



CNMC

CNMC GOLDMINE HOLDINGS LIMITED

中色金礦有限公司

(Company Registration No.: 201119104K)

Unaudited Financial Statement and Dividend Announcement For the First Half Ended 30 June 2020

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), 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 2020 US\$ (Unaudited)	30 June 2019 US\$ (Unaudited)	Increase/ (Decrease) %
Revenue	10,470,879	20,382,931	(48.6)
Other operating income	81,670	92,150	(11.4)
Changes in inventories	464,961	174,588	166.3
Amortisation and depreciation	(2,104,356)	(2,404,345)	(12.5)
Employee benefits expenses	(1,592,637)	(2,216,462)	(28.1)
Key management remuneration	(785,170)	(1,584,930)	(50.5)
Marketing and publicity expenses	(150,047)	(113,366)	32.4
Office and administration expenses	(201,324)	(183,792)	9.5
Professional fees	(277,352)	(366,627)	(24.4)
Rental and other lease expenses	(682,565)	(988,013)	(30.9)
Royalty and tribute fee expenses	(1,347,859)	(2,593,999)	(48.0)
Site and factory expenses	(4,140,215)	(5,992,002)	(30.9)
Travelling and transportation expenses	(114,546)	(159,051)	(28.0)
Other operating expenses	(785,845)	(6,922)	n.m.
Total expenses	(11,635,285)	(16,342,771)	(28.8)
Results from operating activities	(1,164,406)	4,040,160	n.m.
Finance income	204,967	290,829	(29.5)
Finance costs	(81,400)	(44,472)	83.0
Net finance income	123,567	246,357	(49.8)
(Loss)/Profit before tax	(1,040,839)	4,286,517	n.m.
Tax expenses	(42,178)	(1,425,181)	(97.0)
(Loss)/Profit for the period	(1,083,017)	2,861,336	n.m.
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from consolidation of foreign subsidiaries	25,478	1,712	n.m.
Total comprehensive (loss)/income for the period	(1,057,539)	2,863,048	n.m.
(Loss)/Profit attributable to:			
Owners of the Company	(903,164)	2,212,832	n.m.
Non-controlling interests	(179,853)	648,504	n.m.
(Loss)/Profit for the period	(1,083,017)	2,861,336	n.m.
Total comprehensive (loss)/income attributable to:			
Owners of the Company	(869,854)	2,212,698	n.m.
Non-controlling interests	(187,685)	650,350	n.m.
Total comprehensive (loss)/income for the period	(1,057,539)	2,863,048	n.m.

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

	Group		
	Six Months Ended		
	30 June 2020 US\$ (Unaudited)	30 June 2019 US\$ (Unaudited)	Increase/ (Decrease) %
(Loss)/Profit for the period is stated after charging/(crediting) the following:			
Finance costs	81,400	44,472	83.0
Amortisation and depreciation	2,104,356	2,404,345	(12.5)
Loss/(Gain) on foreign exchange			
- Unrealised	665,237	(57,218)	n.m.
- Realised	120,608	2,031	n.m.

