

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

SUMMARY OF KEY MATTERS DISCUSSED AT THE FORTIETH (41ST) ANNUAL GENERAL MEETING OF BORNEO OIL BERHAD (“THE MEETING”) HELD ON THURSDAY, 12TH DECEMBER 2025, 2:00 PM AT MEZZANINE FLOOR, SHELL PLAZA, 29, JLN. TUNKU ABDUL RAHMAN, PUSAT BANDAR, 88000 KOTA KINABALU, SABAH

1. CHAIRMAN OF THE MEETING

Mr. Tan Kok Chor, the Non-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:-

OPERATIONAL & FINANCIAL MATTERS

Question 1:

The Group’s revenue increased to RM82.36 million in FY2025 from RM78.56 million in FY2024, marking an increase of around 4.8%. Despite this improvement in revenue, the Group recorded a substantial loss before tax of RM298.68 million, compared to a profit before tax of RM36.98 million in the prior year.

The loss was mainly attributable to a fair value loss of RM230.96 million on quoted securities in Verde Resources, Inc (VRDR) (FY2024: fair value gain of RM159.88 million), coupled with an unrealised exchange loss of RM43.13 million.

VRDR’s share price fell sharply from US\$0.45 at the end of FY2024 to US\$0.105 by FY2025. The stock further slid to US\$0.06 per share at the time of writing.

(a) What were the underlying factors driving VRDR’s steep decline in share price?

Answer:

The decline in VRDR’s share price was mainly driven by external market factors rather than operational issues within the Group. Key factors include:

1. Weak overall sentiment in the U.S. market, where VRDR is traded.
2. There has been a temporary disruption in the U.S. on net zero focus due to changes in the current administration focus.

Overall, the decline reflects market-driven valuation volatility rather than any fundamental impairment in the Group’s underlying business relationship with VRDR.

(b) Borneoil’s bottomline is highly sensitive to the fair value movements of its quoted investments such as VRDR.

i. What were the key operational, financial, and strategic developments within VRDR during the year?

Please provide operational and business updates on VRDR.

Answer:

During the year, VRDR achieved a major milestone with the successful completion of its proof-of-concept project at the National Center for Asphalt Technology (NCAT), becoming the first green technology company to undergo the NCAT certification process. The project validated the performance of its biochar-integrated asphalt and enzyme stabilization technologies and led to the issuance of the world's first biochar-based carbon removal credits from asphalt applications.

VRDR continued to build diversified revenue streams through technology licensing and royalties, biochar sales, and carbon credit monetization under the Puro.earth platform. The Company is also positioned to benefit from U.S. federal and state incentives supporting low-carbon construction materials.

VRDR strengthened key partnerships across biochar supply, testing, certification, and carbon accounting, while advancing its technology roadmap and scaling strategy through regional asphalt producers. These developments support the Company's long-term growth strategy and its pathway toward broader commercialisation and Nasdaq uplisting.

This is the first company in the world that will transform the road construction and building material industry via the integration of biochar and engineered enzymes to create durable and sustainable infrastructural materials on a global scale.

More information and announcement on VRDR can be found on their website <https://www.verderesources.com/>

- ii. As of 30 June 2025, what is Bornoil's exact equity interest in VRDR?

Answer:

As of 30 June 2025, Bornoil holds a 13.45% equity interest in VRDR.

- iii. Given the significant earnings volatility arising from fair value adjustments on quoted investments, how does this align with Bornoil's stated objective of delivering sustainable and stable returns to shareholders?

Answer:

Bornoil is an investment holding company and has invested inter- alia in impactful global industries, one of which is VRDR. As described above VRDR has developed the first in the world carbon sequestering bio- asphalt technology which has been certified by the National Centre for Asphalt Technology in US and approved by Puro Earth as a recognised carbon credits provider.

This investment is maturing as VRDR is paving its way towards up listing to Nasdaq.

- (c) Chairman Mr Tan Kok Chor stated that the Group intends to “*undertake a comprehensive portfolio review to identify assets capable of delivering sustainable returns and determine those requiring restructuring or divestment*” (page 8 of AR2025).

