ANCHOR RESOURCES LIMITED

(Company Registration No.: 201531549N)
(Incorporated in the Republic of Singapore on 12 August 2015)

Unaudited Financial Statement Announcement For Half Year Ended 30 June 2018

*This announcement has been prepared by Anchor Resources Limited (the "**Company**") and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement. The Sponsor has also not drawn on any specific technical expertise in its review of this announcement.

The contact person for the Sponsor is Mr Alvin Soh, Head of Catalist Operations, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.

Background

The Company is engaged in the business of exploration, mining and production of gold for sale in Malaysia and semi-processed gold concentrated ore for export. On 21 August 2017, the Company completed acquisition of 100% equity of GGTM Sdn. Bhd. (formerly known as GGT Manufacturing Sdn. Bhd.) ("**GGTM**"), which is in the business of exploration, mining, quarry extraction, processing and sale of granite products and dimension stone granite by issuance of 712,172,414 new shares ("**VSA**") and GGTM became a wholly-owned subsidiary of the Company.

Business combination arising from transfers of interest in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives financial results of the Group for the 6 months ended 30 June 2017 ("**1H2017**") are restated and accounted for as if the VSA was completed on 1 January 2017.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		
	Six Months Ended		
	30 June 2018 RM'000 (Unaudited)	30 June 2017 Restated RM'000 (Unaudited)	Increase/ (Decrease) %
Revenue	66	17,857	(99.63)
Other income	69	110	(37.27)
Raw materials and consumables used	(36)	(105)	(65.71)
Change in inventories	47	(198)	n.m
Contractor expenses	(32)	(11,557)	(99.72)
Royalty fees	7	(630)	n.m
Depreciation and amortisation expenses	(1,033)	(974)	6.06
Employee benefits expenses	(2,920)	(3,855)	(24.25)
Operating lease expenses	(144)	(265)	(45.66)
Other expenses	(991)	(7,308)	(86.44)
Finance costs	(1,568)	(2,707)	(42.08)
Loss before income tax	(6,535)	(9,632)	(32.15)
Income tax expense	-	-	-
Loss for the financial period	(6,535)	(9,632)	(32.15)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency exchange differences arising on translating foreign operation	37	-	n.m
Income tax relating to items that may be subsequently reclassified	-	-	-
Other comprehensive income for the financial period, net of tax	37	-	n.m
Total comprehensive income for the financial period	**(6,498)**	**(9,632)**	**(32.54)**
Net loss attributable to owners of the parent	**(6,535)**	**(9,632)**	**(32.16)**
Total comprehensive loss attributable to owners of the parent	**(6,498)**	**(9,632)**	**(32.54)**

n.m - not meaningful

1(a)(ii) Notes to Consolidated Statement of Comprehensive Income

	Group		
	Six Months Ended		
	30 June 2018 RM'000 (Unaudited)	30 June 2017 Restated RM'000 (Unaudited)	Increase / (Decrease) %
Loss for the period is stated at after (charging) / crediting the following:			
Other income	69	110	(37.27)
Depreciation and amortisation expenses	(1,033)	(974)	6.06
Share-based payment expenses	-	(212)	n.m
Operating lease expenses	(144)	(265)	(45.66)
Legal and professional fees	(407)	(2,898)	(85.96)
Foreign exchange gain, net	278	68	308.82
Finance costs	(1,568)	(2,707)	(42.08)

n.m - not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30 June 2018 RM'000 (Unaudited)	31 December 2017 RM'000 (Audited)	30 June 2018 RM'000 (Unaudited)	31 December 2017 RM'000 (Audited)
ASSETS				
Non-current assets				
Property, plant and equipment	17,127	16,766	2	3
Mining properties	15,762	15,833	-	-
Investment in subsidiaries	-	-	171,757	171,757
Prepayments	38	53	-	-
	32,927	**32,652**	**171,759**	**171,760**
Current assets				
Inventories	1,090	584	-	-
Income tax recoverable	268	105	-	-
Trade and other receivables	6,769	5,555	-	-
Amount due from a subsidiary	-	-	11,019	9,922
Prepayments	304	182	236	102
Fixed deposits and bank balances	5,710	7,817	1,453	1,611
	14,141	**14,243**	**12,708**	**11,635**
Total assets	**47,068**	**46,895**	**184,467**	**183,395**
EQUITY AND LIABILITIES				
Equity				
Share capital	247,780	247,780	247,780	247,780
Merger reserve	(102,649)	(102,649)	-	-
Share-based payment reserve	-	-	-	-
Currency translation reserve	77	40	-	-
Accumulated losses	(125,431)	(118,896)	(82,352)	(79,112)
Total equity	**19,777**	**26,275**	**165,428**	**168,668**
LIABILITIES				
Current liabilities				
Trade and other payables	6,632	4,436	881	440
Amount due to a subsidiary	-	-	5,642	5,927
Finance lease payables	191	80	-	-
Borrowings	12,516	8,360	12,516	8,360
Total current liabilities	**19,339**	**12,876**	**19,039**	**14,727**
Non-current liabilities				
Finance lease payables	623	250	-	-
Borrowings	7,329	7,494	-	-
Total non-current liabilities	**7,952**	**7,744**	**-**	**-**
Total liabilities	**27,291**	**20,620**	**19,039**	**14,727**
Total equity and liabilities	**47,068**	**46,895**	**184,467**	**183,395**

