

BORNEO OIL BERHAD
[Reg. No. 198901005309 (121919-H)]
(Incorporated In Malaysia)

**SUMMARY OF KEY MATTERS DISCUSSED AT THE EXTRAORDINARY
GENERAL MEETING OF BORNEO OIL BERHAD (“THE MEETING”) HELD ON
FRIDAY, 5TH MAY 2023, 10:00A.M. AT KINABALU ROOM, LEVEL 5, SABAH
INTERNATIONAL CONVENTION CENTRE, TANJUNG LIPAT, JALAN TUN
FUAD STEPHENS, 88400 KOTA KINABALU, SABAH, MALAYSIA**

1. CHAIRMAN OF THE MEETING

Mr. Tan Kok Chor, the Independent Non-Executive Director, was appointed as Chairman of the Meeting (“Chairman of the Meeting”).

2. KEY MATTERS DISCUSSED AT THE MEETING

There were few questions raised by MSWG present at the meeting with regards to:-

1. Q: Based on the indicative issue price of 1.59 sen per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM30.85 million.

About 54% of the estimated gross proceeds will be allocated for the Resources and Sustainable Energy (RSE) division, primarily used (amounted to RM15 million of total gross proceeds) to source trading materials such as gypsum, laterite and bauxite for the production of clinker and cement by Makin Teguh Sdn Bhd (MTSB).

Borneo Oil is the contractor and project manager for the construction and management of MTSB’s clinker and cement manufacturing plant. In turn, MTSB is a 29.27%-owned associate company of Borneo Oil.

- a) Why does Borneo Oil raise funds to source the required trading materials for MTSB when MTSB itself should be paying for the raw materials used by its own clinker and cement plant? Will MTSB repay Borneo Oil for the raw materials cost incurred? If yes, what are the terms and conditions of the repayment?

A: Borneo Oil has an arrangement to supply raw materials to MTSB for clinker and cement plant use. Borneo Oil Group is also the sole limestone supplier, constituting 80% of the raw material requirements. RM15 million of the total gross proceeds are earmarked for supplying materials to the Plant. This is an immediate business opportunity for the Group to capitalise on and increase the Group’s overall profitability. The credit term for repayment is 60 days.

- b) At the same time, Borneo Oil plans to allocate RM1.6 million of the proceeds raised for the transportation cost of limestone from Borneo Oil quarries to the relevant ports in Sabah (page 5 of the Circular).

Is transporting limestone to ports a part of Borneo Oil's trading business? If yes, should buyers not pay for the transportation costs instead of Borneo Oil? Please clarify.

A: The supply of raw materials such as limestones to any purchaser is based on an agreed commercial term which may include supply to a door-to-door basis (ex-purchaser's factory) and other standard commercial transportation arrangements. The cost incurred is accordingly accounted for in the final price to the purchaser.

The sale of limestone quoted is inclusive of delivery to the buyer. Therefore, Borneo Oil has to engage a third-party transporter and incur a transportation fee.

2. Q: Borneo Oil has had frequent fundraising activities in recent years with a summary below:

- A share subscription agreement with Macquarie Bank Limited in November 2020 to subscribe 1.2 billion Borneo Oil shares, raising proceeds of RM36.33 million.

- A private placement of 1.05 billion Borneo Oil shares completed on 13 December 2022, raising gross proceeds of RM22.4 million.

At the same time, Borneo Oil established an employees' share option scheme (ESOS) in June 2020, with up to 15% of Borneo Oil's total issued shares to be issued to employees and directors.

a) While the Proposed Private Placement is adequate in addressing the immediate financial needs of the Group, it is unsustainable to rely persistently on equity fundraising to fund working capital and businesses.

What are the solutions to ensure the long-term sustainability of the businesses without relying heavily on equity fundraising?

A: When new business opportunities arise, generally, equity fundraising is a cheaper option compared to commercial borrowings.

