

BORNEO OIL BERHAD

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND QUARTER ENDED
31 JULY 2017**

(THE FIGURES HAVE NOT BEEN AUDITED)

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Second Quarter		Cumulative Quarter	
	Unaudited Current Period 31-Jul-17 RM'000	Corresponding Period 31-May-16 RM'000	Unaudited Current Period 31-Jul-17 RM'000	Corresponding Period 31-Jul-16 RM'000
Revenue	19,408	1,047,538	42,652	2,542,274
Cost of sales	(14,147)	(1,037,941)	(25,949)	(2,520,740)
Gross profit	5,261	9,597	16,703	21,534
Other income	5,128	2,386	5,456	8,176
Operating expenses	(6,301)	(6,764)	(12,793)	(12,930)
Profit from operations	4,088	5,219	9,366	16,780
Finance cost	(37)	(869)	(58)	(1,730)
Profit before tax	4,051	4,350	9,308	15,050
Taxation	-	-	-	-
Profit for the period	4,051	4,350	9,308	15,050
Exchange diff. from translation of foreign op	-	-	-	-
Comprehensive (loss)/profit for the period	4,051	4,350	9,308	15,050
Profit attributable to:				
- equity holders of the Company	4,051	4,350	9,308	15,050
- non-controlling interest	-	-	-	-
	4,051	4,350	9,308	15,050
Total comprehensive profit				
- equity holders of the Company	4,051	4,350	9,308	15,050
- non-controlling interest	-	-	-	-
	4,051	4,350	9,308	15,050
Profit per share (sen)				
- basic (sen)	0.10	0.15	0.26	0.50
- fully diluted (sen)	n/a	n/a	n/a	n/a

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited as at		Audited as at
	31-Jul-17	31-Jan-17	
	RM'000	RM'000	
Non Current Assets			
Property, plant & equipment	193,380	194,141	
Investment properties	296,930	271,784	
Intangible assets	14,000	14,000	
Goodwill on consolidation	4,972	-	
Development expenditure	2,676	2,280	
Exploration expenditure	32,679	27,337	
Other investment	64	64	
	<u>544,701</u>	<u>509,606</u>	
Current Assets			
Inventories	12,342	14,268	
Trade receivables	3,221	3,345	
Other receivables	16,322	14,451	
Gold spot contracts	423,724	227,897	
Fixed deposits with licensed banks	16,547	4,040	
Cash and bank balances	17,626	42,706	
Tax recoverable	-	274	
	<u>489,782</u>	<u>306,981</u>	
Total Assets	<u>1,034,483</u>	<u>816,587</u>	
Shareholders' Fund			
Share capital	454,584	302,880	
Share premium	-	82,735	
Other reserves	94,235	66,648	
Retained profits	81,773	139,515	
	<u>630,592</u>	<u>591,778</u>	
Non-controlling interest	1	-	
	<u>630,593</u>	<u>591,778</u>	
Current Liabilities			
Trade Payables	14,560	7,132	
Other Payables	384,994	213,424	
Short term borrowings	191	610	
Tax payable	617	-	
	<u>400,362</u>	<u>221,166</u>	
Non Current Liabilities			
Deferred taxation	2,984	2,984	
Long term borrowings	544	659	
	<u>3,528</u>	<u>3,643</u>	
Total Equity and Liabilities	<u>1,034,483</u>	<u>816,587</u>	
Net assets per share (RM)	0.14	0.19	

