

**BORNEO OIL BERHAD**

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE THIRD QUARTER ENDED  
31 OCTOBER 2017**

**(THE FIGURES HAVE NOT BEEN AUDITED)**

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	<b>Third Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Unaudited</b>	<b>Corresponding</b>	<b>Unaudited</b>	<b>Corresponding</b>
	<b>Current Period</b>	<b>Period</b>	<b>Current Period</b>	<b>Period</b>
	<b>31-Oct-17</b>	<b>31-Oct-16</b>	<b>31-Oct-17</b>	<b>31-Oct-16</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	20,727	950,445	63,379	3,492,719
Cost of sales	(9,496)	(942,475)	(35,445)	(3,463,215)
Gross profit	11,231	7,970	27,934	29,504
Other income	3,149	38,663	8,606	46,839
Operating expenses	(11,927)	(22,335)	(24,720)	(35,265)
Profit from operations	2,453	24,298	11,820	41,078
Finance cost	(39)	(822)	(97)	(2,552)
Profit before tax	2,414	23,476	11,723	38,526
Taxation	-	(1,845)	(10)	(1,845)
Profit for the period	2,414	21,631	11,713	36,681
Exchange diff. from translation of foreign ops			-	
Comprehensive profit for the period	2,414	21,631	11,713	36,681
Profit attributable to:				
- equity holders of the Company	2,414	21,631	11,712	36,681
- non-controlling interest	-	-	1	-
	2,414	21,631	11,713	36,681
Total comprehensive profit				
- equity holders of the Company	2,414	21,631	11,712	36,681
- non-controlling interest	-	-	1	-
	2,414	21,631	11,713	36,681
Profit per share (sen)				
- basic (sen)	0.05	0.71	0.26	1.22
- fully diluted (sen)	n/a	n/a	n/a	n/a

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>Unaudited as at Audited as at</b>			
	<b>31-Oct-17</b>	<b>31-Jan-17</b>		
	<b>RM'000</b>	<b>RM'000</b>		
<b>Non Current Assets</b>				
Property, plant & equipment	196,215	194,141		
Investment properties	302,804	271,784		
Intangible assets	18,970	14,000		
Development expenditure	2,775	2,280		
Exploration expenditure	35,316	27,337		
Other investment	64	64		
	<u>556,144</u>	<u>509,606</u>		
<b>Current Assets</b>				
Inventories	11,621	14,268		
Trade receivables	3,478	3,345		
Other receivables	49,855	14,451		
Gold spot contracts	454,420	227,897		
Fixed deposits with licensed banks	4,375	4,040		
Cash and bank balances	35,617	42,706		
Tax recoverable	-	274		
	<u>559,366</u>	<u>306,981</u>		
<b>Total Assets</b>	<u>1,115,510</u>	<u>816,587</u>		
<b>Shareholders' Fund</b>				
Share capital	473,604	302,880		
Share premium	-	82,735		
Other reserves	90,154	66,648		
Retained profits	84,176	139,515		
	<u>647,934</u>	<u>591,778</u>		
Non-controlling interest	1	-		
	<u>647,935</u>	<u>591,778</u>		
<b>Current Liabilities</b>				
Trade Payables	2,861	7,132		
Other Payables	459,508	213,424		
Short term borrowings	438	610		
Tax payable	441	-		
	<u>463,248</u>	<u>221,166</u>		
<b>Non Current Liabilities</b>				
Deferred taxation	2,984	2,984		
Long term borrowings	1,344	659		
	<u>4,328</u>	<u>3,643</u>		
<b>Total Equity and Liabilities</b>	<u>1,115,510</u>	<u>816,587</u>		
Net assets per share (RM)	<u>0.14</u>	<u>0.19</u>		

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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	Accumulated (losses)/Profit		Non-controlling interest
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Year ended 31 January 2017</b>										
<b>Balance as of 1 February 2016</b>	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
<b>Balance as of 31 January 2017</b>	<b>302,880</b>	<b>82,735</b>	<b>(55)</b>	<b>(27,370)</b>	<b>44</b>	<b>15</b>	<b>94,014</b>	<b>139,515</b>	<b>-</b>	<b>591,778</b>
<b>Year ended 31 January 2017</b>										
<b>Balance as of 1 February 2017</b>	302,880	82,735	(55)	(27,370)	44	15	94,014	139,515	-	591,778
Issue of shares	170,724	(82,735)	-	-	-	-	-	(67,051)	-	20,938
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
- Exchange reserve	-	-	126	-	-	-	-	-	-	126
Acquisition of treasury shares	-	-	-	(3,990)	-	-	-	-	-	(3,990)
Disposal of treasury shares	-	-	-	27,370	-	-	-	-	-	27,370
Net profit for the period	-	-	-	-	-	-	-	11,712	-	11,713
<b>Balance as of 31 October 2017</b>	<b>473,604</b>	<b>-</b>	<b>71</b>	<b>(3,990)</b>	<b>44</b>	<b>15</b>	<b>94,014</b>	<b>84,176</b>	<b>-</b>	<b>647,935</b>