The private placement is to fund the new business growth plan, which is "Borneo Centric", by capitalising on its' exclusive access to unique and strategic raw materials such as limestone, Memporok Chilli, Borneo Eco Fish, etc. The management is confident it will increase profitability and growth, benefiting its shareholders in the medium and long term.

b) Given that the Proposed Private Placement will have a significant dilution impact, i.e. 20% dilution to the existing shareholders and the discount of not more than 15% to be given to independent investor(s) for the Proposed Private Placement, why were the existing shareholders not given the opportunity to participate in the Company's fund-raising exercise?

Please explain how the dilution impact and discount are not detrimental to the existing shareholders of Borneo Oil.

A: With the approval from Bursa, the proposed discount of 15% reflects the current subdued market conditions. Any fundraising proposal that is to be offered to all existing shareholders requires the following:

- A mini prospectus to be registered with the Securities Commission of Malaysia; and
- A longer duration of time is required to complete the exercise.

In addition, there are uncertainties of existing shareholders' interests and subscriptions. This specific private placement was offered to identified places who have shown commitment to ensuring the success and expediency of this exercise.

We do not foresee that the dilution will significantly impact the existing shareholders, as the placement will ensure long-term sustainable growth and profit for the Group.

3. Q: On 4 April 2023, the Company announced that it planned to revise and/or reformulate the terms and conditions of the proposed acquisition of an additional 30.73% stake in MTSB from Global 2332 Ltd (the Vendor) and the proposed business diversification to include the manufacturing and trading of clinker, cement and related products.

This decision was made after multiple submissions and withdrawals made by the Group for the listing application of these proposals.

a) What were the terms and conditions that the Company and the Vendor could not agree upon earlier, leading to the delay in completing the acquisition and business diversification?

A: The parties are reviewing the terms of the proposed acquisition with regard to the equity stake of MTSB.

b) What is the progress of finalising the terms and conditions of these proposals?

A: The Company will make the necessary announcement in due course upon finalisation.

Additional questions were raised by the representative from MSWG during the EGM

- 1) Q: Any agreement signed with MTSB for the supply of raw materials to MTSB?
- A: Borneo Oil has been the sole supplier of limestones to MTSB since the beginning with a long-term supply contract. Limestone also represents the main feedstock material for the manufacture of clinker and cement. The Group has now expanded the business to include the supply of other raw materials required for the production of clinker and cement by the Plant.
- 2) Q: What is the credit term for the supply of raw materials to MTSB?
- A: The credit term given to MTSB is 60 days.
- 3) Q: Any deposit payable to Borneo Oil for the supply of raw materials to MTSB?
- A: The supply of raw materials will be subject to normal commercial terms and arm-length transactions. No deposit is payable for the supply subject to the 60 day credit terms.
- 4) Q: Will there be additional capital injection from the existing shareholders of MTSB?
- A: At this stage BOB is not in control of MTSB and is not privy to this information. However, it is a business norm for shareholders to contribute to capital injection as and when required.
- 5) Q: How will Borneo Oil finance the acquisition of the additional equity stake in MTSB?
- A: The details of any further acquisition of equity in MTSB (if any) will be announced in accordance with the MMLR including the source of funding.

3. ORDINARY RESOLUTION 1

The following Ordinary Resolution was duly conducted by way of poll voting by shareholders present at the EGM:-

- **ORDINARY RESOLUTION 1**
Proposed Private Placement of up to 1,940,337,390 new Ordinary Shares in Borneoil, representing approximately 20% of the existing total number of issued shares of the Company.

4. DECLARATION OF POLL RESULT

The details of the poll result of the Resolution tabled at the EGM, was validated by Leou Associates PLT, an Independent Scrutineer and henceforth declared carried as follows, by the Chairman of the Meeting.

Resolution	Vote For		Vote Against	
	No. of shares	%	No. of shares	%
Ordinary 1	3,194,660,075	100	100	0

5. CONCLUSION OF MEETING

There being no other business, the Chairman declared the Meeting closed at 10:55 a.m.