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Non-distributable reserves						Distributable reserves		Total Equity	
	Share capital	Share premium	Exchange reserves	Treasury Shares	ESOS reserves	Capital reserves	Warrants reserves	Accummulated (losses)/Profit		Non-controlling interest
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	6,700	2,010	-	-	-	-	-	-	-	8,710
Reduction of share capital	-	-	-	-	-	-	-	-	-	-
Acquisition of treasury shares	-	-	-	(1,349)	-	-	-	-	-	(1,349)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
- Exchange reserve	-	-	17	-	-	-	-	-	-	17
Net profit for the year	-	-	-	-	-	-	-	46,446	-	46,446
Balance as of 31 January 2017	302,880	82,735	(55)	(27,370)	44	15	94,014	139,515	-	591,778
Year ended 31 January 2017										
Balance as of 1 February 2017	302,880	82,735	(55)	(27,370)	44	15	94,014	139,515	-	591,778
Issue of shares	151,704	(82,735)	-	-	-	-	-	(67,050)	-	1,919
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
- Exchange reserve	-	-	217	-	-	-	-	-	-	217
Effect of acquisition of subsidiary	-	-	-	-	-	-	-	-	1	1
Acquisition of treasury shares	-	-	-	-	-	-	-	-	-	-
Disposal of treasury shares	-	-	-	27,370	-	-	-	-	-	27,370
Net profit for the period	-	-	-	-	-	-	-	9,308	-	9,308
Balance as of 30 April 2017	454,584	-	162	-	44	15	94,014	81,773	1	630,593

The condensed consolidated statements of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 January 2017 and the explanatory notes attached to the interim financial statements.

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CONSOLIDATED CASH FLOW STATEMENT

	Unaudited	
	Current year	Preceding year
	to date	to date
	31-Jul-17	31-Jan-17
	RM'000	RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	9,308	48,653
Adjustment for:		
Allowance for impairment of obsolete inventories	-	47
Amortisation of prepaid lease rental	-	842
Bad debts written off	-	1,210
Deposits written off	-	27
Impairment loss on investment in quoted shares	-	116
Impairment loss on investment in quoted shares written back	-	(25)
Depreciation - current year	2,528	6,617
Gain on disposal of investment of properties	-	(4,558)
(Gain)/loss on disposal of property, plant & equipment	(2)	(864)
Prepaid lease rental written off	-	9,201
Property, plant & equipment written off	-	3,294
Net increase in fair value of investment properties	-	(52,700)
Interest income	(279)	(3,848)
Interest expenses	59	2,608
Operating profit before working capital changes	11,614	10,620
Receivables	(937)	94,550
Payables	178,997	132,818
Financial assets at fair value	(195,827)	(155,893)
Inventory	1,926	6,060
Cash used in operations	(4,227)	88,155
Interest received	279	3,848
Tax refund	82	32
Tax paid	-	(370)
Net cash used in operating activities	(3,866)	91,665

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CONSOLIDATED CASH FLOW STATEMENT (Continue)

	Unaudited current year to date	Preceding year to date
	31-Jul-17	31-Jan-17
	RM'000	RM'000
CASH FLOW FROM INVESTING ACTIVITIES		
Additional development expenditure	(396)	(155)
Additional exploration expenditure	(5,343)	(10,000)
Additions of other investments	-	(5,821)
Addition of intangible assets	(1)	-
Purchase of property, plant & equipment	(1,764)	(121,545)
Purchase of investment property	(25,146)	(29,058)
Purchase of financial assets		
Investment in quoted shares		
Proceeds from disposal of investment in quoted shares	-	9,701
Proceeds from disposal of property, plant & equipment	-	1,901
Proceeds from disposal of investment properties	-	15,500
(Placement)/withdrawal of fixed deposits pledged to banks	(12,507)	160,904
Net cash outflow from acquisition of subsidiary	(4,971)	-
Net cash used in investing activities	(50,128)	21,427
CASH FLOW FROM FINANCING ACTIVITIES		
Acquisition of treasury shares	-	(1,350)
Proceeds from disposal of treasury shares	27,371	-
Proceeds from issuance of shares	1,918	8,710
Repayment of term loan	-	(811)
Repayment of finance lease payables	(534)	809
Repayment of bank overdraft	-	(94,124)
Interest paid	(59)	(2,608)
Net cash from financing activities	28,696	(89,374)
Net (decrease)/increase in cash and cash equivalents	(25,297)	23,718
Exchange reserve	217	(180)
Cash & cash equivalents at the beginning of period	42,706	19,168
Cash & cash equivalents at the end of period	17,626	42,706
Cash & cash equivalents at the end of the financial period:		

The condensed consolidated cash flow statements should be read in conjunction with the audited financial statements for the year ended 31 January 2017 and the accompanying explanatory notes attached to the interim financial statements.