(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30 June 2018		As at 31 December 2017	
Secured RM'000 (Unaudited)	Unsecured RM'000 (Unaudited)	Secured RM'000 (Audited)	Unsecured RM'000 (Audited)
12,707	-	8,440	-

Amount repayable after one year

As at 30 June 2018		As at 31 December 2017	
Secured RM'000 (Unaudited)	Unsecured RM'000 (Unaudited)	Secured RM'000 (Audited)	Unsecured RM'000 (Audited)
623	7,329	250	7,494

Details of any collateral

The Group's secured borrowings as at 30 June 2018 comprised guaranteed non-convertible bonds and finance lease liabilities. The guaranteed non-convertible bonds due in April 2019 with aggregate principal amounts of S$4,810,000 are guaranteed by the Company's Managing Director, Mr. Lim Chiau Woei. Finance lease liabilities are secured on certain Group's plant and machinery and motor vehicles with a net carrying amount of RM980,184 as at 30 June 2018 (31 December 2017: RM394,266).

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	Six Months Ended	
	30 June 2018 RM'000 (Unaudited)	30 June 2017 Restated RM'000 (Unaudited)
Operating activities		
Loss before income tax	(6,535)	(9,632)
Adjustments for:		
Depreciation and amortisation expenses	1,033	974
Share-based payment expenses	-	212
Interest expenses	1,568	2,707
Interest income	(30)	(104)
Unrealised foreign exchange differences	(264)	(252)
Operating cash flows before working capital changes	(4,228)	(6,095)
Working capital changes:		
Inventories	(506)	126
Trade and other receivables	(1,343)	(3,464)
Prepayments	(107)	(194)
Trade and other payables	2,319	(1,437)
Cash used in operations	(3,865)	(11,064)
Income tax paid	(163)	-
Net cash used in operating activities	**(4,028)**	**(11,064)**
Investing activities		
Purchase of property, plant and equipment	(733)	(444)
Additions to mine properties	-	(520)
Interest received	30	104
Net cash used in investing activities	**(703)**	**(860)**
Financing activities		
Interest paid	(1,294)	(14)
Repayment of finance lease obligations	(142)	(36)
Proceeds from issuance of guaranteed non-convertible bonds	4,088	7,403
Proceeds from issuance of redeemable convertible preference shares	-	3,355
Net cash from financing activities	**2,652**	**10,708**
Net change in cash and cash equivalents	(2,079)	(1,216)
Exchange difference on cash and cash equivalents	(28)	(68)
Cash and cash equivalents at beginning of financial period	7,817	11,646
Cash and cash equivalents at end of financial period	**5,710**	**10,362**

Cash and cash equivalents comprised of:

	Group	
	Six Months Ended	
	30 June 2018 RM'000 (Unaudited)	30 June 2017 RM'000 Restated (Unaudited)
Fixed deposit(1)	1,544	100
Cash and bank balances	4,166	10,362
Cash and cash equivalents as per statements of financial position(2)	5,710	10,462
Fixed deposit pledged(3)	-	(100)
Cash and cash equivalents as per consolidated statement of cash flows	5,710	10,362

Notes:

(1) The effective interest rate of fixed deposit was 0.05% to 3.90% (1H2017: 0.05% to 4.00%) per annum during the 6 months ended 30 June 2018 ("**1H2018**") and with maturity of 6 months (1H2017: 12 months). The Group's fixed deposit is readily convertible to cash at minimal cost.

(2) Inclusive of trust deposit of RM1.85 million as at 30 June 2018 (1H2017: RM1.25 million) placed with a Malaysia law-firm pursuant to the mining agreement with Great Aims Resources Sdn. Bhd. ("**GAR**") dated 18 May 2017 and the memorandum of understanding ("**MOU**") with Mohd Sukri Bin Ismail dated 9 April 2018.

(3) A fixed deposit amounting to RM0.10 million was pledged to a bank to secure banker's guarantee facility amounting to RM0.10 million as at 30 June 2017.

