



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 Quarter Ended 31 March 2019**

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		
	Three Months Ended		
	31 March 2019 US\$ (Unaudited)	31 March 2018 US\$ (Unaudited)	Increase/ (Decrease %
Revenue	10,376,447	6,095,261	70.2
Other operating income	307,529	976,294	(68.5)
Changes in inventories	43,733	307,283	(85.8)
Amortisation and depreciation	(1,203,230)	(1,156,407)	4.0
Employee benefits expenses	(1,134,626)	(986,381)	15.0
Key management remuneration	(798,311)	(491,778)	62.3
Marketing and publicity expenses	(49,310)	(152,742)	(67.7)
Office and administration expenses	(84,170)	(43,877)	91.8
Professional fees	(175,862)	(210,331)	(16.4)
Rental and other lease expenses	(567,504)	(397,221)	42.9
Royalty and tribute fee expenses	(1,321,822)	(853,375)	54.9
Site and factory expenses	(3,009,090)	(2,391,862)	25.8
Travelling and transportation expenses	(79,617)	(83,962)	(5.2)
Listing expenses	-	(180,366)	n.m.
Other operating expenses	(6,922)	(2,176)	218.1
Results from operating activities	2,297,245	428,360	436.3
Finance income	145,384	147,026	(1.1)
Finance costs	(21,944)	(32,371)	(32.2)
Net finance income	123,440	114,655	7.7
Profit before tax	2,420,685	543,015	345.8
Tax (expenses)/credit	(663,387)	70,316	n.m.
Profit for the period	1,757,298	613,331	186.5
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising from consolidation of foreign subsidiaries	479	14,769	(96.8)
Total comprehensive profit for the period	1,757,777	628,100	179.9
Profit attributable to:			
Owners of the Company	1,381,236	528,345	161.4
Non-controlling interests	376,062	84,986	342.5
Profit for the period	1,757,298	613,331	186.5
Total comprehensive income attributable to:			
Owners of the Company	1,376,351	530,301	159.5
Non-controlling interests	381,426	97,799	290.0
Total comprehensive income for the period	1,757,777	628,100	179.9

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

	Group		
	Three Months Ended		
	31 March 2019 US\$ (Unaudited)	31 March 2018 US\$ (Unaudited)	Increase/ (Decrease) %
Profit for the period is stated after charging/(crediting) the following:			
Finance costs	21,944	32,371	(32.2)
Amortisation and depreciation	1,203,230	1,156,407	4.0
Gain on disposal of property, plant and equipment	-	(77,181)	n.m.
(Gain)/Loss on foreign exchange			
- Unrealised	(275,985)	(898,857)	(69.3)
- Realised	(4,221)	38,604	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	
	31 March 2019 US\$ (Unaudited)	31 December 2018 US\$ (Audited)	31 March 2019 US\$ (Unaudited)	31 December 2018 US\$ (Audited)
ASSETS				
Non-current assets				
Exploration and evaluation assets	8,013,379	9,843,698	-	-
Mine properties	15,925,106	14,071,703	-	-
Property, plant and equipment	13,792,013	13,030,161	121,552	135,748
Right-of-Use Assets (Note 1)	211,859	-	177,963	-
Investment in subsidiaries	-	-	11,450,251	11,450,251
Total non-current assets	37,942,357	36,945,562	11,749,766	11,585,999
Current assets				
Inventories	1,899,028	2,008,247	-	-
Trade and other receivables	3,813,134	2,972,381	10,417,509	11,428,791
Cash and cash equivalents	16,017,132	17,910,184	94,445	167,479
Total current assets	21,729,294	22,890,812	10,511,954	11,596,270
Total assets	59,671,651	59,836,374	22,261,720	23,182,269
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)	21,823,629	20,442,393	(2,296,761)	(1,983,437)
Translation reserves	31,510	36,395	-	-
	43,002,064	41,625,713	15,721,612	16,034,936
Non-controlling interest	7,488,313	7,106,887	-	-
Total equity	50,490,377	48,732,600	15,721,612	16,034,936
LIABILITIES				
Non-current liabilities				
Loans and borrowings	764,115	722,937	-	-
Derivative financial instrument	27,696	27,222	-	-
Deferred tax liabilities	69,687	202,089	-	-
Lease liabilities (Note 1)	95,837	-	77,768	-
Total non-current liabilities	957,335	952,248	77,768	-
Current liabilities				
Loans and borrowings	59,380	61,135	-	-
Trade and other payables	5,651,623	7,189,033	6,359,844	7,147,333
Accrued rehabilitation costs	1,125,378	1,009,174	-	-
Dividend payable	-	1,052,957	-	-
Current tax liabilities	1,268,806	839,227	-	-
Lease liabilities (Note 1)	118,752	-	102,496	-
Total current liabilities	8,223,939	10,151,526	6,462,340	7,147,333
Total liabilities	9,181,274	11,103,774	6,540,108	7,147,333
Total equity and liabilities	59,671,651	59,836,374	22,261,720	23,182,269