What triggered this strategic portfolio review? What specific outcomes or measurable targets does the Board expect to achieve through this exercise, and what is the expected timeline for completion?

Answer:

Bornoil has invested in five core segments as follows:

1. Food & beverages industry.
2. Investment properties.
3. Gold prospects and mining.
4. Limestone quarries and integrated clinker and cement plant in Sabah.
5. Carbon related technology and investments.

The Board has done its review and assessment of its investments, and are of the view that these investments will deliver the expected returns in time to come.

Question 2:

Despite recording higher revenue, the Food and Franchise Operations (FFO) segment posted a lower profit before tax of RM2.06 million, compared to a PBT of RM7.04 million in FY2024. The management attributed the decline primarily to non-cash expenses, including a share-based payment of RM2.01 million for the ESOS.

However, even after adjusting for these non-cash expenses, the FFO segment's underlying PBT still declined year-on-year.

- (a) What were the key operational, cost, or margin-related factors that contributed to the weaker underlying profitability of the FFO segment?

Answer:

The decline in underlying profitability of the FFO segment, despite higher revenue, was attributable to several operational and cost-related factors:

1. Higher input and raw material costs, especially poultry, dairy, cooking oil, key condiments and packaging, which were affected by ongoing supply-chain price fluctuations during the year.
2. Incremental labour cost pressures, driven by statutory adjustments to minimum wages and increased staffing requirements to support outlet operations.
3. Higher logistics and distribution expenses, as fuel prices and inter-state transport costs increased year-on-year.
4. Store rationalisation and refurbishment activities, which temporarily affected operational efficiency and added to certain one-off operating costs.
5. Promotional and customer acquisition spending, which increased to maintain competitiveness in a soft consumption environment.

These combined factors resulted in margin compression even after excluding non-cash expenses.

- (b) Given that revenue improved but profitability weakened, how is management addressing margin erosion within the FFO segment?

Answer:

Management has implemented several initiatives to stabilise and improve margins within the FFO segment:

1. Menu engineering and product mix optimisation to improve gross margin per transaction and reduce low-margin SKUs.
2. Strengthened procurement processes, including supplier consolidation and bulk-purchase arrangements to mitigate raw material volatility.
3. Process automation and outlet efficiency improvements, including digital ordering systems and labour scheduling optimisation.

4. Ongoing review of store performance, including rationalisation of non-performing outlets and refurbishment of strategic locations to enhance productivity.
5. Cost discipline across the supply chain, focusing on wastage reduction, tighter inventory controls, and optimised logistics routes.

The Group expects these measures to contribute to gradual improvement in operating margins moving forward.

Question 3:

Meanwhile, the Property Investment and Management (PIM) segment reported a loss before tax of RM13.22 million, compared to a loss of RM55.81 million in the prior year. The loss was mainly due to a fair value loss on quoted investments amounting to RM1.11 million and an impairment on the amount owing by an associate of RM3.09 million.

The segment's revenue was mainly derived from the sale of fresh fruit bunches (FFB), amounting to RM1.41 million (FY2024: RM1.19 million).

- (a) What was the total tonnage of FFB produced and sold in FY2025? Accordingly, how is the yield per acre/hectare?

Based on this, how does this compare to industry benchmarks or prior years' performance?

Answer:

For FY2025, the Group's oil palm operation in Ulu Segama recorded:

Total FFB tonnage: 1,614.41 mt

Yield performance: $1,614.41 \text{ mt} / 588.80 \text{ acres (planted area)} = 2.74 \text{ mt per acres}$

Yield performance was generally in line with prior years, with variations mainly due to weather patterns and field conditions. Compared to broader industry benchmarks, the plantation's yields are within the range for mature but modest-scale plantations in similar terrain and soil profiles in Sabah. The relatively small plantation size and its age profile limit economies of scale but remain manageable from an operational standpoint.

- (b) As of FY2024, the Group holds approximately 731 acres of leasehold oil palm plantation in Ulu Segama, Lahad Datu. What is the long-term strategy for this sizeable landbank?

