

China Nonferrous Gold Limited 中国有色黄金有限公司

(‘CNG’ or the ‘Company’)

Interim Results for the Six-Month Period Ended 30 June 2018

China Nonferrous Gold Limited (AIM: CNG), the mineral exploration and development company currently developing the Pakrut Gold Project (‘the Pakrut Project’) in the Republic of Tajikistan, today announces its interim results for the six-month period ended 30 June 2018.

The results below are available on the Company's website at www.cnfgold.com.

Highlights

- A total of 21,270 cubic meters (“m”) of excavation work completed to 2,350m/2,230m/2,110m;
- The processing plant has completed its equipment overhaul and workshop maintenance, and has re-commenced trial production;
- The smelting plant has returned to trial production resulting in the production of gold concentrate;
- On 1st July 2018, the Pakrut gold mine entered into production and gold ingots were poured; and
- The construction of all infrastructure projects is expected to be finalised and completed during the fourth quarter of 2018 and full production is expected to commence afterwards.

For further information please visit the Company’s website (www.cnfgold.com) or contact:

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Project Summary

The Pakrut Gold Project, of which CNG has 100 per cent ownership, is situated in Tajikistan approximately 120km northeast of the capital city Dushanbe. Pakrut is located within the Tien Shan gold belt, which extends from Uzbekistan into Tajikistan, Kyrgyzstan and Western China, and which hosts several multi-million-ounce gold deposits.

CNG is transitioning from construction into the production phase.

About Tajikistan

Tajikistan is a secular republic located in Central Asia. The country is a member of the Commonwealth of Independent States and the Shanghai Cooperation Organisation. Tajikistan hosts numerous operating precious metal mines as well as the largest aluminium smelter in Central Asia. CNG's management team has extensive experience in the mining industry in Tajikistan.

Chairman's Statement

As the Chairman of the Board, it gives me great pleasure to present the Chairman's Statement of the Interim Results for the Six-Month Period Ended 30 June 2018. After the restoration of the mine site following the severe snow disaster in 2017 the infrastructure, construction and production operations of the Pakrut gold mine have made significant progress during the half-year. The company has completed the majority of the construction for the flotation tailings pond, backfill station, camp complex building and underground ventilation system projects, to ensure that all infrastructure projects will be finished in the fourth quarter of 2018 as previously stated. After conducting an equipment overhaul and technical transformation, both the processing plant and the smelting plant returned to trial production in April 2018, and gold ingots were produced on July 1, 2018. Pakrut gold mine has ushered in a new chapter and entered a new stage of its lifecycle after going through a difficult post-disaster recovery and reconstruction period.

In relation to infrastructure construction, the flotation tailings pond has completed its diversion culvert pouring project at the length of 845m, 530,000 m³ flood dam and tailings dam construction, and the 12.5km of pipeline for the tailings transportation has been laid. Once the geomembrane is laid, the flotation tailings pond can be put into use. The steel structure and concrete construction of the camp complex is currently being built. The main structure is about to be completed whilst the remaining works, the masonry and renovation projects, are expected to be finalised in the fourth quarter of 2018. Most of the workshop construction for the backfill station and installation of the main equipment such as thickener have been completed, and the trials of these operations will be carried out in the fourth quarter of 2018. The company has completed 12,957.7 m³ of excavation and underground construction work, and succeeded in finalising the ventilation system and other engineering excavation works. Wind turbines and other equipment will be installed shortly. The finalisation of all infrastructure projects is expected to be completed during the fourth quarter of 2018.

In terms of production and operation, the mining teams are on site. The ore was mined to 2,230m in May 2018, and the mining capacity reached 1,500 tons per day. The processing plant commenced trial production in April 2018 after completing its equipment overhaul and workshop maintenance. By September 2018, the cumulative amount of minerals processed was 206,670 tons, and the gold concentrate total was 6,186 tons. The smelting plant was restored to trial production in June 2018, and the first batch of gold ingots were poured on July 1st. It is expected that gold production will total 5,835 tons of concentrate and 200 kg of gold ingots by September 2018.

The insurance claims against the snowstorm disaster have been completed, and a total of 24 million RMB (approximately \$3,508,300 USD) has been received, covering the direct losses caused by the snowstorm. The company meanwhile has again arranged the renewal of property insurance.

Financial Results

The Company continued its development and construction work during the first six months of 2018 Administration expenditure was US\$2,179,000 (30 June 2017: US\$1,987,000). The operating loss was US\$3,363,000 (30 June 2017: US\$12,351,000). Total cash equivalents at the end of the period amounted to US\$61,896,000 (30 June 2017: US\$10,959,000).