Reconciliation of liabilities arising from financing activities:

				Non-cash changes		
	1 January 2018 RM'000	Principal and interest repayment RM'000	Transaction costs paid RM'000	Interest expense RM'000	Foreign exchange movement RM'000	30 June 2018 RM'000
Finance lease payables	330	448	-	36	-	814
Guaranteed bonds	8,360(1)	3,282(2)	(339)	1,385	(172)	12,516
Exchangeable bonds	7,494	(148)	-	147	(164)	7,329

Note:

(1) The Company had on 3 April 2018 issued an aggregate principal amount of S$3,310,000 guaranteed non-convertible bonds to exchange the guaranteed non-convertible bonds in the aggregate principal amount of S$2,875,000 issued by the Company pursuant to a subscription agreement dated 29 March 2017. For details, please refer to the Company's announcement dated 29 March 2018.

(2) The Company had on 3 April 2018 issued an aggregate principal amount of S$1,500,000 guaranteed non-convertible bonds. For details, please refer to the Company's announcement dated 29 March 2018.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Currency translation reserve RM'000	Accumulated losses RM'000	Total equity RM'000
(Unaudited)						
Balance at 1 January 2018	247,780	(102,649)	-	40	(118,896)	26,275
Loss for the financial period	-	-	-	-	(6,535)	(6,535)
Other comprehensive income for the financial period:						
Foreign currency translation differences	-	-	-	37	-	37
Total comprehensive income for the financial period	-	-	-	37	(6,535)	(6,498)
Balance at 30 June 2018	**247,780**	**(102,649)**	**-**	**77**	**(125,431)**	**19,777**
Restated (Unaudited)						
Balance at 1 January 2017	106,342	15,645	694	-	(99,359)	23,322
Loss for the financial period	-	-	-	-	(9,632)	(9,632)
Total comprehensive income for the financial period	-	-	-	-	(9,632)	(9,632)
Contribution by and distribution to owners of the parent						
Share-based compensation expense	-	-	212	-	-	212
Total transactions with owners	-	-	212	-	-	212
Balance at 30 June 2017	**106,342**	**15,645**	**906**	**-**	**(108,991)**	**13,902**

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Company	Share capital RM'000	Share-based payment reserve RM'000	Accumulated losses RM'000	Total equity RM'000
(Unaudited)				
Balance at 1 January 2018	247,780	-	(79,112)	168,668
Loss for the financial year	-	-	(3,240)	(3,240)
Total comprehensive income for the financial period	-	-	(3,240)	(3,240)
Balance at 30 June 2018	**247,780**	**-**	**(82,352)**	**165,428**
(Unaudited)				
Balance at 1 January 2017	106,092	694	(48,938)	57,848
Loss for the financial year	-	-	(4,535)	(4,535)
Total comprehensive income for the financial period	-	-	(4,535)	(4,535)
Contributions by owners:				
Share-based compensation expense	-	212	-	212
Total transactions with owners	-	212	-	212
Balance at 30 June 2017	**106,092**	**906**	**(53,473)**	**53,525**

1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of shares	Share capital (S$'000)	Share capital (RM'000)
As at 30 June 2018 and 31 December 2017	**1,038,448,355**	**79,851**	**247,780**

As at 30 June 2018, the Company has the following outstanding convertibles:

(a) Exchangeable bonds in an aggregate principal amount of S$2.0 million maturing on 25 August 2019 issued by a wholly-owned subsidiary of the Company, Angka Marketing Pte. Ltd. The exchangeable bonds can be converted into new fully paid shares of the Company at an exchange price equals to 90.0% of the volume weighted average price ("**VWAP**") of the Company's shares traded on the SGX-ST for the five (5) days prior to (i) the date of conversion; or (ii) the date the subscription agreement dated 29 March 2017 (whichever is lower); and
(b) 137,000,000 free unlisted warrants expiring on 3 May 2020, which can be converted into 137,000,000 new fully paid shares of the Company.

The Company did not have any outstanding convertibles as at 30 June 2017.

The Company did not have any treasury shares and subsidiary holdings as at 30 June 2018 and 30 June 2017.

1(d)(iii) To show the number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Company As at 30 June 2018 (Unaudited)	Company As at 31 December 2017 (Audited)
Total number of issued shares	1,038,448,355	1,038,448,355
Treasury shares	-	-
Total number of issued shares, excluding treasury shares	1,038,448,355	1,038,448,355

The Company did not have any treasury shares as at 30 June 2018 and 31 December 2017.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the Issuer's most recently audited annual financial statements have been applied.

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period reported on as compared with those in the Group's most recently audited financial statements for the financial year ended 31 December 2017.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

On 29 December 2017, Accounting Standards Council Singapore has issued Singapore Financial Reporting Standards (International) (SFRS(I)s), Singapore's equivalent of the International Financial Reporting Standards (IFRSs). Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore are required to apply SFRS(I)s for annual periods beginning on or after 1 January 2018.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 First-time Adoption of International Financial Reporting Standards, and new SFRS(I)s, amendments to and interpretations of SFRS(I) that are effective from the same date.