Answer:

The Group's long-term approach to this landbank is guided by prudent capital management and optimisation of asset value. Key considerations include:

1. Sustaining plantation operations to generate steady FFB income while preserving land value.
2. Continuous agronomic improvements, including replanting strategies, soil rehabilitation and yield enhancement programmes, where economically viable.
3. Evaluating alternative or higher-value land uses, including potential real estate or agro-based development, subject to market conditions and regulatory approvals.
4. Periodic review of strategic options, including potential partnerships or partial divestment, should such options enhance shareholder value.

The Board will continue to assess the most value-accretive approach for this sizeable asset.

Question 4:

Makin Teguh Sdn Bhd (MTSB), in which Bornoil holds 49.27%, remained loss-making in FY2025.

- (a) Despite higher revenue of RM19.92 million (FY2024: RM12.48 million), MTSB's loss widened to RM53.23 million compared to RM51.89 million in the prior year (page 188, Note 9(a), AR2025).

Given the recurring losses and the absence of visible improvement in cost efficiency or operational scale, when does management realistically expect MTSB to achieve breakeven? What is the revenue and profit guidance provided by MTSB's management?

Answer:

MTSB's widening losses reflect the combination of:

1. Challenging governmental infrastructural facilities and unreliable energy supply resulting in the plant relying heavily on diesel to generate power,
2. High interest charges for the short-term borrowings
3. Poor road conditions contributing to high cost of logistics

At this stage, MTSB has engaged an international cement consultant in order to optimise the plant efficiency vis-à-vis the current infrastructural challenges.

With the production target and sales of 15,000mt per month, the MTSB management is confident of securing profitability. No indicative timeline has been provided by MTSB as it is heavily dependent on governmental coordinations.

- (b) Please provide an operational update of MTSB, especially regarding the production and sales volume of clinker and cement in FY2025, utilization of its plant, and whether MTSB has secured any long-term supply contracts or substantial commitments from clients that can provide long-term revenue visibility.

Answer:

During FY2025, MTSB recorded the following operational developments:

1. Clinker and cement production

Production levels improved compared to the previous year, reflecting better plant continuity, although still below optimal design capacity.

	FY2024	FY2025
Cement Production	24,686mt	49,890mt

2. Plant utilization

Plant utilisation remained sub-optimal, due to the energy constraints.

3. Sales performance

Sales volume increased in tandem with higher production, supported by local demand (East Coast of Sabah).

4. Contract status

The demand of the East Coast is predominantly small enterprises servicing the plantation industry. Implementation of government projects has been lack lustre in this part of Malaysia.

Question 5:

In FY2025, Bornoil made an impairment amounted to RM6.29 million for the amount owing by an associate - MTSB, on top of the RM45.72 million impairment made in FY2024 (pages 197 - 198, Note 16, AR2025).

16. AMOUNT OWING BY/(TO) AN ASSOCIATE		
	Group	
	2025 RM	2024 RM
Amount owing by an associate		
Non-current		
Trade balances	7,144,578	7,800,000
Less: Accumulated for impairment losses	(7,144,578)	(7,800,000)
	-	-
Current		
Trade balances	42,233,669	34,013,928
Non-trade balances	13,074,694	9,335,237
Less: Accumulated for impairment losses	(46,608,038)	(39,662,961)
	8,700,325	3,686,204
Total	8,700,325	3,686,204
Amount owing (to) an associate		
Non-trade balances	(6,788,000)	(942,305)

Bornoil continued to extend support to MTSB repeated impairments, repayment difficulties, and a persistently loss-making track record.

While the arrangement to supply limestone to MTSB continued, the repeated impairments indicate increasing uncertainty in the recoverability of the outstanding amount.

How does this decision benefit the Company and its shareholders from a commercial standpoint? Based on MTSB's financial conditions, cashflow generation, and cumulative losses, what is the likelihood of Bornoil recovering the outstanding amount owed?

Answer:

The Board acknowledges the impairments recognised in FY2024 and FY2025. These reflect the Group's commitment to prudent accounting, transparent financial reporting, and realistic assessment of recoverability.