Given the limited production and cash balances the Group has been reliant on support from its major shareholder, CNMIM, and its associates. As detailed in the announcement released on 5 March 2018, CNG signed a total loan facility of US\$90 million from CNMC International Capitals Company Limited (“CNMC International”). The Company’s total liabilities outstanding as at 30 June 2018 totals approximately US\$464 million and as at the date of this announcement totals approximately US\$424 million of which \$244 million is repayable during 2018. The Company has now recommenced production, which is expected to assist with raising further working capital. As previously announced, the repayment of the existing facilities will require a wider refinancing. Discussions are ongoing and are expected to be concluded in advance of 31 December 2018 deadline.

Outlook

The impact of the snowstorm has now been largely resolved with the infrastructure projects nearing completion. The pouring of gold ingots indicates that the Pakrut gold mine has entered a new stage and opened a new chapter.

After completing the infrastructure projects, expected in the fourth quarter of 2018, the Pakrut gold mine is expected to enter full production and capacity will gradually reach 2,000 tons per day. In 2019, the Pakrut gold mine is expected to achieve an annual production of 660,000 tons and produce 1.3 tons of gold per annum. Subsequently, the company will fully increase its production capacity, and strive to double its capacity by 2021. While increasing the production, the company is making every effort to research and refine the selection and improvement process of the Pakrut gold project by continuously reducing production costs, increasing recovery rates and improving its overall competitiveness.

The company has long been committed to becoming a significant gold producer in Central Asia. It expects to benefit from the support and advantages of its major shareholder, CNMIM, to participate positively in China’s “Belt and Road Initiative” in the future, and meanwhile establish a good relationship with the Tajikistan government and other Central Asian governments so as to create greater benefits for shareholders by potentially developing more gold resources and gold mines.

I would like to take this opportunity to thank all our employees, management and advisors for their continued efforts in first half of 2018 and thank our shareholders for their continued support. The company will continue to share with all our shareholders the latest

developments in the construction, status of production and company's new strategies and new financing and other arrangements in due course.

Wu Xiang
Non-Executive Chairman

A handwritten signature in black ink, consisting of several overlapping loops and strokes, positioned to the right of the name and title.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	Unaudited Six months ended 30 June 2018 US\$'000	Unaudited Six months ended 30 June 2017 US\$'000	Audited Year ended 31 December 2017 US\$'000
Revenue	-	5,493	5,784
Cost of sales	-	(5,493)	(5,784)
Gross profit	-	-	-
Administrative and other expenses	(2,179)	(1,987)	(5,017)
(Loss)/Gain on foreign exchange	(1,183)	(42)	750
Impairment of mines under construction	-	(10,322)	(10,703)
Operating loss	(3,363)	(12,351)	(14,970)
Interest income	1	-	1
Finance costs	-	(47)	-
Loss before Tax	(3,362)	(12,398)	(14,969)
Income tax	-	-	(68)
Loss for the period attributable to owners of the Company	(3,362)	(12,398)	(15,037)
Other comprehensive income	-	-	-
Total comprehensive income for the period attributable to owners of the Company	(3,362)	(12,398)	(15,037)
Earnings per Share			
-Basic and diluted (cents)	3 (0.88)	(3.24)	(3.93)

All of the activities of the Group are classified as continuing.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Unaudited 30 June 2018 US\$'000	Unaudited 30 June 2017 US\$'000	Audited 31 December 2017 US\$'000
Non-Current Assets			
Mine under construction	361,426	317,098	331,160
Property, plant and equipment	7,983	2,275	8,967
Total Non-Current Assets	<u>369,409</u>	<u>319,373</u>	<u>340,127</u>
Current Assets			
Inventories	16,847	28,462	18,216
Trade and other receivables	25,395	3,235	629
Cash and cash equivalents	61,896	1,398	12,067
Total Current Assets	<u>104,138</u>	<u>33,095</u>	<u>30,912</u>
Current Liabilities			
Trade and Other payables	(99,277)	(82,892)	(78,409)
Borrowings	4 (172,684)	(30,000)	(172,684)
Total Current Liabilities	<u>(271,961)</u>	<u>(112,892)</u>	<u>(251,093)</u>
Non-Current Liabilities			
Provision for other liabilities and charges	(768)	(704)	(767)
Borrowings	4 (191,500)	(222,684)	(106,500)
Total Non-Current Liabilities	<u>(192,268)</u>	<u>(223,388)</u>	<u>(107,267)</u>
Total Liabilities	<u>(464,229)</u>	<u>(336,280)</u>	<u>(358,360)</u>
Net Assets	<u>9,318</u>	<u>16,188</u>	<u>12,679</u>
Capital And Reserves			
Capital	38	38	38
Share premium	65,901	65,901	65,901
Other reserves	10,175	10,175	10,175
Retained earnings	(66,796)	(59,926)	(63,435)
Total Equity	<u>9,318</u>	<u>16,188</u>	<u>12,679</u>

CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2018

	Unaudited Six months US\$'000	Unaudited Six months ended 30 June 2017 US\$'000	Audited Year ended 31 December 2017 US\$'000
Cash flows from Operating Activities			
Loss before income tax	(3,361)	(12,398)	(15,037)
Adjustments for:			
Finance income	(1)	-	(1)
Depreciation	43	45	102
Foreign exchange		42	
Impairment	-	10,322	10,703
Change in working capital:			
Inventory	1,369	(296)	2,732
Trade and other receivables	(9,465)	859	90
Trade and other payables	6,128	682	(2,758)
Net cash flows from Operating Activities	(5,287)	(744)	(4,169)
Cash flows from Investing Activities			
Purchase of property, plant and equipment	-	-	(13)
Payments for mining rights and construction in progress	(23,010)	(8,548)	(9,254)
Disposal of PPE	382	-	42
Net cash used in Investing Activities	(22,628)	(8,548)	(9,225)
Cash flows from Financing Activities			
Proceeds from borrowings	90,000	-	26,500
Repayment of borrowings	(5,000)	(1,667)	(1,667)
Interest paid	(7,255)	-	(11,935)
Net Cash (used in)/from Financing Activities	77,745	(1,667)	12,898
Net Increase/(Decrease) in Cash and Cash Equivalents	49,829	(10,959)	(496)
Cash and cash equivalents at beginning of the period	12,067	12,357	12,563
Cash and cash equivalents at end of the period	61,896	1,398	12,067

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

	Share capital US\$'000	Share premium US\$'000	Other reserve US\$'000	Retained earnings US\$'000	Total equity US\$'000
Balance at 1 January 2017	38	65,901	10,175	(48,298)	227,716
Loss and total comprehensive income for the period	-	-	-	(15,037)	(15,037)
Balance at 31 December 2017 (audited)	38	65,901	10,175	(63,435)	12,679
Balance at 1 January 2018	38	65,901	10,175	(63,435)	12,679
Loss and total comprehensive income for the period	-	-	-	(3,361)	(3,361)
Balance at 30 June 2018 (unaudited)	38	65,901	10,175	(66,796)	9,318

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

1. Accounting Policies

i) Basis of preparation

China Nonferrous Gold Limited (the "Company") is a company registered in the Cayman Islands. The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2018 comprise the result of the Company and its subsidiaries (together referred to as the "Group") and have been prepared in accordance with the AIM Rules for Companies. As permitted, the Company has chosen not to adopt IAS 34 "Interim Financial Statement" in preparing these interim financial statements.

The consolidated interim financial information for the period 1 January 2018 to 30 June 2018 is unaudited and has not been reviewed in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. In the opinion of the Directors the condensed interim financial information for the period presents fairly the financial position, and results from operations and cash flows for the period in conformity with the generally accepted accounting principles consistently applied.

The condensed interim financial information incorporates unaudited comparative figures for the interim period 1 January 2017 to 30 June 2017 and extracts from the audited financial statements for the year to 30 June 2017. The financial information contained in this interim report does not constitute statutory accounts.

The comparatives for the full year ended 31 December 2017 are not the Company's full statutory accounts for that year. A copy of the accounts for that year have been delivered to members. The auditor's report on those financial statements was unqualified.

The interim report has not been audited or reviewed by the Company's auditor. The key risks and uncertainties and critical accountancy estimates remain unchanged from 31 December 2017 and the accounting policies adopted are consistent with those used in the preparation of its financial statements for the year ended 31 December 2017.

ii) Cyclicalities

The interim results for the six months ended 30 June 2018 are not necessarily indicative of the results to be expected for the financial year 2018. The operations of China Nonferrous Gold Limited may be subject to seasonal variations depending on the severity of snowfall levels at the mine site. Severe levels may impact the ability to continue operations and result in damage to the mine site.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

2. Going Concern

The Interim Financial Statements have been prepared assuming the Company will continue as a going concern. Under the going concern assumption, an entity is ordinarily viewed as continuing in business for the foreseeable future with neither the intention nor the necessity of liquidation, ceasing trading or seeking protection from creditors pursuant to laws and regulations.