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 2020 US\$ (Unaudited)	31 December 2019 US\$ (Audited)	30 June 2020 US\$ (Unaudited)	31 December 2019 US\$ (Audited)
ASSETS				
Non-current assets				
Exploration and evaluation assets	9,030,553	9,200,562	-	-
Mine properties	16,020,567	16,660,862	-	-
Property, plant and equipment	16,133,063	17,286,058	104,743	187,968
Investment in subsidiaries	-	-	11,450,263	11,450,263
Deferred tax assets	382,535	249,968	-	-
Mine Rehabilitation Fund	644,968	672,302	-	-
Total non-current assets	42,211,686	44,069,752	11,555,006	11,638,231
Current assets				
Inventories	2,442,548	1,870,128	-	-
Current tax assets	-	-	-	8,883
Trade and other receivables	3,375,839	1,507,980	11,545,469	12,811,262
Cash and cash equivalents	11,172,974	16,016,461	72,288	175,166
Total current assets	16,991,361	19,394,569	11,617,757	12,995,311
Total assets	59,203,047	63,464,321	23,172,763	24,633,542
EQUITY				
Share Capital	18,032,233	18,032,233	18,032,233	18,032,233
Preference shares	2,800	2,800	-	-
Capital Reserve	3,111,892	3,111,892	(13,860)	(13,860)
Retained earnings/(Accumulated losses)	20,959,298	23,595,320	(2,305,925)	(292,414)
Translation reserves	62,918	29,608	-	-
	42,169,141	44,771,853	15,712,448	17,725,959
Non-controlling interest	7,192,438	7,380,123	-	-
Total equity	49,361,579	52,151,976	15,712,448	17,725,959
LIABILITIES				
Non-current liabilities				
Loans and borrowings	699,315	762,280	-	-
Derivative financial instrument	26,397	27,516	-	-
Lease liabilities	7,262	13,905	7,262	8,390
Rehabilitation Obligations	2,016,173	2,047,695	-	-
Total non-current liabilities	2,749,147	2,851,396	7,262	8,390
Current liabilities				
Loans and borrowings	63,191	64,290	-	-
Trade and other payables	4,474,588	6,750,528	5,644,902	6,793,787
Dividend payable	1,755,852	534,482	1,755,852	-
Current tax liabilities	733,117	989,724	-	-
Lease liabilities	65,573	121,925	52,299	105,406
Total current liabilities	7,092,321	8,460,949	7,453,053	6,899,193
Total liabilities	9,841,468	11,312,345	7,460,315	6,907,583
Total equity and liabilities	59,203,047	63,464,321	23,172,763	24,633,542

1(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 2020		As at 31 December 2019	
Secured US\$	Unsecured US\$	Secured US\$	Unsecured US\$
63,191	65,573	64,290	121,925

Amount repayable after one year

As at 30 June 2020		As at 31 December 2019	
Secured US\$	Unsecured US\$	Secured US\$	Unsecured US\$
121,746	584,831	160,234	615,951

Details of any collateral

The Group's secured borrowings as at 30 June 2020 and 31 December 2019 comprised hire purchase liabilities, which are secured over the Group's motor vehicles. The net carrying amounts of the motor vehicles as at 30 June 2020 amounted to US\$167,395 (31 December 2019: US\$223,147).

The Group's unsecured borrowings as at 30 June 2020 and 31 December 2019 comprised a convertible loan issued by a subsidiary and lease liabilities recognised on adoption of SFRS(I) 16.

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 2020 US\$ (Unaudited)	30 June 2019 US\$ (Unaudited)
Operating activities		
(Loss)/Profit for the period	(1,083,017)	2,861,336
Adjustments for:		
Depreciation of property, plant and equipment	1,690,933	1,639,425
Amortisation of mine properties	413,423	764,920
Finance income	(204,967)	(290,829)
Finance costs	81,400	44,472
Unrealised loss/(gain) on foreign exchange	665,237	(57,218)
Tax expenses	42,178	1,425,181
Operating profit before working capital changes	1,605,187	6,387,287
Changes in working capital:		
Inventories	(572,420)	(248,268)
Trade and other receivables	(1,830,631)	(1,943,891)
Trade and other payables	(2,145,931)	(2,103,451)
Cash generated from operations	(2,943,795)	2,091,677
Tax paid	(451,270)	(480,640)
Finance income received	204,967	290,829
Finance costs paid	(45,690)	(44,472)
Net cash (used in)/generated from operating activities	(3,235,788)	1,857,394
Investing Activities		
Purchases of property, plant and equipment	(530,714)	(3,065,981)
Payment for exploration and evaluation assets, and mine properties	(117,442)	(275,929)
Net cash used in investing activities	(648,156)	(3,341,910)
Financing activities		
Dividend paid to equity holders of the Company	-	(598,901)
Dividend paid to non-controlling interests	(585,577)	(1,012,188)
Payment of hire purchase liabilities	(30,778)	(40,920)
Payment of lease liabilities	(58,620)	(58,740)
Net cash used in financing activities	(674,975)	(1,710,749)
Net decrease in cash and cash equivalents	(4,558,919)	(3,195,265)
Cash and cash equivalents at beginning of the period	16,016,461	17,910,184
Effect of exchange rate fluctuations on cash held	(284,568)	58,498
Cash and cash equivalents in the statement of financial position	11,172,974	14,773,417