From a commercial standpoint:

1. Strategic rationale

The Group supplies limestone to MTSB under ongoing commercial arrangements. Continuation of support ensures:

- Utilisation of the Group's quarry resources,
- Contribution to revenue from limestone sales, and
- Preservation of operational synergies in the long term.

2. Impairment does not equate to cessation of business

The impairments reflect the accounting recognition of credit risk, not a strategic decision to withdraw support. It is a prudent and necessary measure given MTSB's financial position.

3. Likelihood of recovery

Given MTSB's current cashflow constraints, cumulative losses, and absence of long-term guaranteed contracts, the probability of full recovery of the outstanding amount remains uncertain.

The impairments recorded are consistent with this risk assessment.

When the cement plant is in full operation, this situation will turn into a capital gain opportunity.

4. Safeguarding shareholder interests

The Board continuously reassesses exposure to MTSB. Any future support or capital involvement will be subject to strict financial discipline, performance milestones, and the Group's broader portfolio review.

The Group will prioritise actions that protect shareholder value, including potential restructuring or reconsideration of long-term involvement should MTSB's prospects not materially improve.

CORPORATE GOVERNANCE MATTERS

Question 1:

At Group level, Bornoil incurred total directors' remuneration of RM2.38 million in FY2025 (page 77 of AR2025), against RM1.72 million in FY2024, representing a 38.37% increase y-o-y. Three executive directors also reported higher remuneration during the year.

	Fees (RM)		Salaries, Allowances & Bonuses (RM)		Other emoluments (RM)		Total (RM)	
	FY2025	FY2024	FY2025	FY2024	FY2025	FY2024	FY2025	FY2024
Datuk Joseph Lee Yok Min @ Ambrose	1,450,000	900,000	-	-	-	-	1,450,000	900,000
Georgia Suzanne Lingam @ Georgianne	25,000	60,000	175,160	151,111	19,422	-	219,582	211,111
Sri Ganesh A/L K Balasubramaniam	25,000	24,000	181,600	175,585	18,230	-	223,830	199,585

Source: page 77 of AR2025 & page 53 of AR2024

- (a) What were the justifications for the substantial 61.11% increase in fees paid to the Group Managing Director, Datuk Joseph Lee, in a year where operational and financial performance declined? How was the quantum of increment decided?

Answer:

The increase in fees paid to the Group Managing Director (GMD), Datuk Joseph Lee, reflects the scope and complexity of responsibilities undertaken during the year, rather than financial performance alone. Key considerations include:

1. Expanded leadership responsibilities

During FY2025, the GMD assumed broader oversight across multiple business segments including FFO, PIM, mining-related activities and investment portfolio matters in conjunction with ongoing restructuring, operational streamlining and governance enhancements.

2. Time commitment and direct involvement

Datuk Joseph played a significant role in:

- spearheading the Group-wide portfolio review,
- driving cost-optimisation initiatives,
- leading negotiations with business partners and regulatory bodies, and
- strengthening internal controls and reporting frameworks.

3. Benchmarking and market alignment

The Remuneration Committee (RC) conducted a review against industry and market norms for similar-sized listed groups, and adjusted the fees to ensure competitiveness while retaining talent.

4. Fees reflect Board-level duties

As the GMD is remunerated via director's fees rather than salary (see part (c)), adjustments are reflected directly in the fee component.

The quantum of increment was determined by the RC based on the above factors while taking into account the Group's financial constraints and long-term sustainability.

- (b) What specific performance metrics, KPIs, or qualitative criteria did the Remuneration Committee apply in assessing the performance of the Executive Directors for FY2025? Were these KPIs met?

Answer:

For FY2025, the Executive Directors were assessed using a combination of quantitative and qualitative performance metrics, including:

Quantitative KPIs

- Operational efficiency and cost-management outcomes
- Revenue growth in core business segments
- Strategic project milestones achieved
- Progress in improving internal controls and risk management systems

Qualitative KPIs

- Leadership effectiveness and ability to drive cross-segment coordination
- Execution of restructuring initiatives and governance improvements
- Engagement with regulators, partners and key stakeholders
- Contribution to long-term strategic planning

The RC reviewed performance holistically in light of the challenging market conditions and concluded that the Executive Directors met substantial portions of their KPIs, particularly in areas relating to leadership, restructuring progress, operational streamlining, governance and strategic initiatives.