In assessing whether the going concern assumption is appropriate, the Directors take into account all available information for the foreseeable future, in particular for the twelve months from the date of approval of the Interim Financial Statements. This information includes:

- Management prepared cash flow projections;
- Estimations as to when full production will commence and first revenues will be generated and associated cash flows will occur;
- The ability to complete the mine site work within the stated timeframe and budget;
- Sources of funding from external sources;
- Settle financial obligations as they fall due;
- The continued financial support of the considered controlling party; and
- The ability of management to renegotiate current financing arrangements as was achieved in June 2018 in respect of the loan with China Nonferrous Metals International Mining Co. Ltd.

As at the date of approval of these interim statements, and based upon consideration of the above, the Directors are satisfied that the Group has sufficient cash and loan facilities to finance the Group's operating expenses and any further development and construction of the Pakrut Gold Project that is required. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence and thus they continue to adopt the going concern basis of accounting in preparing the interim results.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

3. Earnings per Share

	<i>June 2018</i>	<i>June 2017</i>	<i>December 2017</i>
Basic and diluted earnings per share(cents)	(0.88)	(3.24)	(3.93)

The basic earnings per share is calculated by dividing the loss attributable to equity holders after tax of US\$ 3,361,841 (2017 June– loss US\$12,398,000; December 2017 loss (US\$ 15,037,000) by the weighted average number of shares in issue and carrying the right to receive dividend. For all of the periods disclosed 2018 this was 382,392,292 shares.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

4. Borrowings

	<i>June 2018</i>	<i>June 2017</i>	<i>December 2017</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Bank borrowings	110,000	100,000	120,000
Other loans	254,184	153,145	159,184
Less: unamortised borrowing costs	-	(461)	-
Total	364,184	252,684	279,184
Non-current portion	191,500	222,684	106,500
Current portion	172,684	30,000	172,684

The fair value of borrowings equals their carrying amounts, as the impact of discounting is not significant.

A new loan agreement between CNMC International Capitals Company Limited (“CNMC”) and China Nonferrous Gold Limited was signed on 8th February 2018. Under this agreement, CNMC have provided a loan facility of US\$90,000,000 to China Nonferrous Gold Limited. This loan has been provided with the purpose of improving daily business operations of China Nonferrous Gold Limited. During July, 2018, the obligatory right is transferred to CNMC International Trade from CNMC International Capitals.

The loan contains annual fixed interest at 5.8%. Where the loan is used for a purpose other than that stated in the contract (see comment above), the proportion of the loan used will incur interest at a fixed rate of 11.6% per annual. Payment of interest will be made bi-annually.

The loan is repayable in full on 8th Dec 2020. For any outstanding amounts owed after this date, interest will be charged at a rate of 8.7% per annual until the outstanding amount is paid.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

5. Post balance sheet event

Contract for the First-Stage Mining Project of the Pakrut Gold Mine

On 20th, June 2018 the company's subsidiary, LLC Pakrut, signed a contract for the first-stage mining project with Wenjian Limited Liability Company ("LLC Wenjian").

LLC Wenjian is a private corporation registered in Tajikistan, focused on construction, developing and contracting in Tajikistan, and is not a related party of CNG. The total contract period agreed is 12 months. The contract can be extended by mutual consent and most of the mining operations are effectively undertaken by the contractor with their own equipment.

The total estimated cost of the contract is 50 million RMB (approximately USD\$ 7.56 million) and is a tolling arrangement which is payable in accordance with each stage of construction accomplished by the contractor under the contract. The main scope of the first-stage project includes developing, prospecting and mining (except paste filling) of the Pakrut Gold Mine, as well as all auxiliary work.

Consultancy Contract for the Construction of Tailing Ponds

On 15th, June 2018 the Company's subsidiary, Kryso Resources Limited, entered into a new supplementary consultancy contract for the construction of tailing ponds with China 15th Metallurgical Construction Group Co., Ltd ("15MCC"), the former contractor of the tailing-pond project, due to material changes to the planned flotation tailing ponds in the construction site. China Nonferrous Metals International Mining Co., Ltd ("CNMIM") will no longer act as the agent for the Company regarding the contract.

Related Party Transaction

As 15MCC is an associate of CNMIM, a substantial shareholder in the Company and pursuant to AIM Rule 13, the entry into the supplementary consultancy contract is deemed to be a related party transaction. The Company's board of directors (excluding Wu Xiang, Yu Lixian and Zhang Hao, who are appointees of CNMIM) consider, having consulted with CNG's Nominated Adviser, Investec Bank plc, that the terms of the supplementary consultancy contract are fair and reasonable insofar as the shareholders of CNG are concerned.