Note 1

With effect from 1 January 2019, the Group recognises certain of its leases that were previously classified as operating leases as Right-of-Use (“ROU”) Assets and lease liabilities on the adoption of SFRS(I) 16 *Leases*. Lease arrangements that fall outside the scope of SFRS(I) 16 are generally recognised in the statement of profit or loss. Please refer to section 5 for further details.

1(b)(ii) Aggregate amount of group’s borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 31 March 2019		As at 31 December 2018	
Secured US\$	Unsecured US\$	Secured US\$	Unsecured US\$
59,380	118,752	61,135	-

Amount repayable after one year

As at 31 March 2019		As at 31 December 2018	
Secured US\$	Unsecured US\$	Secured US\$	Unsecured US\$
158,113	701,839	127,319	595,618

Details of any collateral

The Group’s secured borrowings as at 31 March 2019 comprised hire purchase liabilities, which are secured over the Group’s motor vehicles. The net carrying amounts of the motor vehicles as at 31 March 2019 amounted to US\$232,942 (31 December 2018: US\$196,707).

The Group’s unsecured borrowings as at 31 March 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	
	Three Months ended	
	31 March 2019 US\$ (Unaudited)	31 March 2018 US\$ (Unaudited)
Operating activities		
Profit for the period	1,757,298	613,331
Adjustments for:		
Depreciation of property, plant and equipment	801,492	743,427
Depreciation of right-of-use assets	29,780	-
Amortisation of mine properties	371,958	412,980
Gain on disposal of property, plant and equipment	-	(77,181)
Finance income	(145,384)	(147,026)
Finance costs	21,944	32,371
Unrealised gain on foreign exchange	(275,985)	(898,857)
Tax expense/(credit)	663,387	(70,316)
Operating profit before working capital changes	3,224,490	608,729
Changes in working capital:		
Inventories	109,219	(583,366)
Trade and other receivables	(846,183)	(876,932)
Trade and other payables	(2,147,659)	(699,415)
Cash generated from operations	339,868	(1,550,984)
Tax paid	(287,504)	(34,744)
Finance income received	145,384	147,026
Finance costs paid	(21,944)	(32,371)
Net cash generated from/(used in) operating activities	175,804	(1,471,073)
Investing Activities		
Purchases of property, plant and equipment	(1,222,153)	(609,306)
Proceed from disposal of property, plant and equipment	-	77,181
Payment for exploration and evaluation assets, and mine properties	(50,287)	(35,681)
Net cash used in investing activities	(1,272,440)	(567,806)
Financing activities		
Dividend paid to non-controlling interests	(1,012,188)	(374,680)
Payment of finance lease liabilities	(21,917)	(11,265)
Payment of lease liabilities	(29,362)	-
Net cash used in financing activities	(1,063,467)	(385,945)
Net decrease in cash and cash equivalents	(2,160,104)	(2,424,824)
Cash and cash equivalents at beginning of the period	17,910,184	19,491,957
Effect of exchange rate fluctuations on cash held	267,052	874,585
Cash and cash equivalents in the statement of financial position	16,017,132	17,941,718

Note 2:

During the three months period ended 31 March 2019 (“1Q 2019”), the Group acquired property, plant and equipment at an aggregate cost of US\$1,585,402, of which US\$48,708 (1Q 2018: Nil) were acquired by means of hire purchase arrangements, compared to US\$1,287,314 for the corresponding three months period ended 31 March 2018 (“1Q 2018”). As at 31 March 2019, the sum of US\$314,541 for the acquisitions made in 1Q 2019 had yet to be paid, compared to US\$678,008 as at 31 March 2018 for the acquisitions made in 1Q 2018.