Notes on the quarterly report – 31 July 2017

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 2017. 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 2017.

All the MFRSs and IC Interpretations applicable to the Group have been applied in the preparation of the current quarter report as in previous quarters.

A2. Audit Report

The auditors' report on the audited financial statements for the year ended 31 January 2017 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.

A5. Other Income

Included in the Other Income was a fair value gain of RM 3.84 million from the trading of gold spot contracts.

A6. 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.

A7. Issuance, Cancellations, Repurchases, Resale and Repayments of Debts and Equity Securities

A total of 2,112,341,814 new ordinary shares were credited as fully paid-up shares on the basis of four (4) bonus shares for every eight (8) existing Bornoil shares held on an entitlement during the quarter. A total of 528,085,453 new warrants in Bornoil (Warrant D) on the basis of one (1) free Warrant D for every eight (8) existing Bornoil shares held on an entitled during the quarter.

A8. Dividends Paid

There is no dividend paid during the quarter under review.

A9. Valuation of Property, Plant & Equipment

There were no valuation conducted during the quarter.

A10. Significant Event

There were no significant events during the quarter except for the announcement made to Bursa on 15 June 2017 with regards to the following:

- i) a proposed establishment of a new Employees' Share Option Scheme of up to 15% of the total number of issued shares of the Company, and
- ii) a proposed amendment to the Articles of Association of the Company.

A11. Subsequent Events

There were no significant events during the quarter.

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A12. Changes in Composition of the Group

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

A13. Changes in Contingent Liabilities or Contingent Assets

The Group's contingent liabilities totaling RM 1.84 million comprises of corporate guarantees given on behalf of subsidiaries in securing banking facilities.

A14. Group Segmental Information

Group segmental results by business activities.

	Current quarter to date		Corresponding qtr to date	
	31-Jul-17		31-Jul-16	
	Revenue	Profit/(Loss) before tax	Revenue	Profit/(Loss) before tax
	RM'000	RM'000	RM'000	RM'000
Head office & others	9	(359)	9	631
Fast food & franchise operation	10,957	649	13,666	716
Property, Management & operation	1,551	(454)	740	(384)
Mining, energy & related operation	6,891	4,215	1,033,123	3,387
Group revenue and profit from operations (net of finance cost)	19,408	4,051	1,047,538	4,350

A15. Financial assets and liabilities

The amount of financial assets of RM 423,724,000 and financial liabilities of RM 384,994,000 were related to unsold balance of gold spot contracts and the amount financed by the financial institution in respect of gold spot trading respectively.

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

B1. Review of Performance

The Group recorded a total turnover of RM 19.41 million for the current quarter mainly from its contributing divisions ie fast food and franchise (FF), mining, energy and related (MM) and the property and management operation (PM). The amount achieved was consistent with that of the preceding period of RM 19.37 million.

FF division managed to maintain a total revenue of RM 10.96 million as achieved in the preceding quarter of RM 10.57 million despite the continuing unfavourable market condition affecting the fast food business and the discontinuation of 3 SugarBun and 2 Pezzo outlets due to poor business and fire during the quarter.

MM division's turnover was RM 6.89 million as compared to the preceding quarter of RM 7.39 million. During the quarter the division produced 317.49 oz of gold dore out of 153,667.2 MT of ore mined as compared to the preceding quarter of 194.95 oz produced and 142,218.4 MT mined respectively. As for the trading of gold spot contracts, a total of 9,440 kg were purchased and 8,437 kg sold during the quarter.

PM division's revenue contribution to the Group was RM 1.55 million as compared to the preceding quarter of RM 1.42 million.

B2. Review of results.

The Group's profit for the quarter of RM 4.05 million was slightly lower than that of the preceding quarter of RM 5.25 million. This was mainly due to the MM division's comparatively much lower fair value gain from the trading of the gold spot contracts whilst the results of the other divisions were proportionately in line with their respective recorded revenue.

Notwithstanding the above the Group's overall result achieved from the generally unfavourable market condition during the quarter was quite satisfactory and as expected.