The Group adopted these new/revised standards that are relevant to its operations and are effective in the current financial periods beginning on or after 1 January 2018. The adoption of these new or revised standards, where relevant, has no material financial impact on the Group's accounting policies or the financial statements for the current financial period reported on.

Completion of the acquisition of GGTM took place on 21 August 2017 and GGTM is now a wholly-owned subsidiary of the Company. Business combination arising from transfers of interest in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives financial results of the Group for the half year ended 30 June 2017 are restated and accounted for as if the VSA was completed on 1 January 2017.

6. Loss per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	Six Months Ended	
	30 June 2018 RM'000 (Unaudited)	30 June 2017 Restated RM'000 (Unaudited)
Loss attributable to owners of the Group (RM'000)	(6,535)	(9,632)
Weighted average number of ordinary shares	1,038,448,355	1,022,672,414(1)
Basic loss per ordinary share:		
- RM sen(3)	(0.63)	(0.94)
- S$ cent(3)	(0.21)	(0.30)
Adjusted weighted average number of ordinary shares(2)	1,038,448,355	1,022,672,414(1)
Diluted loss per ordinary share:		
- RM sen(3)	(0.63)	(0.94)
- S$ cent(3)	(0.21)	(0.30)

Notes:

(1) Based on the weighted average number of ordinary shares of the Company in issue during 1H2017, on the assumption that the issuance of consideration shares for the VSA had occurred as at 1 January 2017.

(2) There were no outstanding convertibles as at 30 June 2017. The Group was in a loss-making position for 1H2018. As such, the potential ordinary shares to be converted arising from the outstanding convertibles as at 30 June 2018 were anti-dilutive (i.e. decrease the loss per share which is not meaningful)

(3) Translated at an exchange rate S$1:RM2.9625 and S$1:RM3.1184 for 1H2018 and 1HY2017, respectively.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the
(a) current period reported on; and
(b) immediate preceding financial year

	Group		Company	
	30 June 2018 (Unaudited)	31 December 2017 (Audited)	30 June 2018 (Unaudited)	31 December 2017 (Audited)
Net asset value(1) (RM'000)	19,777	26,275	165,428	168,668
Number of shares at the end of the period	1,038,448,355	1,038,448,355	1,038,448,355	1,038,448,355
Net asset value per share:				
- RM sen	1.90	2.53	15.93	16.24
- S$ cent(2)	0.64	0.84	5.38	5.36

Notes:

(1) Net asset value represents total assets less total liabilities.

(2) Translated at an exchange rate of S$1:RM2.9625 and S$1:RM3.0293 as at 30 June 2018 and 31 December 2017, respectively.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors;

The following review of the Group's performance is in relation to 1H2018 as compared to 1H2017.

Revenue

The Group recorded revenue of RM0.07 million in 1H2018 as compared to revenue of RM17.86 million in 1H2017. Revenue decreased by RM17.79 million (representing 99.63%) mainly due to:

a. a decrease in billing an interior fit-out project by RM15.50 million following the completion of the project in the financial year ended 31 December 2017 ("**FY2017**");
b. a decrease in sales of granite by RM1.60 million due to lesser production workers during the Chinese New Year break and the re-alignment of mining strategy to open up a second quarry face in the 1H2018; and
c. a decrease in sale of free gold by RM0.69 million. The Group recorded revenue of RM0.03 million from sale of gold concentrated ore of 13.15 tonnes in 1H2018 which was produced during the testing of pilot plant between December 2017 and January 2018, as compared to revenue of RM0.72 million from sale of gold of 126.04 ounces in 1H2017. The decrease in sale of gold is due to the reconfiguration of the gold processing plant by GAR following the pilot plant test run to improve processing processes in order to increase recovery and production of gold concentrated ore. Trial run on the re-configured processing plant has begun in mid-June 2018. As at 31 July 2018, the Group has successfully processed 21,387 tonnes of tailings materials and have exported approximately 74 tonnes of gold concentrated ore with average 34 gram of gold per tonne of gold concentrated ore.

Other Income

Other income comprised interest income on fixed deposit and administrative fee. The Group recorded other income of RM0.07 million, representing a decrease of RM0.04 million (37.27%) from RM0.11 million for 1H2017. The decrease was mainly due to the decrease in fixed deposit placed.

Operating expenses

Operating expenses comprised raw materials and consumables used, change in inventories, contractor expenses, royalty fees, depreciation and amortisation expenses, employee benefits expenses, operating lease expenses, other expenses and finance costs.

Total operating expenses decreased by RM20.93 million (75.83%) to RM6.67 million in 1H2018 from RM27.60 million in 1H2017. The decrease in total operating expenses was mainly due to the following:-

- Decrease in raw materials and consumables used by RM0.07 million (65.71%) in 1H2018 as compared to 1H2017 as the gold mining operation was outsourced to GAR with effect from 1 August 2017.