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	Preference Shares	Capital reserve	Translation reserves	Retained earnings	Total attributable to equity holders of the Company	Non-controlling interests	Total equity
(Unaudited)	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 1 January 2019	18,032,233	2,800	3,111,892	36,395	20,442,393	41,625,713	7,106,887	48,732,600
Total comprehensive income for the period:								
Profit for the period	-	-	-	-	2,212,832	2,212,832	648,504	2,861,336
Other comprehensive income for the period								
Exchange differences arising on consolidation of foreign subsidiaries	-	-	-	(134)	-	(134)	1,846	1,712
Total comprehensive income for the period	-	-	-	(134)	2,212,832	2,212,698	650,350	2,863,048
Transactions with owners, recognized directly in equity								
2018 Final dividend declared and paid	-	-	-	-	(598,901)	(598,901)	-	(598,901)
Acquisition of subsidiaries with non-controlling interests	-	-	-	-	-	-	12	12
Total transaction with owners	-	-	-	-	(598,901)	(598,901)	12	(598,889)
At 30 June 2019	18,032,233	2,800	3,111,892	36,261	22,056,324	43,239,510	7,757,249	50,996,759
At 1 January 2020	18,032,233	2,800	3,111,892	29,608	23,595,320	44,771,853	7,380,123	52,151,976
Total comprehensive (loss)/income for the period:								
Loss for the period	-	-	-	-	(903,164)	(903,164)	(179,853)	(1,083,017)
Other comprehensive income for the period								
Exchange differences arising on consolidation of foreign subsidiaries	-	-	-	33,310	-	33,310	(7,832)	25,478
Total comprehensive (loss)/income for the period	-	-	-	33,310	(903,164)	(869,854)	(187,685)	(1,057,539)
Transactions with owners, recognized directly in equity								
2019 Final & Special dividend declared	-	-	-	-	(1,732,858)	(1,732,858)	-	(1,732,858)
Total transaction with owners	-	-	-	-	(1,732,858)	(1,732,858)	-	(1,732,858)
At 30 June 2020	18,032,233	2,800	3,111,892	62,918	20,959,298	42,169,141	7,192,438	49,361,579

Company	Share capital US\$	Treasury shares US\$	Capital Reserve	Accumulated losses US\$	Total equity US\$
At 1 January 2019	18,032,233	-	(13,860)	(1,983,437)	16,034,936
Loss for the period	-	-	-	(596,606)	(596,606)
2018 Final dividend declared and paid	-	-	-	(598,901)	(598,901)
At 30 June 2019	18,032,233	-	(13,860)	(3,178,944)	14,839,429
At 1 January 2020	18,032,233	-	(13,860)	(292,414)	17,725,959
Loss for the period	-	-	-	(280,653)	(280,653)
2019 Final & Special dividend declared	-	-	-	(1,732,858)	(1,732,858)
At 30 June 2020	18,032,233	-	(13,860)	(2,305,925)	15,712,448

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 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\$)	Share capital (US\$)
As at 30 June 2020	407,693,000	22,890,024	18,032,233
As at 31 December 2019	407,693,000	22,890,024	18,032,233

There were no changes in the share capital of the Company from 31 December 2019 up to 30 June 2020.

The Company did not have any outstanding options, convertible securities, treasury shares or subsidiary holdings as at 30 June 2020 and 30 June 2019.

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 2020 (Unaudited)	Company As at 31 December 2019 (Audited)
Total number of issued shares	407,693,000	407,693,000

The Company did not have any treasury shares as at 30 June 2020 and 31 December 2019.

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 modifications or emphasis of a matter)

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

- (a) Updates on the efforts taken to resolve each outstanding audit issue.**
- (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

This is not required for any audit issue that is a material uncertainty relating to going concern.

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 reporting period as those of the audited financial statements for the year ended 31 December 2019.

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

The Group has adopted all the applicable new and revised Singapore Financial Reporting Standards ("SFRS") and Interpretations of Financial Reporting Standards ("INT FRS") that are mandatory for the accounting periods beginning on or after 1 January 2020. The adoptions of these new standards, amendments to standards and interpretations did not result in any significant impact on the financial statements of the Group for the current financial period reported on.