The Group also acquired exploration and evaluation assets as well as mine properties in 1Q 2019 at an aggregate cost of US\$334,373 (1Q 2018: US\$485,286), of which US\$94,845 (1Q 2018: US\$62,317) related to accrued rehabilitation costs. As at 31 March 2019, the sum of US\$189,241 for the acquisitions made in 1Q 2019 had yet to be paid, compared to US\$387,288 as at 31 March 2018 for the acquisitions made in 1Q 2018.

As at 31 March 2019, the Group’s cash and cash equivalents amounted to US\$16.02 million (31 March 2018: US\$17.94 million), comprising currencies denominated in MYR, SGD, USD and RMB. Please refer to item 8(b) on cash flows analysis for further details.

The Group has no bank loans. The loans and borrowings relate to hire purchase liabilities and a convertible loan issued by a subsidiary.

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 (Unaudited)	Share shares US\$	Treasury shares US\$	Preference shares	Capital reserve US\$	Translation reserves US\$	Retained earnings US\$	Total attributable to equity holders of the Company US\$	Non-controlling interests US\$	Total equity US\$
Balance as at 1 January 2018	18,032,233	(200,845)	2,800	3,125,752	(21,508)	19,504,023	40,442,455	6,754,793	47,197,248
Total comprehensive income for the period:									
Profit for the period	-	-	-	-	-	528,345	528,345	84,986	613,331
Other comprehensive income for the period									
Exchange difference	-	-	-	-	1,956	-	1,956	12,813	14,769
Total comprehensive income for the period	-	-	-	-	1,956	528,345	530,301	97,799	628,100
Balance as at 31 March 2018	18,032,233	(200,845)	2,800	3,125,752	(19,552)	20,032,368	40,972,756	6,852,592	47,825,348
Balance as 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	-	-	-	-	-	1,381,236	1,381,236	376,062	1,757,298
Other comprehensive income for the period									
Exchange difference	-	-	-	-	(4,885)	-	(4,885)	5,364	479
Total comprehensive income for the period	-	-	-	-	(4,885)	1,381,236	1,376,351	381,426	1,757,777
Balance as at 31 March 2019	18,032,233	-	2,800	3,111,892	31,510	21,823,629	43,002,064	7,488,313	50,490,377

Company	Share capital US\$	Treasury shares US\$	Capital Reserve	Accumulated losses US\$	Total equity US\$
Balance as at 1 January 2018	18,032,233	(200,845)	-	(1,981,118)	15,850,270
Loss for the period	-	-	-	(220,412)	(220,412)
Balance as at 31 March 2018	18,032,233	(200,845)	-	(2,201,530)	15,629,858
Balance as at 1 January 2019	18,032,233	-	(13,860)	(1,983,437)	16,034,936
Loss for the period	-	-	-	(313,324)	(313,324)
Balance as at 31 March 2019	18,032,233	-	(13,860)	(2,296,761)	15,721,612

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 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 31 March 2019	407,693,000	22,890,024	18,032,233
As at 31 March 2018	406,655,100	22,890,024	18,032,233

There were no changes in the share capital of the Company in 1Q 2019.

As at 31 March 2019, the Company did not hold any treasury shares (31 March 2018: 1,037,900). The total number of issued shares of the Company (excluding treasury shares) as at 31 March 2019 and 31 March 2018 was 407,693,000 and 406,655,100 respectively.

The percentage of the aggregate number of treasury shares held against the total number of shares issued as at 31 March 2019 was NIL (31 March 2018: 0.3%)

Save as stated above, the Company did not have any other outstanding options, convertible securities, treasury shares or subsidiary holdings as at 31 March 2019 and 31 March 2018.