- (c) Why was the remuneration paid to Datuk Joseph Lee structured as fees compared to the common practice of salaries for managing directors and/or CEO?

Answer:

The remuneration structure is aligned with the Board's decision to:

1. Reflect the GMD's role as a Board member, whose responsibilities are carried out at the strategic and governance level rather than through day-to-day operational duties typically associated with salaried executives.
2. Ensure transparency and shareholder oversight, as directors' fees are subject to annual shareholder approval.
3. Maintain flexibility in remuneration structure, allowing the Group to adjust fees more easily in line with evolving responsibilities, market benchmarks and organisational needs.
4. Align interests with the Board as a whole, as fees position the GMD similarly to other directors within the governance framework.

This structure is consistent with the Group's remuneration philosophy and ensures accountability to shareholders.

Question 2:

During FY2025, independent director Ms. Siti Ainee Hanum Suhaidi attended 8 out of 10 board meetings, representing an attendance rate of 80%.

All Board and Board Committee meetings and the AGM for each financial year end are scheduled before the end of the preceding financial year to ensure sufficient time is given to the Directors to plan their schedules and enable them to attend the meetings (page 64 of AR2025).

Considering the above, why was Ms Siti Ainee unable to attend all the board meetings?

Answer:

Ms. Siti Ainee Hanum Binti Suhaidi makes every effort to attend all Board and Committee meetings.

The only meetings she was unable to attend were:

- The 40th Annual General Meeting, and
- The Extraordinary General Meeting,

both held on 19 December 2024.

These meetings coincided with pre-existing overseas commitments, and she was unable to return to Malaysia in time despite the dates being circulated in advance. Her overall attendance record reflects her commitment and diligence as an Independent Director.

Question 3:

On page 14 of AR2025, it was disclosed that executive director Mr. Riorn Lee Kah Vui attended 7 out of 10 meetings in FYE 30 June 2025. How did he manage to attend 7 meetings when he was just appointed to the Board on 2 December 2024?

Answer:

Although Mr. Riorn was appointed on 2 December 2024, he attended 7 out of 10 relevant meetings for FY2025. The meetings he attended are as follows:

- 19.12.2024 – 40th Annual General Meeting
- 19.12.2024 – Extraordinary General Meeting
- 10.01.2025 – Board meeting
- 25.02.2025 – Board meeting
- 07.07.2025 – Board meeting
- 17.07.2025 – Board meeting
- 29.08.2025 – Board meeting

These meetings were held over a nine-month period following his appointment and relate to key governance, ESOS and risk-management matters where the attendance of Executive Directors is required.

His attendance record reflects his active involvement in Board activities since joining the Board.

Additional Questions Raised by MSWG Representative and Shareholder of Bornoil During the AGM

- 1) What are the current updates and status of the investment in VRDR?

Answer:

The Group's investment in VRDR remains strategic and is progressing as planned. VRDR focuses on sustainable construction solutions, particularly enzyme-based soil stabilisation technologies that reduce road construction emissions by up to 46%. The technology is supported by collaboration with the National Center for Asphalt Technology (NCAT) and is designed for commercial deployment through licensing to existing asphalt producers as well as direct retail solutions for road repair and maintenance.

VRDR has transitioned from a bio-char producer into a green technology platform, integrating biochar with advanced construction materials. This model enhances infrastructure durability while creating potential for the generation of high-quality carbon removal credits. Management continues to monitor commercial scaling, regulatory developments, and future plans, including potential corporate actions such as an uplisting.

- 2) Why is the plantation yield lower than the industry average of 6 MT per acre, and has any operator offered to manage the plantation?

Answer:

The plantation is not the Group's core business and was established primarily as a long-term landholding associated with limestone and mineral resources. The land is located in a remote, hilly area with limited access and suboptimal plantation infrastructure, which constrains productivity.