6. Earnings 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	
	2020	2019
	(Unaudited)	(Unaudited)
(Loss)/Profit attributable to owners of the Company (US\$)	(903,164)	2,212,832
Weighted average number of ordinary shares	407,693,000	407,693,000
Basic and diluted (loss)/earnings per ordinary share ⁽¹⁾ :		
- US cents	(0.22)	0.54
- SG cents ⁽²⁾	(0.31)	0.73

Notes:-

- (1) Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share due to the absence of any dilutive financial instruments for the six months period ended 30 June 2020 and 30 June 2019 respectively.
- (2) Basic (loss)/earnings per ordinary share translated at an average exchange rate of USD/SGD 1.3922 and 1.3600 for period ended 30 June 2020 and 30 June 2019 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) immediately preceding financial year

	Group		Company	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Net asset value (US\$) ⁽¹⁾	42,169,141	44,771,853	15,712,448	17,725,959
Number of shares at the end of the period (excluding treasury shares)	407,693,000	407,693,000	407,693,000	407,693,000
Net asset value per share:				
- US cents	10.34	10.98	3.85	4.35
- SG cents ⁽²⁾	14.40	14.81	5.36	5.87

Note:-

- (1) Net asset value represents total assets less total liabilities and non-controlling interests.
- (2) Net asset value per share translated at a closing exchange rate of USD/SGD 1.3931 and 1.3490 as at 30 June 2020 and 31 December 2019 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;**

Revenue

Below is the summary of the financial performance of the Group for the six months period ended 30 June 2020 ("1H2020") and the comparative financial performance for the six months period ended 30 June 2019 ("1H2019"):

	1H2020	1H2019	Increase / (Decrease) %
Production volume of fine gold (ounces)	6,221.87	15,623.23	(60.2)
Sales volume of gold (ounces)	6,221.87	15,623.23	(60.2)
Revenue – Total (US\$'000)	10,470.88	20,382.93	(48.6)
Average realised gold price (US\$/ounce)	1,682.92	1,304.66	29.0

The lower revenue in 1H2020, despite an increase in average realised gold price, was due to a significant drop in the production and sales volume of fine gold. A result of lower grade ore mined and the Covid-19 pandemic, which forced the Group to stop all mining activities in Kelantan from 18 March 2020 to 5 May 2020 amid a nationwide Movement Control Order ("MCO") implemented by the Government of Malaysia, as part of its efforts to contain the outbreak.

The Company had made announcements on 18 March 2020, 26 March 2020, 11 April 2020, 25 April 2020 and 6 May 2020 on the impact of the Covid-19 pandemic and the MCO. In response to questions from shareholders for its Annual General Meeting and Extraordinary General Meeting held on 26 June 2020, the Company also made an announcement on 16 June 2020 addressing the fallout.

Other income and expenses

The Group incurred net other operating expenses¹ in 1H2020 compared to a net other operating income¹ in 1H2019. This was mainly a result of an unrealised foreign exchange loss in 1H2020 as the MYR depreciated against the USD, the bulk of the Group's cash and bank balances are predominantly denominated in MYR.

Operating expenses

As a result of the MCO, there was a decrease in total operating expenses in 1H2020 which includes mainly:

- site and factory expenses;
- royalty and tribute expenses;
- key management remuneration and employee benefit expenses;
- rental and other lease expenses; and
- amortisation and depreciation.

¹ Other operating income less other operating expenses

The decrease in total operating expenses was partly offset by the changes in inventories due to higher work-in-progress balances as at 30 June 2020 compared to the balances as 31 December 2019.

Non-FRS Performance Measures

The Group adopts adjusted operating costs per ounce, all-in sustaining costs per ounce and all-in costs per ounce as non-FRS performance measures in accordance with the World Gold Council guidelines. The Company believes these performance measures better define the total costs associated with its gold production. However, these performance measures have no standardised meaning. Accordingly, they are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with FRS. The Company reports these measures on sales volume of fine gold.