- Increase in inventories of granite blocks where there was 354 m^3 of granite blocks as at 30 June 2018 as compared to 311 m^3 of granites blocks as at 31 December 2017. These granite blocks are pending to be processed into sawn strip-slabs using block-cutting machines for selling purpose. The block-cutting machines have just been installed successfully on site and the testing and commissioning of the machines have started in June 2018 and are now undergoing fine tuning and test runs before the machines can be commissioned for commercial production of sawn strip-slabs from granite blocks.

- Decrease in contractor expenses by RM11.53 million (99.72%) in 1H2018 as compared to 1H2018 mainly due to cessation of contractor expenses relating to an interior fit-out project completed in FY2017. RM15.50 million of revenue (represents 53.3% of the works) for the interior fit-out project with a corresponding contractor expense of approximately RM10.56 million was recognised in 1H2017.

- Decrease in royalty fee expenses by RM0.64 million (101.11%) due to the offset of minimum monthly contribution of RM80,000 received from GAR amounted to RM0.48 million for 1H2018 against the royalty fee expenses for Lubuk Mandi Mine and Bukit Chetai Mine amounted to RM0.38 million and RM0.09 million, respectively. There is no such minimum monthly contribution from GAR in 1H2017.

- Decrease in employee benefits expenses by RM0.94 million (24.25%) in 1H2018 as compared to 1H2017 mainly due to lower headcount arising from the outsourcing of mining operations at Lubuk Mandi Mine to GAR.

- Decrease in operating lease expenses by RM0.12 million (45.66%) in 1H2018 as compared to 1H2017 due to the absence of full year charge out effect of mining lease expenses for FY2017 upon receipt of the invoice in 1H2017.

- Decrease in other expenses by RM6.32 million (86.44%) in 1H2018 as compared to 1H2017 mainly due to the (i) absence of one-off VSA expenses of RM2.43 million incurred in 1H2017, (ii) decrease in interior-fit out project expenses of RM2.29 million, (iii) decrease in freight and transportation expenses of RM0.32 million in tandem with lower volume of granite sales, (iv) decrease in foreign exchange gain of RM0.21 million, (v) decrease in repair and maintenance expenses of RM0.25 million and (vi) decrease in utilities expenses of RM0.26 million due to outsourcing of mining operations at Lubuk Mandi Mine to GAR.

- Decrease in finance costs by RM1.14 million (42.08%) in 1H2018 as compared to 1H2017 due to the absence of interest expense for redeemable convertible preference shares ("**RCPS**") incurred in 1H2017. The RCPS was converted into equity of GGTM on 26 July 2017, and thus no interest was accrued to RCPS holder for 1H2018.

The Group incurred net loss of RM6.54 million and RM9.63 million in 1H2018 and 1H2017, respectively.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

<u>The following review of the Group's financial position is in relation to 30 June 2018 as compared to 31 December 2017.</u>

<u>Assets</u>

Property, plant and equipment increased by RM0.36 million from RM16.77 million as at 31 December 2017 to RM17.13 million as at 30 June 2018 mainly due to additions of RM1.32 million of property, plant and equipment which was offset by depreciation of RM0.96 million.

Mine properties decreased by RM0.07 million from RM15.83 million as at 31 December 2017 to RM15.76 million as at 30 June 2018 mainly due to amortisation of RM0.07 million.

Inventories increased by RM0.50 million from RM0.59 million as at 31 December 2017 to RM1.09 million as at 30 June 2018 mainly due to purchase of consumables to meet both the gold and granite production usage demand for second half year of 2018.

Trade and other receivables increased by RM1.21 million from RM5.56 million as at 31 December 2017 to RM6.77 million as at 30 June 2018 mainly due to (i) payment on behalf of GAR amounting to RM0.22 million; and (ii) billings from interior fit-out project amounting to RM0.98 million.

<u>Equity</u>

As at 30 June 2018, total equity amounted to RM19.78 million, comprising share capital of RM247.78 million, negative merger reserve of RM102.65 million, translation reserve of RM0.08 million and accumulated losses of RM125.43 million.

Merger reserve represents the difference between the consideration paid and the share capital of subsidiary acquired. For the purpose of consolidated financial statements, the aggregation of the Group's share in the paid-up capital of its subsidiaries has been entirely eliminated, and this resulted in a negative merger reserve of RM102.65 million.

Total equity decreased by RM6.50 million mainly due to an increase in accumulated losses of RM6.54 million offset by an increase in translation reserve of RM0.04 million.

