ordinary shares of RM 0.10 each.

A7. Dividends Paid

There is no dividend paid during the quarter under review.

A8. Valuation of Property, Plant & Equipment

No fresh valuation of properties, plant and equipment was done during the quarter.

A9. Significant Event

There were no significant events during the quarter.

A10. Subsequent Events

There were no significant events after the quarter.

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A11. Changes in Composition of the Group

There was no major changes in the Group's composition during the quarter.

A12. Changes in Contingent Liabilities or Contingent Assets

There was no change in the Group's total contingent liabilities of RM 1.1 million comprising of corporate guarantees during the quarter.

A13. Group Segmental Information

Group segmental results by business activities.

	Current quarter to date 31-Jul-16		Preceding quarter to date 31-Jul-15	
	Revenue RM'000	Profit/(Loss) before tax RM'000	Revenue RM'000	Profit/(Loss) before tax RM'000
Head office & others	9	631	9	(673)
Fast food & franchise operation	13,666	716	11,378	1,337
Property, Management & operation	740	(384)	962	(329)
Mining, energy & related operation	1,033,123	3,387	38,832	2,554
Group revenue and profit from operations (net of finance cost)	1,047,538	4,350	51,181	2,889

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B. ADDITIONAL INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B1. Review of Performance

The Group's performance for the second quarter ended 31 July 2016 was satisfactory in line with its business plans. The overall turnover were contributed mainly by its "FF" (fast food and franchise) and "MM" (mining, energy and related operations) divisions while the property and management operation division performed as expected.

The FF division continued with its good performance in achieving a higher turnover of RM 13.66 million against that of RM 11.38 million in the corresponding quarter of 2015 despite a slow-down in the general economy. During the quarter, 3 Sugarbun outlets and 4 Pezzo outlets were added to the total number of franchise outlets, making a total of 86 Sugarbun outlets and 44 Pezzo outlets as at 31 July 2016.

The MM division performed much better with a turnover of RM1,033.12 million as compared to that of RM 38.83 million in the corresponding quarter of 2015. This was mainly attributable to its gold mining/investment and gold mining operations. During the quarter the gold trading/investment section purchased and sold a total of 6,118 kg of gold, leaving a closing inventory of 918 kg. Whilst the mining section processed 138,751.2 MT ores with 10.68 kg of gold dore produced.

B2. Review of results

For the FF division, despite an increase in turnover, there was a drop in the profit for the quarter. This was mainly due to the implementation of the minimum wage and the increased cost of materials caused by currency fluctuation and additional administrative costs incurred in reorganizing and streamlining the FF division,

Gold prices moved within the range of US\$1,206 to US\$1,367 per oz during the 2nd quarter, a major part of the volatility was contributed by the British vote for exit from the European Union in June 2016.

The trading/investment section of the mining division achieved a profit of RM 4.15 million before consolidation, a very credible performance indeed.

During the quarter, the mining division in both Merapoh and Bukit Ibam have also successfully increased its production of dore gold from alluvial and colluvial deposits from 8.99 kg in the 1st quarter to 10.68 kg in the 2nd quarter. Both Merapoh and Bukit Ibam mines are still in the early stages of exploration and development. A pilot plant of (7,000 MT per cycle) heap leaching using earth gold is currently in the process of being fine tuned. Barring unforeseen circumstances, it is expected to commence commercial operation before the end of the financial year.

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B3. Current year prospects

Moving forward, the FF division is expected to improve its bottom line in the next two quarters as plans are afoot to expand the Pezzo brand to Sabah and Kalimantan, Indonesia. There are also plans for a Sugarbun brand, Borneo Asian Food (BAF) to expand to West Malaysia, after a very successful opening of its 1st outlet in Menara Hap Seng, Kuala Lumpur. The 2nd BAF outlet is expected to be opened in October in Pacific Place, Ara Damansara.

The FF division is being reorganised to facilitate its global expansion through the Company's wholly owned subsidiary incorporated in Singapore, Tong Meng Global Pte Ltd, with the objective that more value will be built into the various brands under the FF division.

Gold has been trading above US\$1,300 per oz since June 2016. US\$1,000 to US\$1,400 per oz is the internationally accepted benchmark for overall gold production cost. Gold prices may stay within the US\$ 1,300 per oz range until the US presidential election, where the general market is expecting the US Federal Reserve to hike interest rate from 0.05% currently. However, a lot will depend on how the US and the world economy will perform in the next few months. It is now generally accepted by the market that gold is in the early stages of entering a long term bullish trend.

As stated above, the MM division will be finalising its heap leaching process at Bukit Ibam and is looking forward to process the 1.80 tons of its inferred gold resources in the near future. This, it is hoped will substantially contribute to its revenue. Bukit Ibam is in the process of conducting its 2nd phase exploration program which is expected to be completed either before the end of the financial year or in the early part of the 1st quarter of next year.