Summarised below is information on the Group's all-in sustaining costs and all-in costs in 1H2020 and 1H2019:

	US\$ / gold ounce sold		Increase / (Decrease) %
	1H2020	1H2019	
Sales volume of fine gold (ounces)	6,221.87	15,623.23	(60.2)
Mining related costs	933	552	69.0
Royalty and tribute expenses	217	166	30.7
Adjusted operating costs⁽¹⁾	1,150	718	60.2
General and administrative costs	235	134	75.4
Capital expenditure	5	25	(80.0)
All-in sustaining costs⁽²⁾	1,390	877	58.5
Capital exploration (non-sustaining)	11	9	22.2
Capital expenditure (non-sustaining)	80	97	(17.5)
All-in costs⁽³⁾	1,481	983	50.7

- (1) Adjusted operating costs include production costs such as mining production and maintenance costs, royalties, and operating costs such as storage, net of by-product credits. These costs may vary from quarter to quarter, depending on the seasonal or cyclical factors, including among others, rainy season and grade of gold extracted from the ore.
- (2) All-in sustaining costs include adjusted operating costs and sustaining capital expenditure, corporate general and administrative expenses, exploration expense, reflecting the full cost of gold production from current operations.
- (3) Include all-in sustaining costs and non-sustaining costs. Non-sustaining costs are costs incurred for the new operations and costs related to the construction of the new production facility for the existing operations where these projects is expected to materially increase production in future.

The all-in costs in 1H2020 were 50.7% higher than the all-in costs in 1H2019, notwithstanding the decrease in production and sales volume of fine gold as a result of lower grade ore and the MCO impact as described above.

Tax expenses

For 1H2020, the Group recorded an income tax expense despite incurring a loss. This was mainly due to certain non-deductible items and withholding taxes on management fees and interest income derived from CMNM, the main operating subsidiary of the Group.

(Loss)/Profit after tax

Excluding the unrealised foreign exchange differences as described above, the Group would have recorded a loss of US\$0.42 million in 1H2020, compared with a profit of US\$2.80 million in 1H2019.

	1H2020 US\$	1H2019 US\$
(Loss)/Profit before tax	(1,040,839)	4,286,517
Tax expenses	(42,178)	(1,425,181)
(Loss)/Profit after tax	(1,083,017)	2,861,336
Unrealised foreign exchange loss/(gain) ("A")	665,237	(57,218)
(Loss)/Profit after tax excluding A	(417,780)	2,804,118

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

The comparative performance of the assets and liabilities listed below is based on financial statements as at 30 June 2020 and 31 December 2019.

Assets

The decrease in non-current assets was mainly due to amortisation and depreciation, which reduced the net carrying value of mine properties and property, plant and equipment, respectively.

The decrease in total current assets was mainly due to lower cash and cash equivalents where higher net cash was used for operating activities and which were partly offset by an increase in trade and other receivables, which stemmed mostly from sales proceeds from a gold pour in June 2020 that were subsequently received as well as the increase in the work-in-progress balances of inventories.

Liabilities

The decrease in total liabilities was mainly due to a decline in trade and other payables resulting from the lower purchases of goods and services. The decrease was partly offset by an increase in dividend payable, which comprised the final and special dividends payable to shareholders which were approved at the annual general meeting held on 26 June 2020 and will be paid on 14 August 2020.

As at 30 June 2020, the Group had positive working capital of US\$9.90 million compared to US\$10.93 million as at 31 December 2019.

Cash flows

The net operating cash outflows in 1H2020 amounting to US\$3.24 million were mainly due to operating profit before working capital changes of US\$1.61 million, adjusted for the decrease in trade and other payables of US\$2.15 million, an increase in trade and other receivables of US\$1.83 million, an increase of inventories of US\$0.57 million, tax paid of US\$0.46 million and net finance income received of \$0.16 million.

Net cash used in investing activities amounted to US\$0.65 million in 1H2020, comprising payments to acquire property, plant and equipment for the on-going construction of the new leaching yard and payments for exploration and evaluation assets and mine properties.

Net cash used in financing activities amounted to US\$0.67 million in 1H2020, mainly due to dividends paid to non-controlling interests and payment made for hire purchase and lease liabilities.

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

Not applicable. No forecast or prospect statement was previously disclosed.

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.

Having weathered a challenging first half of the year, during which its operations were disrupted by the Covid-19 pandemic, the Group is hopeful that its performance for the rest of 2020 will be better, barring any unforeseen circumstances. Beyond the recent run-up in the price of gold, which bodes well for the selling prices of its gold bars, two factors in particular are expected to help it do better in the months ahead.