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 31 March 2019 (Unaudited)	Company As at 31 December 2018 (Audited)
Total number of issued shares	407,693,000	407,693,000

The Company did not have any treasury shares as at 31 March 2019 and 31 December 2018.

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 reporting period as those of the audited financial statements for the year ended 31 December 2018.

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 applied SFRS(I) 16 initially on 1 January 2019, using the modified retrospective approach. The comparative information were not restated and had been prepared in accordance with the requirements of SFRS(I) 1-17. The Group also applied the practical expedient to recognise amounts of ROU assets equal to their lease liabilities as at 1 January 2019. Accordingly, the Group recognised ROU assets and lease liabilities of approximately \$215,000 respectively as at 1 January 2019 for certain of its leases previously classified as operating leases. Lease arrangements falling outside the scope of SFRS(I) 16 are generally recognised in the statement of profit or loss.

Other than the effect of the matter as described above, the adoption of the new and revised standards did not have any material effect on the financial performance or position of the Group.

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	
	Three months ended 31 March	
	2019	2018
	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company (US\$)	1,381,236	528,345
Weighted average number of ordinary shares	407,693,000	406,655,100
Basic and diluted earnings per ordinary share ⁽¹⁾ :		
- US cents	0.34	0.13
- SG cents ⁽²⁾	0.46	0.17

Note:-

- (1) Diluted earnings per share is the same as basic earnings per share as there was no dilutive effect on earnings per share calculations due to the absence of any dilutive financial instruments for period ended 31 March 2019 and 31 March 2018 respectively.
- (2) Basic earnings per ordinary share translated at an average exchange rate of USD/SGD 1.3546 and 1.3224 for period ended 31 March 2019 and 31 March 2018 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	
	31 March 2019	31 December 2018	31 March 2019	31 December 2018
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Net asset value (US\$) ⁽¹⁾	43,002,064	41,625,713	15,721,612	16,034,936
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	10.55	10.21	3.86	3.93
- SG cents ⁽²⁾	14.30	13.94	5.23	5.37

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 1.3556 and 1.3656 as at 31 March 2019 and 31 December 2018 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

Illustrated below is the summary of the financial performance of the Group for 1Q 2019 and the comparative financial performance for 1Q 2018:

	1Q 2019	1Q 2018	Increase / (Decrease) %
Production volume of fine gold (ounces)	8,023.38	4,518.50	77.6
Sales volume of gold (ounces)	8,023.38	4,518.50	77.6
Revenue – Total (US\$'000)	10,376.45	6,095.26	70.2
Average realised gold price (US\$/ounce)	1,293.28	1,348.96	(4.1)

The Group's revenue increased by 70.2% to US\$10.38 million in 1Q 2019 from US\$6.10 million in 1Q 2018. The improvement was due to an increase in the production and sales volume of fine gold, with a moderate decrease in average realised gold price in 1Q2019. The increase in production and sales volume of fine gold was mainly due to the carbon-in-leach ("CIL") plant, which commenced operations in May 2018.

Other income and expenses

In 1Q 2019, the Group recorded "net other operating income"¹ of US\$0.30 million, compared to US\$0.97 million in 1Q 2018, representing a decrease of US\$0.67 million. The decrease was mainly attributable to (i) an unfavourable variance of US\$0.62 million due to an unrealised foreign exchange gain of US\$0.28 million recorded in 1Q 2019 as compared to US\$0.90 million in 1Q 2018. The unrealised foreign exchange gain was mainly due to the appreciation of MYR against USD when translating the cash and bank balances which were predominantly denominated in MYR; and (ii) a further unfavourable variance of US\$0.08 million due to a gain on disposal of plant and equipment of US\$0.08 million recorded in 1Q 2018 for which there was none in 1Q 2019.

Operating expenses

Operating expenses comprised mainly effect of changes in inventories, site and factory expenses, amortisation costs for mine properties, depreciation expenses for property, plant and equipment, depreciation of ROU assets, rental and other lease expenses², royalty and tribute fees paid to the Kelantan State authorities, remuneration for employees and key management personnel, and other general administrative expenses. For the purpose of analysing these operating expenses, other operating expenses (see paragraph entitled "Other income and expenses" above) and listing expenses (see paragraph entitled "Profit after tax" below) are separately discussed and analysed.