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**

	<b>Unaudited</b>	
	<b>Current year</b>	<b>Preceding year</b>
	<b>to date</b>	<b>to date</b>
	<b>31-Oct-17</b>	<b>31-Jan-17</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	11,713	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	3,693	6,617
Gain on disposal of investment properties	(2,846)	(4,558)
(Gain)/loss on disposal of property, plant & equipment	(2)	(864)
Prepaid lease rental written off	-	9,201
Property, plant & equipment written off	-	3294
Net increase in fair value of investment properties	-	(52,700)
Interest income	(333)	(3,848)
Interest expenses	98	2,608
Operating profit before working capital changes	12,323	10,620
Receivables	(34,406)	94,550
Payables	242,173	132,818
Financial assets at fair value	(226,524)	(155,893)
Inventory	2,647	6,060
Cash used in operations	(3,787)	88,155
Interest received	333	3,848
Tax refund	(406)	32
Tax paid	-	(370)
Net cash used in operating activities	(3,860)	91,665

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**CONSOLIDATED CASH FLOW STATEMENT (Continue)**

	<b>Unaudited current year to date</b>	<b>Preceding year to date</b>
	<b>31-Oct-17</b>	<b>31-Jan-17</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additional development expenditure	(495)	(155)
Additional exploration expenditure	(7,980)	(10,000)
Additions of other investments	-	(5,821)
Addition of intangible assets	1	-
Purchase of property, plant & equipment	(5,765)	(121,545)
Purchase of investment property	(28,174)	(29,058)
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	(335)	160,904
Net cash outflow from acquisition of subsidiary	(4,971)	-
Net cash used in investing activities	<u>(47,719)</u>	<u>21,427</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Acquisition of treasury shares	-	(1,350)
Proceeds from disposal of treasury shares	23,371	-
Proceeds from issuance of shares	20,931	8,710
Repayment of term loan	-	(811)
Repayment of finance lease payables	514	809
Repayment of bank overdraft	-	(94,124)
Interest paid	(98)	(2,608)
Net cash from financing activities	<u>44,718</u>	<u>(89,374)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(7,215)</b>	<b>23,718</b>
<b>Exchange reserve</b>	<b>125</b>	<b>(180)</b>
<b>Cash &amp; cash equivalents at the beginning of period</b>	<b>42,707</b>	<b>19,168</b>
<b>Cash &amp; cash equivalents at the end of period</b>	<b><u>35,617</u></b>	<b><u>42,706</u></b>
Cash & cash equivalents at the end of the financial period:		
Cash and bank balances	<u>35,617</u>	<u>42,706</u>

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 October 2017**

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

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**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. 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**

During the quarter:

- 1) 39,900,000 ordinary shares were repurchased amounting to RM3.99 million.
- 2) 210,262,000 ESOS shares were issued, and
- 3) 1,500,000 Warrant B were converted.

**A7. Dividends Paid**

There is no dividend paid during the quarter under review.

**A8. Valuation of Property, Plant & Equipment**

There were no valuation conducted during the quarter.

**A9. Significant Event**

There were no significant events during the quarter.

**A10. Subsequent Events**

There were no subsequent events during the quarter.

**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**

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



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Notes on the quarterly report – 31 October 2017

**A13. Group Segmental Information**

Group segmental results by business activities.

	Current quarter to date		Corresponding qtr to date	
	31-Oct-17		31-Oct-16	
	Revenue	Profit/(Loss) ) before tax	Revenue	Profit/(Loss) ) before tax
	RM'000	RM'000	RM'000	RM'000
Head office & others	9	(571)	9	(787)
Fast food & franchise operation	10,260	423	12,082	915
Property, Management & operation	1,670	1,902	1,026	20,761
Mining, energy & related operation	8,788	660	937,328	2,587
Group revenue and profit from operations (net of finance cost)	20,727	2,414	950,445	23,476

**A14. Financial assets and liabilities**

The amount of financial assets of RM 454,420,000 and financial liabilities of RM 440,520,000 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 RM20.72 million for the current quarter. The amount achieved was higher than that of the preceding period of RM19.40 million. Contributions by the Group's respective divisions are as follows:-

- (a) Fast food & franchise operation division maintained total revenue of RM10.26 million, slightly lower than that of the preceding period of RM10.96 million. During the quarter, two new SugarBun outlets were opened and one reopening, with two closures and one re-opening of Pezzo outlet.
- (b) Mining, energy & related operation division's turnover of RM8.79 million was comparatively higher than that of RM6.89 million achieved in the preceding quarter.