Firstly, the Group recently discovered a zone at its flagship Sokor project that contains better grade gold ore near the surface. This will be an immediate area of focus for its open-pit mining operation.

Secondly, the Group's efforts to arrange for its underground mining workers' return to Kelantan from China is expected to bear fruit soon. As previously disclosed, as a result of travel restrictions to curb the spread of Covid-19, almost all of the Group's underground mining workers have not been able to return to Malaysia after heading to China early this year for the Chinese New Year celebrations. The Group is working closely with the relevant authorities in both countries to have these workers return to Malaysia. Barring any unforeseen circumstances, the first batch of workers is expected to arrive back on site by the end of August 2020 while the remaining workers are likely to be back in September 2020. Upon their arrival in Malaysia, they will be quarantined for 14 days before heading back to Kelantan. Underground mining is a key engine of growth for the Group in the long term given its potential to yield high-grade ore, which is expected to translate into increased gold production.

The Group intends to produce feldspar on its own after its existing production agreement with a third-party contractor ends in November 2020. Feldspar is a mineral used for making glass and ceramics. The Group may explore producing feldspar on its own instead of outsourcing with a view of achieving higher profit margins over the long term. As at 31 December 2019, the Group had about 23.7 million tonnes of inferred JORC-compliant feldspar resources with an average grade of 6.8% sodium oxide and 2.8% potassium oxide.

The Group is still liaising with the relevant authorities in Malaysia to obtain the necessary permits to install a national grid power line at Sokor. Once installed, the power line will reduce the Group's energy bill and carbon footprint. In addition, the Group is still working on obtaining relevant tax incentives for profits derived from the sale of gold bars, following the end of its five-year tax exemption period under Malaysia's Pioneer Status Incentive Scheme in June 2018.

The Group is still in discussion with the relevant Malaysian authorities to secure the necessary permits for the construction of a flotation plant at Sokor for the production of silver, lead and zinc. Barring any unforeseen circumstances, production of these industrial metals is expected to begin in 2021.

11. Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(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 Transfers received by the company (up to 5.00 pm) 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 and the reason(s) for the decision.

No dividend has been declared or recommended for 1H2020. It is not the practice of the Company to declare or recommend dividends in the first half of the year.

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 does not have a general mandate from its shareholders for IPT. In 1H2020, the Group did not enter into any IPT of more than S\$100,000 in value.

Additional Disclosure Required for Mineral, Oil and Gas companies

14a. Rule 705(6)(a) of the Catalist Listing Manual

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

In 2Q2020, funds/cash were mainly used for the following production activities, as compared to the projections:

Purpose	Amount (US\$ million) Actual Usage	Amount (US\$ million) Projected Usage
Exploration and evaluation activities	0.06	0.27
Payments for plant and machinery	0.04	0.07
Payments for diesel and other production materials	1.49	1.46
Royalty and tribute fees to government	0.64	0.60
Rental of equipment	0.25	0.29
Upkeep of equipment and motor vehicles	0.17	0.22
General working capital	1.20	1.37
Total	3.85	4.28

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 2020 to 30 September 2020 ("3Q2020")), the Group's use of funds/cash for production activities is expected to be as follows:-

Purpose	Amount (US\$ million)
Exploration and evaluation activities	0.18
Payments for plant and machinery	0.42
Payments for diesel and other production materials	2.12
Royalty and tribute fees to government	0.80
Rental of equipment	0.53
Upkeep of equipment and motor vehicles	0.30
General working capital	1.27
Total	5.62

The Group's exploration plans for 3Q2020 are as follows:-

(a) Geological Investigation

Malaysia has entered the Recovery Movement Control Order ("RMCO") phase of its fight against Covid-19, which is expected to last from 10th June 2020 to 31st August 2020. While most sectors of the economy are allowed to reopen during the RMCO, foreign expatriates are still having difficulty entering Malaysia due to travel restrictions put in place to curb the spread of Covid-19. As a result, the Group's exploration activities and drilling work has been put on hold since the MCO was announced in March 2020.

Nevertheless, the Group has made plans to carry out exploration activities and drilling program as soon as practicable, and details of which are set out below.