Total operating expenses increased by US\$1.92 million to US\$8.38 million in 1Q 2019 from US\$6.46 million in 1Q 2018. This was mainly due to the following:

- increase in site and factory expenses by US\$0.62 million as a result of the full operation of the CIL plant, bringing the number of production lines in operation to three;

¹ i.e. Other operating income less Other operating expenses

² These relate mainly to lease arrangements falling outside the scope of SFRS(I) 16.

- increase in royalty and tributes to the Kelantan State authorities by US\$0.47 million, arising from higher sales of gold dore bars;
- increase in key management remuneration and employees' compensation by US\$0.45 million, mainly due to the accrual of performance bonuses for 1Q 2019 and increase in employee headcount following the addition of a new production line. The increase is also due to lower bonus accrued in 1Q 2018 in view of the poorer performance in FY2017;
- increase in rental and other lease expenses by US\$0.17 million, resulting from the increased hire of dump trucks for the transportation of ores, resulting from the operation of the CIL plant; and
- lower changes in inventories amounting to US\$0.26 million, mainly attributable to lower work-in-progress balances as at 31 March 2019 in comparison with the immediate previous quarter as at 31 December 2018.

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 the information on the Group's all-in sustaining costs and all-in costs in 1Q 2019 and 1Q 2018:

	US\$ / gold ounce sold		
	1Q 2019	1Q 2018	Increase / (Decrease) %
Sales volume of fine gold (ounces)	8,023.38	4,518.50	77.6
Mining related costs	555	744	(25.4)
Royalty and tribute expenses	165	189	(12.7)
Adjusted operating costs⁽¹⁾	720	933	(22.8)
General and administrative costs	118	119	(0.8)
Capital expenditure	-	61	(100)
All-in sustaining costs⁽²⁾	838	1,113	(24.7)
Capital exploration (non-sustaining)	3	8	(62.5)
Capital expenditure (non-sustaining)	82	35	134.3
All-in costs⁽³⁾	923	1,156	(20.2)

- (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 construction of the new production facility for the existing operations where these projects will materially increase production in future.

The all-in costs of US\$923 per ounce in 1Q 2019 were 20.2% lower than the all-in costs of US\$1,156 per ounce in 1Q 2018. This was mainly due to economies of scale arising from the higher production and sale volume of fine gold, partly offset by higher capital expenditure in non-sustaining operation resulting from construction work-in-progress of underground mining facility and production expansion infrastructure.

Finance income and costs

Finance income and costs comprised interest income from fixed deposits and interest expense on convertible loan and lease liabilities. The Group generated net finance income of US\$0.12 million in 1Q 2019, mainly due to the interest income earned from placement of fixed deposits.

Tax (expense)/credit

CMNM, the main operating subsidiary of the Group, had been enjoying a 100% tax exemption on its statutory income derived from the sale of gold doré bars under the Pioneer Status Incentive Scheme in Malaysia until its expiry on 30 June 2018. As such, for accounting purposes, the Group has since been accruing for tax expenses on its profits from sale of gold dore bars based on the normal corporate tax rate in Malaysia of 24% with effect from 1 July 2018.

The Group's effective tax rate for 1Q 2019 was approximately 27.4%, which was higher than the applicable tax rate of 24% for the Group. The higher effective tax expense was due mainly to withholding taxes suffered on management fees and interest income derived from CMNM as well as certain non-deductible items for tax purposes.

Profit after tax

The Group's profit after tax increased by US\$1.15 million to US\$1.76 million in 1Q 2019 from US\$0.61 million in 1Q 2018 due to the reasons stated above.

As noted above, the Group had recorded an unrealised gain on foreign currency exchange of US\$0.28 million in 1Q 2019, compared to US\$0.90 million in 1Q 2018, as well as the one-off listing expenses of US\$0.18 million incurred for the Company's proposed dual listing of its shares on the Main Board of the Stock Exchange of Hong Kong Limited in 1Q 2018.