<u>Liabilities</u>

Total liabilities of the Group increased by RM6.67 million from RM20.62 million as at 31 December 2017 to RM27.29 million as at 30 June 2018. The increase in total liabilities was mainly due to the followings:

a. issuance of guaranteed non-convertible bonds of an aggregate principal amount of S$4.81 million. Of the S$4.81 million guaranteed non-convertible bonds, S$3.31 million guarantee bonds were used to exchange for the guaranteed non-convertible bonds in the aggregate principal amount of S$2.875 million issued by the Company pursuant to a subscription agreement dated 29 March 2017;
b. net drawdown of finance lease payables amounting to RM0.45 million;
c. increase in trade and other payables of RM2.20 million due to the following:
    i. higher amount due to contract customers for contract works of RM1.80 million in relation to an interior fit-out project as a result of extended time taken for certification of progress billing by the relevant authority before payment could be made; and
    ii. higher accrual of royalty fee expenses of RM0.37 million as the Group has yet to receive the finalised charge from the relevant party.

Negative working capital

The Group had net current liabilities of RM5.20 million as at 30 June 2018 as compared to RM1.37 million of net current asset as at 31 December 2017 mainly due to the issuance of guaranteed non-convertible bonds of an aggregate principal amount of S$4.81 million and the increase in amount due to contract customers for contract works of RM1.80 million.

Notwithstanding, the Board is of the view that the Group is able to operate as a going concern for the next twelve months from the date of this announcement due to the following:

a. There were cash balance of RM5.71 million for the Group as at 30 June 2018 to meet the operational needs of the Group;
b. The opening of second quarry face at Bukit Chetai mine by end of December 2018 to excavate Sekayu White granite will potentially allow GGTM to ramp up its production and sales;
c. The twelve-month cash flow forecast prepared by the Management indicates that the Group has adequate funds for its operational needs and to meet its obligations as and when they fall due for at least 12 months from the date of this announcement after taking into consideration the following:
    i) Commencement of gold processing on the reconfigured processing plant in mid-June has shown encouraging production results and it is expected to contribute positively to the operating cash flow of the Group;
    ii) Equity fund raising to support the redemption of bond and also payment of interest expenses;
    iii) Collection of the receivable balances of approximately RM0.88 million from granite business expected by end of December 2018.

Cash flows

Net cash used in operating activities

In 1H2018, the Group recorded a net cash outflow for operating activities of RM4.03 million. The net operating cash outflow was mainly due to operating losses before working capital changes of RM4.23 million, adjusted for working capital inflow of RM0.36 million and tax payment of RM0.16 million. Working capital inflow is mainly attributable to the increase in trade and other payables of RM2.32 million, offset by increase in trade and other receivables by RM1.34 million and increase in inventories by RM0.51 million.

Net cash used in investing activities

In 1H2018, the Group recorded a net cash outflow for investing activities of RM0.70 million mainly due to the purchase of property, plant and equipment of RM0.73 million.

Net cash generated financing activities

In 1H2018, the Group recorded a net cash inflow from financing activities of RM2.65 million. This mainly comprised proceeds of RM4.09 million for issuance of guaranteed non-convertible bonds offset by interest paid amounting to RM1.29 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement has been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Lubuk Mandi Mine

On 16 April 2018, the Group announced that AASB had entered into a supplemental agreement to the Mining Agreement with GAR to vary, modify and/or amend certain terms and conditions in the Mining Agreement. The principal amendments to the Mining Agreement pursuant to the Supplemental Agreement include sharing of revenue, costs and expenses and rights and obligations of both parties. For details, please refer to the Company's announcement dated 16 April 2018.

Pursuant to this agreement, GAR has carried out upgrading works for the processing plant and has started production since end June. As at end of July, we managed to export approximately 74 tonnes of gold concentrated ore with average 34 gram of gold per tonne of gold concentrated ore. In addition, GAR targets to commence hard rock production by December 2018. With the upgraded capacity, GAR targets to process approximately 22,000 tonnes of tailings materials per month or 12,000 tonnes of hard rock materials per month.

With the ongoing trade war between US and China, the Company expects some volatility in gold prices.

Bukit Chetai Mine

In 2Q2018, we concentrated on improvements of mine infrastructure and factory extension. With a gross floor area of 688.10 m^2 and additional machinery, the new facilities have a cutting capacity of approximately 2,700 m^2 per month, based on single 8-hour shifts and working 26-day months.

A new quarry face to produce predominantly SW blocks has been earmarked in early 2Q2018 for excavation. Preparation work to clear the overburden of this new quarry face commenced in May 2018. It is anticipated that the first platform will be raised by September 2018.

GGTM entered into a MOU with Mohd Sukri Bin Ismail ("**Sukri**") on 9 April, 2018, where GGTM and Sukri are desirous of combining their respective resources in order to tender for East Coast Rail Line ("**ECRL**") project and other projects to be jointly identified with, together as an unincorporated joint venture (the "Consortium"). Since there is a delay of ECRL after general election of Malaysia, GGTM has embarked to source for new projects outside Malaysia to supply our granite products including granite aggregates.