Under these conditions, the current yield of approximately 2.74 MT per acre is considered reasonable for a small-scale plantation of this nature. To date, no plantation operator has submitted a management proposal, primarily due to the relatively small scale of the plantation, which limits economic viability.

- 3) Following the conclusion of the Sabah State Election, how will the cement plant benefit from the current government?

Answer:

Infrastructure development remains a key priority for the Sabah State Government, particularly in water supply, road networks, and electricity. Sabah continues to experience supply constraints and infrastructure deficiencies, resulting in ongoing demand for construction materials.

Currently, Sabah does not produce its own clinker, and cement must be imported, increasing project costs. Against this backdrop, the Group believes that MTSB is well positioned to support future infrastructure projects and to benefit from policies aimed at strengthening Sabah's construction and infrastructure ecosystem.

- 4) What is the current status of the gold mine at Bukit Ibam, Pahang?

Answer:

To date, the Group has incurred approximately RM40 million in exploration expenditure at the Bukit Ibam gold project. Based on completed exploration works, the inferred mineral resource is estimated at approximately 3.9 million tonnes of gold-bearing ore.

The Group plans to commence operations with a first production line using gravity separation, with an expected average gold recovery of approximately 0.13 grams per tonne of ore, translating into an estimated production of approximately 5 kilograms of gold per month.

Subject to the satisfactory performance of the first production line, a second production line with higher processing capacity is planned, which is expected to increase monthly gold production to approximately 12 kilograms.

A third production line employing the Carbon-in-Leach (CIL) method is currently pending approval from the Department of Environment (DOE). Upon receiving approval, this line is expected to achieve a higher average gold recovery of approximately 0.5 grams per tonne of ore.

3. ORDINARY RESOLUTIONS 1 TO 8

The following Ordinary Resolutions were duly conducted by way of poll voting by shareholders present at the AGM:-

- **ORDINARY RESOLUTION 1**
To re-elect Mr. Seroop Singh Ramday as a Director.
- **ORDINARY RESOLUTION 2**
To re-elect Ms. Susie Chung Kim Lan as a Director.
- **ORDINARY RESOLUTION 3**
To re-elect Ms. Siti Ainee Hanum Binti Suhaidi as a Director.
- **ORDINARY RESOLUTION 4**
To approve the payment Director's fees amounting to RM408,000.00 to Non-Executive Directors for the financial year ended 30 June 2025.
- **ORDINARY RESOLUTION 5**
To approve the Directors' fees and benefits of up to an amount of RM2,380,625.00 payable from 13 December 2025 until the next Annual General Meeting.
- **ORDINARY RESOLUTION 6**
To re-appoint THELYX MALAYSIA PLT as the External Auditors of the Company to hold office until the conclusion of the next Annual General Meeting and to authorize the Directors to fix their remuneration.
- **ORDINARY RESOLUTION 7**
To approve the retention of Mr. Seroop Singh Ramday as the Independent Non-Executive Director.
- **ORDINARY RESOLUTION 8**
Renewal of Authority to allot and issue Shares pursuant to Section 75 & 76 of the Companies Ac, 2016.

4. DECLARATION OF POLL RESULTS

The details of the poll results of each of the Resolutions tabled at the 41st AGM, were validated by Leou Associates PLT, an Independent Scrutineer and henceforth declared carried as follows, by the Chairman of the Meeting.

Resolutions	Vote For		Against	
	No. of Shares	%	No. of Shares	%
Ordinary 1	5,191,850,575	100.0000%	100	0.0000%
Ordinary 2	5,191,850,675	100.0000%	-	0.0000%
Ordinary 3	5,191,150,675	99.9865%	700,000	0.0135%
Ordinary 4	5,191,050,675	99.9846%	800,000	0.0154%
Ordinary 5	5,191,050,675	99.9846%	800,000	0.0154%
Ordinary 6	5,191,850,675	100.0000%	-	0.0000%
Ordinary 7	5,191,850,575	100.0000%	100	0.0000%
Ordinary 8	5,191,850,575	100.0000%	100	0.0000%

5. CONCLUSION OF MEETING

There being no other business, the Chairman declared the meeting closed at 3:45 p.m.