Excluding the impact of these items, the profit after tax for 1Q 2019 would be US\$1.48 million, compared to a loss of US\$0.11 million for 1Q 2018.

	1Q 2019 US\$	1Q 2018 US\$
Profit after tax	1,757,298	613,331
Unrealised foreign exchange gain ("A")	(275,985)	(898,857)
Listing expenses ("B")	-	180,366
Profit/(loss) after tax excluding A & B	1,481,313	(105,160)

(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 31 March 2019 and 31 December 2018.

Assets

Exploration and evaluation assets decreased by US\$1.83 million to US\$8.01 million as at 31 March 2019 from US\$9.84 million as at 31 December 2018, mainly due to the transfer of US\$1.96 million from exploration and evaluation assets to mine properties. The decrease was partially mitigated by exploration and evaluation activities of US\$0.06 million undertaken during the period ended 31 March 2019.

Mine properties increased by US\$1.86 million to US\$15.93 million as at 31 March 2019 from US\$14.07 million as at 31 December 2018, mainly due to the transfer from exploration and evaluation assets of US\$1.96 million coupled with the increase in rehabilitation costs of US\$0.09 million and drilling costs of US\$0.18 million. The increase was partially offset by amortisation expenses of US\$0.37 million.

Property, plant and equipment increased by US\$0.76 million to US\$13.79 million as at 31 March 2019 from US\$13.03 million as at 31 December 2018, mainly due to the on-going construction of a new flotation plant and an underground mining facility for the Group's operations and purchase of equipment and vehicles of US\$1.59 million, partly offset by depreciation of US\$0.80 million.

Trade and other receivables increased by US\$0.84 million to US\$3.81 million as at 31 March 2019 from US\$2.97 million as at 31 December 2018. This was mainly due to an increase in trade receivables of US\$0.74 million from US\$1.33 million as at 31 December 2018 to US\$2.07 million as at 31 March 2019. The Group subsequently received full payment for the balance US\$1.33 million of trade receivables in early April 2019.

Liabilities

Total liabilities decreased by US\$1.92 million to US\$9.18 million as at 31 March 2019 from US\$11.10 million as at 31 December 2018. This was mainly due to decreases in deferred tax liabilities of US\$0.13 million, dividends payable of US\$1.05 million, and trade and other payables of US\$1.54 million resulting mainly from the payment of bonuses accrued in the previous financial year in 1Q 2019.

The overall decrease was partly offset by increases in accrued rehabilitation costs of US\$0.12 million; current tax liabilities of US\$0.43 million; and lease liabilities of US\$0.21 million.

As at 31 March 2019, the Group had positive working capital of US\$13.51 million compared to US\$12.74 million as at 31 December 2018.

Cash flows

Net cash generated from operating activities amounted to US\$0.18 million in 1Q 2019, compared to net cash used in operating activities of US\$1.47 million in 1Q 2018. The net operating cash inflow was mainly due to operating profit before working capital changes of US\$3.22 million, adjusted for working capital outflows of US\$2.88 million, mainly attributable to the increase in trade and other receivables of US\$0.85 million and a decrease in trade and other payables of US\$2.15 million, partially offset by a decrease in inventories of US\$0.11 million.

Net cash used in investing activities amounted to US\$1.27 million in 1Q 2019, comprising payments to acquire property, plant and equipment as well as mine properties and exploration and evaluation assets.

Net cash used in financing activities amounted to US\$1.06 million in 1Q 2019. This was mainly for dividends of US\$1.01 million paid to non-controlling interests.

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

There is no material deviation in the actual results for the first quarter ended 31 March 2019 from what was previously discussed under paragraph 10 of the announcement of the Company's financial results for the full year ended 31 December 2018 ("FY2018") and the section, Company Outlook in the presentation slides for the FY2018 results briefing.

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.

As can be seen from its performance in the last few quarters, the Group has been able to boost gold production with the CIL plant in full swing since May 2018. Barring any unforeseen circumstances, the growth momentum is expected to continue as the various growth initiatives announced last year unfold in 2019 and 2020. These initiatives include expansion of the production capacity of the heap leaching and CIL plants, as well as underground mining. Overall, the Group believes its full year revenue for 2019 should exceed the record US\$39.55 million generated last year, barring any unforeseen circumstances.