11. Dividend

If a decision regarding dividend has been made:-

(a) Whether an interim (final) dividend has been declared (recommended); and

No dividend has been declared or recommended for 1H2018.

(b) Amount per share (cents) and previous corresponding period (cents).

Not applicable. No dividend was declared or recommended for 1H2017.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfer receive by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared or recommended for 1H2018.

13. If the group has obtained a general mandate from shareholders for interested person transactions ("IPT"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for IPTs.

The Group did not enter into any IPT above S$100,000 during 1H2018.

14. Use of proceeds

(a) Exchangeable Bonds issued in August 2017

The Company raised net proceeds of approximately S$1.956 million from the issuance of exchangeable bonds on 25 August 2017. Please refer to the Company's circular dated 30 June 2017 for further details. As at 30 June 2018, the status on the use of the net proceeds from the issuance of exchangeable bonds is as follow:

Purpose	Amount allocated S$'000	Amount Utilised S$'000	Balance S$'000
General working capital (1)	1,956	1,956	-
Total	**1,956**	**1,956**	**-**

Note:
(1) For general corporate and administrative expenses

(b) Warrants issued pursuant to the guaranteed non-convertible bonds issued in April 2018

The Company had issued guaranteed non-convertible bonds of an aggregate principal amount of S$4.81 million with 137 million free warrants. Please refer to the Company's announcement dated 29 March 2018. No warrants have been exercised to date.

15. Confirmation pursuant to Rule 720(1) of the Catalist Listing Manual.

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7H) pursuant to Rule 720(1) of the Catalist Listing Manual.

16. Confirmation Pursuant to Rule 705(5) of the Catalist Listing Manual

The Board of Directors of the Company hereby confirm that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements of the Company and the Group for the half year ended 30 June 2018 to be false or misleading in any material aspect.

17. Additional Disclosure Required for Mineral, Oil and Gas companies

17a. Rule 705(6)(a) of the Catalist Listing Manual

i. Use of funds/cash for the quarter:-

For the quarter, financial period from 1 April 2018 to 30 June 2018 ("**2Q2018**"), funds/cash was mainly used for the following production activities:-

Purpose	Amount (RM'000) Actual Usage	Amount (RM'000) Projected Usage	Amount (RM'000) Variance	Remarks
Payment for property, plant and equipment	1,895	2,593	(698)	(1)
Royalty	28	211	(183)	(2)
General working capital	5,446	8,287	(2,841)	(3)
Total	**7,369**	**11,091**	**(3,722)**	

(1) The actual payment for property, plant and equipment is lower than the projected payment by RM0.70 million was mainly due to delay in completion of factory extension (RM0.27 million), deferment of capital expenditure for new set of circular saw machine at Bukit Chetai Mine (RM0.20 million) and over budgeted capital expenditure of RM0.13 million for block cutters and factory extension.

(2) Actual payment of royalty was lower than the projected amount by RM0.18 million mainly due to lower sales of granite as compared to projection for Bukit Chetai Mine and delay in the receipt of the finalised charge from the relevant party in relation to the Lubuk Mandi Mine.

(3) Actual payment of general working capital was RM2.84 million lower than the projected amount mainly due to lesser payment for interior-fit out project of RM2.34 million as a result of extended time taken for certification of progress billing by the relevant authority before payment could be made and lower contractor expenses of RM0.38 million arising from lower sales of gold and lower volume of granite being outsourced for processing.

ii. Projection on the use of funds/cash for the next immediate quarter, including principal assumptions:-

For the next immediate quarter (financial period from 1 July 2018 to 30 September 2018 ("**3Q2018**")), the Group's use of funds/cash for development and production activities are expected to be as follows:-

Purpose	Amount (RM'000)
Payment for property, plant and equipment	492
Royalty	65
General working capital	5,700
Total	**6,257**

The above projected use of funds/cash relates to the Group's development and production plans at the Bukit Chetai Mine and Lubuk Mandi Mine, as well as the interior fit-out business of GGTM for 3Q2018 as follows: -

a. Additional capital expenditure of RM0.06 million and RM0.43 million for Lubuk Mandi Mine and Bukit Chetai Mine, respectively. Capital expenditure to be incurred for Bukit Chetai Mine is mainly for factory extension that has been delayed in completion from previous quarter and the purchase of a motor vehicle.

b. General working capital of RM5.70 million which consists of expected payment of (i) RM2.29 million for interior fit-out project, (ii) RM0.36 million for payment to GAR as revenue sharing of gold sales at Lubuk Mandi Mine, and (iii) the remaining RM3.05 million for general corporate and administrative expenses. The payments are backed by expected collection of RM2.31 million from interior fit-out project, estimated collection of receivables of RM1.29 million as end of 2Q2018, estimated cash collection of RM3.05 million from sales of gold, granite and granite aggregates in 3Q2018.