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B3. Current year prospects

The Board had taken note of the Group's overall performance and would accordingly make every effort to improve in the coming periods and barring any unforeseen circumstances, the Board is confident that the Company will be in the correct and positive path in achieving an improved result in line with the corporate and operational plans.

B4. Variation Profit Forecast / Profit Guarantee

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

B5. Taxation

No taxation was provided during the quarter under review.

B6. Corporate Proposals

There was no new corporate proposal during the quarter.

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B7. Borrowings and Debts Securities

					Unaudited	
					current	Preceding
					period to date	year to date
					31-Jul-17	31-Jan-17
					RM'000	RM'000
Short term borrowings :						
- Bank overdraft					-	460
- Hire purchase payables					191	150
					191	610
Long term borrowings :						
- Hire purchase payables					544	659
					544	659
Total borrowings					735	1,269

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		Cumulative period ended	
	31-Jul-17	31-Jul-16	31-Jul-17	31-Jul-16
Basic profit per share	RM'000	RM'000	RM'000	RM'000
Profit for the period attributable to equity holders (RM'000)	4,051	4,350	9,308	15,050
Number Weighted average number of shares in issue ('000)	4,067,843	2,980,420	3,557,113	2,990,030
Basic profit per share (sen)	0.10	0.15	0.26	0.50

B11. Realised and Unrealised Profits/Losses Disclosure

	Current year to date	Preceding year to date
	31-Jul-17	31-Jul-17
	RM'000	RM'000
Total unappropriated profits/(losses) of the Company and its subsidiaries:		
- Realised	70,010	126,205
- Unrealised	(2,984)	(1,147)
	67,026	125,058
Add : Consolidation adjustments	14,747	14,457
Total Group retained profits	81,773	139,515

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	Preceding year
	quarter	to date
	31-Jul-17	31-Jan-17
	RM'000	RM'000
Allowance for impairment of obsolete inventories	-	47
Amortisation of prepaid lease rental	-	843
Audit fee - current year	-	230
- overprovision in prior years	-	(32)
Bad debts written off	-	1,210
Deposits written off	-	27
Depreciation	2,528	6,617
Directors' remuneration	258	432
Prepaid lease rental written off	-	9,201
Property, plant and equipment written off	-	3,294
Rental of heavy equipment	250	217
Rental of hostel	84	129
Rental of land	12	24
Rental of premises	731	1,541
<u>And crediting the following items:</u>		
Fair value gain on investment properties	-	52,700
Fair value loss on investment in quoted securities	-	(116)
Gain on disposal of investment properties	-	4,558
Gain on disposal of property, plant and equipment	2	864
Gain on foreign exchange	4,838	95
Interest income	279	3,848
Reversal of impairment loss on investment in quoted securities	-	25
Rental income	36	-

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B13. STATUS OF UTILISATION OF PROCEEDS FROM CORPORATE EXERCISES

Rights Issues Exercise:

	Proposed Utilisation RM'000	Time frame for utilisation (Months)	Actual utilization RM'000	Balance unutilised RM'000
Exploration expenditure for gold mining operation	15,000	Within 24 mths	11,699	3,301
Purchase of machineries & Equipment for gold mining operation	30,000	Within 24 mths	26,896	3,104
Working capital for gold Mining operation	75,621	Within 30 mths	74,690	931
Purchase of plant and equipment for limestone mining operation	10,000	Within 12 mths	10,000	-
Working capital for limestone mining operation	8,000	Within 24 mths	8,000	-
Working capital for fast food Operation	5,000	Within 12 mths	5,000	-
Future investments	60,000	Within 24 mths	60,000	-
Repayment of borrowings	20,409	Within 3 mths	20,409	-
Estimated expenses in relation to the Rights Issue with warrants	4,750	Within 3 mths	4,750	-
	<u>228,780</u>		<u>221,444</u>	<u>7,336</u>

Private Placement Exercise:

The remaining allocation of RM 5.0 million for the food processing factory has been fully utilised.

By Order of the Board

Chin Siew Kim
Company Secretary

28 September 2017