Ulu Sokor concession:

Exploration activities will be focused in four known orebodies (Amang area, Rixen Center, Ketubong and New Found lode) and two prospects (Sejana and Tiger). Plans were made to carry out diamond drilling when possible, with some trenching to verify the anomaly found on the surface.

i) Amang area

Drilling activity in 3Q2020, if resumed, will be focused to control the southern part of lead-zinc mineralization.

ii) Rixen Center

Drilling plans made to verify the base metal mineralization at shallow limestone layer, and to explore the possible gold mineralization at the deeper silicified zone.

iii) Sejana area

Drilling activity, if resumed, will be carried out 50m to 100m eastwards from the center of geochemistry anomalies.

iv) Ketubong deposit

Two drillholes are planned at 160m eastwards of major orebody to verify the reoccurrence of orebody.

v) New Found lode

Two drillholes are designed at the western boundary of New Found lode to determine the cause of change in occurrence.

vi) Tiger area

Three drillholes are designed to verify the lead-zinc anomalies, based on Amang area's interpretation.

Pulai concession:

Plans were made for infill drilling to upgrade the resource category in northern section of Pulai feldspar mine.

Kelgold concession:

No exploration activities planned for Kelgold concession as previous exploration data are currently under review.

(b) Diamond drilling program

Diamond core drilling will be fulfilled by exploration drilling sub-contractor, using two diamond rigs capable of drilling NQ drill core size to 1,000 meters in depth.

Drilling activity for 3Q2020 will be carried out in Sokor area and Pulai feldspar mine when possible. The geology department will revise the drilling plan from time to time based on the assay results of each drillhole.

14b. Rule 705(6)(b) of the Catalist Listing Manual

The Board confirms that to the best of its knowledge, nothing has come to its attention which may render the information provided in item 14a above to be false or misleading in any material aspect.

15. Rule 705 (7) of the Catalist Listing Manual

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;

In 2Q2020, the Group capitalised a total of US\$0.16 million for exploration and evaluation expenditures activities.

The Group carried out the following exploration activities in 2Q2020:-

- (a) Geological Investigation

Ulu Sokor concession:

The Government of Malaysia made an announcement on 1 May 2020 to allow almost all economic sectors to re-open with conditions beginning 4 May 2020. Following the approval from the Kelantan State Government to resume mining operation, the Group's mining activities at Sokor restarted from 6 May 2020, while adhering to all Standard Operating Procedures determined by Ministry of Health Malaysia and other related agencies. The geology department had been assisting mining activities by performing pit mapping, grade control sampling and pit surveys, while sorting all exploration data and looking into any potential oxide gold ore in Rixen Center.

Pulai concession:

As a result of the Malaysian federal government's directive to temporarily restrict nationwide movement as part of its efforts to contain the Covid-19 outbreak, no exploration activities were carried out after 18 March 2020. However, before the implementation of the MCO, intensive surface sampling for ore beneficiation test work was carried out at Pulai's feldspar mine.

Kelgold concessions:

No exploration in Kelgold concession during 2Q2020.

- (b) Drilling Program

No drilling was conducted in all concessions during 2Q2020.

- (c) Half core sampling and analysis

During 2Q2020, a total 209 rock chip samples from Sokor concession were sent to in-house production lab for grade control sampling.

16. Disclosures on Acquisition and Realisation of Shares pursuant to Catalyst Rule 706A

During 1H2020, the Company did not acquire any shares resulting in any company becoming a subsidiary or associated company or increasing its shareholding percentage in any subsidiary. Additionally, the Company did not dispose any shares resulting in a company ceasing to be a subsidiary or associated company or decreasing its shareholding percentage in any subsidiary.

17. Confirmation pursuant to Rule 705(5) of the Catalyst Listing Manual

The Board confirms that, to the best of its knowledge, nothing has come to its attention which may render the unaudited financial results for the six months period ended 30 June 2020 to be false and misleading in any material aspect

18. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalyst Listing Manual

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1).

By Order of the Board

Lim Kuoh Yang
Chief Executive Officer

14 August 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

This announcement has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the 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 Ms Gillian Goh, Director, Head of Continuing Sponsorship (Mailing address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).