17b. Rule 705(6)(b) of the Catalist Rules

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the above information provided to be false or misleading in any material aspect.

18a. Rule 705(7)(a) of the Catalist Rules

Details of exploration (including geophysical surveys), mining development and/or production activities undertaken by the Company and a summary of the expenditure incurred on those activities, including explanation for any material variances with previous projections, for the period under review. If there has been no exploration, development and/or production activity respectively, that fact must be stated;

Lubuk Mandi Mine

In 2Q2018, there was no capitalisation for exploration and evaluation expenditures as the exploration, mining and refining were carried out by contractor, GAR.

During the quarter, the installation and the testing of the additional equipment to the processing plant for the processing of hard rock materials and tailings materials have been completed. The trial run of the machines and equipment started on 22 June 2018 with tailings materials processing. A total of 5,763 tonnes of tailings materials has been processed as at the end of June 2018. The initial results of the end product in the form of gold concentrated ore indicated the content of gold was more than 30 grams per tonne. The results were better as compared to the pilot test results conducted in December 2017. However, the outcomes were not conclusive since the production was currently undergoing stages of adjustments and fine-tuning in order to achieve consistent quality in grades and the desired output.

Further laboratory work is deemed necessary at this stage to ascertain and formalise the gold content of gold concentrated ore produced. GAR is in the midst of fine tuning of the gold processing plant to increase recovery and production of gold concentrated ore. A full commercial production schedule has been planned to commence in August 2018 with an initial output of approximately 320 tonnes of gold concentrated ore in the first month of operation. GAR targets to produce approximately 360 tonnes of gold concentrated ore per month by end of 3Q2018.

The progress of the underground tunnelling work has been gradual and consistent. The progress was slower than expected as there were sections of the tunnel which required stabilization works. Additional concrete reinforcement and structures were pinned along the tunnel walls to enhance the level of safety in the tunnel. As at 30 June 2018, the total length of the tunnel constructed was estimated to have reached 180 metres with estimated vertical depth of 76 metres. The tunnel, now approximately 210 metres in length and approximately 90 metres in depth, is able to access the targeted lode. The tunnel is now being enlarged to create a horizontal working area and from the working area, blasting will be carried out to mine the ore. The rocks would be kept at the underground storage area before being transported to the surface and stockpiled at the crusher where the crushed rocks would then be transported to the processing plant to produce free gold and gold concentrated ore.

Bukit Chetai Mine

The construction of the factory extension building including workers' quarter was completed and handed over in mid-July 2018. With a gross floor area of 688.10 m^2, the factory extension will, with additional machinery, serve as the main production site to produce strip-slabs and custom cut tiles from the Terengganu Green ("**TG**") and Sekayu White ("**SW**") blocks quarried from the mine.

Two units of the imported multi-blade block-cutting machines have been installed successfully on site. These machines have a cutting capacity of approximately 2,700 m^2 per month, based on single 8-hour shifts and 26 working days per month. The testing and commissioning of the machines started in June 2018 and are now undergoing fine tuning and test runs before the machines can be commissioned for commercial production of sawn strip-slabs from the TG and SW blocks. By cutting the blocks within the mine and only sending out saleable grades of granite blocks and slabs, these block cutters are expected to reduce royalty, transport and outsourcing expenses.

A new quarry face to produce predominantly SW blocks has been earmarked in early 2Q2018 for excavation. Preparation work to clear the overburden of this new quarry face commenced in May 2018. It is anticipated that the first platform will be raised by September 2018.

Excavation works continued at the predominantly TG quarry face. A total of 1,332 m^3 of rocks were excavated up to Bench 9 during 2Q2018. Of those excavated, TG constituted about 84% of the total volume whilst SW constituted about 16%. The quality of the excavated TG and SW blocks is expected to improve as we excavate deeper into the granite deposit in 3Q2018.

18b. Rule 705(7)(b) of the Catalist Rules

Update on its reserves and resources, where applicable, in accordance with the requirements set out in Practice Note 4C, including a summary of reserves and resources as set out in Appendix 7D.

Lubuk Mandi Mine and Bukit Chetai Mine

The Company had disclosed an updated summary of reserves and resources for both the Lubuk Mandi Mine and Bukit Chetai Mine as at 31 December 2017 (being the effective date of the Independent Qualified Person's Reports (the "**IQPRs**") in its annual report for the financial year ended 31 December 2017 (the "**AR2017**") to update shareholders on its reserves and resources information. The IQPRs are contained in the AR2017. A soft copy of the AR2017 is available for download on the SGXNET. As at 30 June 2018, the Company has no material updates on the reserves and resources for both the Lubuk Mandi Mine and Bukit Chetai Mine as to those disclosed in the IQPRs.

By Order of the Board
ANCHOR RESOURCES LIMITED

Lim Chiau Woei Managing Director	Chan Koon Mong Executive Director

14 August 2018