Even as it seeks to mine more gold, the Group will continue its exploration programme to find new gold resources to replace what has been extracted from the ground. Its on-going exploration work has continued to yield positive results, with the latest annual assessment by independent Australian mining consulting firm Optiro Pty Ltd indicating a record amount of gold resources yet to be mined at its flagship Sokor project in Kelantan. These unmined gold resources translate into about 914,000 ounces of gold as at 31 December 2018. Beyond Sokor, exploration work is concurrently also underway at the concession sites of the Group's two other subsidiaries, CNMC Pulai Mining Sdn Bhd and Kelgold Sdn Bhd.

The Group is currently working closely with the relevant authorities in Malaysia for the construction of a flotation facility at Sokor to produce lead and zinc. This will be the first such plant in Kelantan and is expected to be another long-term growth catalyst as the facility will enable the Group to diversify its income stream as well as to increase revenue through the production of these base metals.

As part of ongoing efforts to reduce costs, the Group is liaising with all relevant authorities to erect a national grid power line at Sokor to reduce dependence on third-party suppliers of diesel, one of its main mining consumables. A national grid power line at Sokor will significantly reduce its diesel consumption by reducing reliance on diesel generators.

11. Dividend

(a) Current Financial Period Reported On: Any dividend declared 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) Date payable:

Not applicable.

(d) Books closure date:

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 1Q 2019. It is not the practice of the Company to declare or recommend dividend in the first quarter 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 1Q 2019, 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 1Q 2019, funds/cash was 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	0.32	0.24
Payments for plant and machinery	0.79	1.70
Payments for diesel and other production materials	2.56	2.68
Royalty and tribute fees to government	1.46	2.10
Rental of equipment	0.52	0.49
Upkeep of equipment and motor vehicles	0.35	0.48
General working capital	2.52	2.84
Total	8.52	10.53

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 April 2019 to 30 June 2019 (“2Q 2019”)), the Group’s use of funds/cash for production activities is expected to be as follows:-

Purpose	Amount (US\$ million)
Exploration and evaluation activities	0.62
Payments for plant and machinery	2.86
Payments for diesel and other production materials	2.74
Royalty and tribute fees to government	2.00
Rental of equipment	0.63
Upkeep of equipment and motor vehicles	0.43
General working capital	1.65
Total	10.93

The Group’s exploration plans from 2Q 2019 are as follows:-

(a) Geological Investigation

The Geology Department plans to carry out exploration activities in Ulu Sokor, Kelgold and Pulai concessions. Details of exploration activities are as below:

Ulu Sokor concession:

- i) 2018 drilling data confirms the orebody expansion in southeastern part of Rixen deposit. More drilling activity will be carried out to determine the southeastern ore boundary.
- ii) Exploration activities conducted in central Sokor concession indicate potential outcome with ore characteristic similar to Rixen deposit. The Geology Department intend to conduct in-depth study of drill cores for drillholes planning.

Kelgold concession:

- i) The Geology Department plans to study the drilling results of the northern anomaly zone concession for drillholes planning.
- ii) Following the completion of the construction of an access road to the southwestern anomaly zone, the Geology Department will carry out exploration trenching activities in the southwestern anomaly zone.

Pulai concession:

Reconnaissance exploration in the South block indicates exploration potential. The Geology Department will study aerial photographs of that particular area to plan for close grid geological mapping and sampling.

Rock chip and float samples will be routinely collected and tested by the Group’s in-house laboratory. The geological investigation points and drillhole collars will be accurately surveyed by Real Time Kinematic (RTK) satellite investigation, using CHC X91 GNSS receivers.

(b) Diamond drilling program

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

Planned drilling activities for April – December 2019 for Sokor Concession are as follows:

Table 1. Drilling plan for Sokor area, 31 holes in total with footage of 10,275m.