B4. Variation Profit Forecast / Profit Guarantee

There were no profit forecast or guarantee made during the quarter.

B5. Taxation

There was no provision of taxation made in the current period.

B6. Corporate Proposals

There is no other major corporate proposal during the quarter.

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B7. Borrowings and Debt Securities

	Unaudited current year to date	Preceding year to date
	31-Jul-16	31-Jan-16
	RM'000	RM'000
Short term borrowings :		
- Term loans	-	811
- Bank overdraft	94,507	94,583
- Hire purchase payables	-	-
	<u>94,507</u>	<u>95,394</u>
Long term borrowings :		
- Term loans	-	-
- Hire purchase payables	-	-
	<u>-</u>	<u>-</u>
Total borrowings	<u><u>94,507</u></u>	<u><u>95,394</u></u>

All the above borrowings are denominated in Ringgit Malaysia

B8. Material Litigation

There is no material litigation that will have a material effect on the financial position and operation of the Company and the Group.

B9. Dividends

There was no dividend proposed or declared during the current quarter.

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B10. Earnings per share

	Individual quarter ended		Cummulative period ended	
	31-Jul-16 RM'000	31-Jul-15 RM'000	31-Jul-16 RM'000	31-Jul-15 RM'000
Basic profit per share				
Profit for the period attributable to equity holders (RM'000)	4,350	2,889	15,050	3,414
Number Weighted average number of shares in issue ('000)	2,980,420	378,562	2,990,030	371,646
Basic profit per share (sen)	0.15	0.76	0.50	0.92

B11. Realised and Unrealised Profits/Losses Disclosure

	Current year to date 31-Jul-16 RM'000	Preceding year to date 31-Jan-16 RM'000
Accummulated losses of the Group and its subsidiaries		
- Realised	95,893	(80,649)
- Unrealised	(1,147)	81,420
	94,746	771
Less : Consolidation adjustments	13,373	13,373
Reclassification	-	172,457
Effect of issuing warrant C	-	(93,532)
Total Group retained profits	108,119	93,069

The disclosure of realised and unrealised profits/losses above is solely for compliance with the directive issued by BURSA and should not be used for any other purpose.

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B12. Notes to the Condensed Consolidated Statement of Comprehensive Income

Profit/(loss) before tax is derived after charging / (crediting) :

	Current quarter 31-Jul-16 RM'000	Current year to date 31-Jan-16 RM'000
Amortisation of prepaid lease rental	562	1,123
Audit fee - current year	-	207
Bad debts written off	-	12
Depreciation	2,634	4,547
Development expenditure written off	-	50
Directors' fee	203	100
Directors' remuneration	39	952
Hire of machineries	-	273
Impairment loss on project development	-	52
Interest expenses:		
- Finance lease interest	-	246
- Late payment interest	-	11
- Term loan interest	869	246
Loss on foreign exchange	-	14
Loss on disposal of property, plant & equipment	-	1
Property, plant and equipment written off	-	11
Rental of equipment, machinery & motor vehicle	124	63
Rental of hostel	58	87
Rental of land	12	-
Rental of premises	384	1,007
Rental of office	266	7
And crediting the following items:		
Allowance for impairment written back	-	22
Dividend income	-	6
Gain on disposal of property, plant and equipment	-	8
Gain on foreign exchange	29	133
Gain on other investment	-	1,051
Insurance claim received	87	45
Interest income	2,007	1,464

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B13. STATUS OF UTILISATION OF PROCEEDS FROM CORPORATE EXERCISES

(a) Rights Issues Exercise:

	Proposed Utilisation RM'000	Time frame for utilisation (Months)	Actual utilization RM'000	Balance unutilised RM'000
1. Exploration expenditure for gold mining operation	15,000	Within 24 mths	9,892	5,108
2. Purchase of machineries & Equipment for gold mining operation	30,000	Within 24 mths	9,019	20,981
3. Working capital for gold Mining operation	75,621	Within 30 mths	67,062	8,559
4. Purchase of plant and equipment for limestone mining operation	10,000	Within 12 mths	10,000	-
5. Working capital for limestone mining operation	8,000	Within 24 mths	1,622	6,378
6. Working capital for fast food Operation	5,000	Within 12 mths	3,856	1,144
7. Future investments	60,000	Within 24 mths	60,000	-
8. Repayment of borrowings	20,409	Within 3 mths	20,409	-
9. Estimated expenses in relation to the Rights Issue with warrants	4,750	Within 3 mths	4,750	-
	228,780		186,610	42,170

(b) Private Placement Exercise:

Except for the allocation of RM 5.0 million allocated to new food processing factory which is now in progress of which RM 354,888 has been incurred, all the others have been fully utilized as allocated.

By Order of the Board

Chin Siew Kim
 Company Secretary

29 September 2016