During the quarter, the division's mining operation produced 302.03 oz. of gold dore out of 107,365.40 MT of ore mined as compared to the preceding quarter of 317.49 oz and 153,667.20 MT of ores mined respectively. As for the trading of gold spot contracts, a total of 37,257 kg was purchased and 37.054 kg sold.

As for the limestone operation, 1,052 blocks (6,867.43 m<sup>3</sup>) of marble blocks were extracted by the operator and 161 containers were exported during the quarter. A total tribute of RM 476,370.00 was paid by the operator to the division during the quarter.

- (c) Property, management & operation division also contributed to the overall turnover with its revenue of RM1.67 million achieved during the quarter.

**B2. Review of results.**

The Group's overall profit of RM2.41 million was comparatively lower than that of the preceding quarter of RM4.35 million. This was mainly attributable to lower profit contributions by the fast food & franchise and mining, energy & related operation divisions for the quarter as follows:-

- (a) Fast food & franchise operation division's comparatively lower profit for the quarter corresponded with comparatively lower turnover for the current quarter. This was commendable despite the many challenges facing the food franchise industry such as lower margins, higher food costs, price competition and the general cautious and lower spending behavior of customers as a whole.

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**B2. Review of results. (continue)**

- (b) The mining energy & related operation's drop in profit was mainly due to fair value loss from its trading of gold spot contracts although there was positive contribution from its limestone operation

Property, management & related division's profit was mainly from its gain from disposal of two properties during the quarter.

**B3. Current year prospects**

Gold prices for the quarter have been weak and volatile mainly caused by the hike in the US Dollar interest rates. 2017 has seen three hikes and another three more are expected in 2018. The DOW is trading at historical high (almost 25,000 points) and is currently a great display of risk appetite. The US tax reform implementation coupled with the expectation of the rebuilding of America's infrastructure will be challenges that gold prices may face in the coming months. The Board is mindful of the situation but is of the view that inflation will sooner or later come into play and gold prices will reflect the value of all things.

The Franchise division had started rolling out "Broasted by Sugar Bun" through the opening of its first outlet at Gambang, Pahang. Borneo Asian Food (BAF) food court concept to be operated by Tong Meng will have its first outlet in Menara Hap Seng 2, Kuala Lumpur before the 2<sup>nd</sup> quarter of 2018.

The Biofraction Vetrolysis Plant in Lahad Datu is expected to be completed in December 2017 and will commence test runs in late January 2018.

The Heap Leaching Pilot Project will have its first trial run soon, after a delay of almost nine months due to metallurgy testing.

An estimated 2.0 million tons of non-marble limestone have been produced through the extraction of marble blocks and the same is an ideal feedstock for lime-based products. Once the various processing plans are finalized and if agreed to be implemented by the Division, relevant announcements will be made

**B4. Variation Profit Forecast / Profit Guarantee**

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



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**B10. Earnings per share**

	<b>Individual quarter ended</b>		<b>Cummulative period ended</b>	
	<b>31-Oct-17</b>	<b>31-Oct-16</b>	<b>31-Oct-17</b>	<b>31-Oct-16</b>
<b>Basic profit per share</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Profit for the period attributable to equity holders (RM'000)	2,414	21,631	11,713	36,681
Number Weighted average number of shares in issue ('000)	4,565,135	3,028,605	4,525,885	2,996,867
Basic profit per share (sen)	0.05	0.71	0.26	1.22

**B11. Realised and Unrealised Profits/Losses Disclosure**

	<b>Current year to date</b>	<b>Preceding year to date</b>
	<b>31-Oct-17</b>	<b>31-Oct-16</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Total unappropriated profits/(losses) of the Company and its subsidiaries:</b>		
- Realised	72,414	117,524
- Unrealised	(2,984)	(1,147)
	69,430	116,377
Add : Consolidation adjustments	14,746	13,373
<b>Total Group retained profits</b>	<b>84,176</b>	<b>129,750</b>

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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**B13. STATUS OF UTILISATION OF PROCEEDS FROM CORPORATE EXERCISES**

**Rights Issues Exercise:**

	<b>Proposed Utilisation RM'000</b>	<b>Time frame for utilisation (Months)</b>	<b>Actual utilization RM'000</b>	<b>Balance unutilised RM'000</b>
Exploration expenditure for gold mining operation	15,000	Within 24 mths	12,518	2,482
Purchase of machineries & Equipment for gold mining operation	30,000	Within 24 mths	28,254	1,746
Working capital for gold Mining operation	75,621	Within 30 mths	75,621	-
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>224,552</u>	<u>4,228</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 December 2017