Drillholes	Designed locations		Designed depths (m)	Dip(°)	Remarks
	Easting	Northing			
ZKR121-7	443875	616725	100	80	Rixen
ZKR133-2	443800	616575	100	80	Rixen
ZKR133-3	443900	616575	120	80	Rixen
ZKR141-9	443864	616475	130	80	Rixen
ZKR141-10	443925	616475	150	80	Rixen
ZKR145-9	444350	616425	370	80	Rixen
ZKR145-10	443963	616425	400	80	Rixen
ZKR149-15	444500	616375	390	80	Rixen
ZKR153-9	444350	616325	360	80	Rixen
ZKR153-10	444450	616325	400	80	Rixen
ZKR157-12	444300	616275	370	80	Rixen
ZKR157-13	444400	616275	400	80	Rixen
ZKR161-10	444250	616225	325	80	Rixen
ZKR161-11	444350	616225	385	80	Rixen
ZKR161-12	444450	616225	415	80	Rixen
ZKR165-10	444150	616175	320	80	Rixen
ZKR165-12	444400	616175	410	80	Rixen
ZKR169-4	444250	616125	360	80	Rixen
ZKR169-5	444350	616125	410	80	Rixen
ZKR169-6	444450	616125	440	80	Rixen
ZKR173-4	444300	616075	400	80	Rixen
ZKR173-5	444400	616075	430	80	Rixen
ZKR177-2	444250	616025	400	80	Rixen
ZKR177-3	444350	616025	430	80	Rixen
ZKR181-3	444200	615975	410	80	Rixen
ZKR181-4	444300	615975	400	80	Rixen
ZKR185-2	444250	615925	320	80	Rixen
ZKR185-3	443875	616725	350	80	Rixen
ZKL8-3	444250	615100	270	80	Sejana
ZKL10-1	444200	615150	240	80	Sejana
ZKL12-2	444250	615200	270	80	Sejana

*Drilling plan may be revised according to assay results from time to time without notice.

14b. Rule 705 (6)(b) 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 information provided in item 14a above to be false or misleading in any material aspect.

15a. 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 1Q 2019, the Group capitalised a total of US\$0.33 million for exploration and evaluation expenditures incurred during the financial period.

The Group carried out the following exploration activities in 1Q 2019:-

(a) Geological Investigation

Sokor concession:

An outcrop of gold and lead-zinc mineralized “black soil” was discovered, which corresponded to the mineralized black soil observed in previous drillhole, ZKM1-8. The outcrop was logged and sampled. Further exploration including core drilling will be carried out to identify mineralization potential for discovery.

Four drillholes were completed in the northern outcrop of Manson’s Lode with total footage of 258.11m. The mineralized layer northward extension was confirmed as observed in the drill cores.

Pulai concession:

The company restarted exploration in Pulai at the southern part of concession. The Geology Department conducted reconnaissance exploration during 1Q 2019 and sampled specimens from available outcrops.

Kelgold concessions:

Following the completion of the construction of an access road to the southwestern anomaly zone, exploration trenching activities commenced in the southwestern anomaly zone. Three trenches with a total footage of 519.5m were completed. A total of 453 samples were collected and 422 samples were assayed.

(b) Drilling Program

In 1Q 2019, 5 drillholes were completed in the Sokor concession with a total footage of 696.09m. No drillhole was completed in the Kelgold and Pulai concessions.

Drillholes details for the Sokor concession are shown in Table 5.

Table 5: Completed drillholes in Ulu Sokor concession during 1Q 2019.

Drillhole	Designed locations		Completed depths (m)	Dip(°)
	Easting	Northing		
ZKM101-8	444531	613661	59.30	90
ZKM102-6	444566	613666	77.45	90
ZKM103-4	444589	613673	61.88	90
ZKM102-7	444559	613636	59.48	90
ZKR149-14	444367	616375	437.98	80

(c) Half core sampling and analysis

In-house laboratory assayed a total of 2,693 samples in 1Q 2019. Out of the 2,693 samples assayed, 1,148 samples were half core samples from Sokor concession; 1,123 half core samples and 422 trench samples from Kelgold concession.

16. 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 Catalist 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 May 2019

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 Catalist.

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 Keng Yeng Pheng, Director, Continuing Sponsorship (Mailing address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).