

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

(‘CNG’ or the ‘Company’ and with its subsidiaries the “Group”)

**Interim Results for the Six-Month Period Ended 30 June 2020**

China Nonferrous Gold Limited (AIM:CNG), the gold producer with the operational Pakrut Gold Project (‘the Pakrut Project’) in the Republic of Tajikistan, today announces its interim results for the six-month period ended 30 June 2020.

The results below are available on the Company's website at [www.cnfgold.com](http://www.cnfgold.com).

**Highlights**

- From January to June 2020, a total of 261,268 tons of ore was extracted from the Pakrut gold mine; 344,652 tons of ore was processed at a grade of 2.28 g/t; and 17,411.21 oz gold ingots was poured.
- From January to June 2020, the Group sold 14,839.18 oz of gold ingots, achieving sales revenue of US\$24.33 million.
- Since the outbreak of COVID-19 in Tajikistan on April 30 2020, the Company has taken appropriate steps and effective measures to ensure that staff at protected at site. To date operations at the mine site at Pakrut continue as normal, and there are no confirmed or suspected cases in the Company in Tajikistan or China.
- After the outbreak of the Tajikistan epidemic, flights with China have not been opened, the Company has organised a private chartered flight to transport around 45 Chinese employees to Tajikistan from China, which has taken off on 8 August 2020. We therefore remain confident that the annual internal production target can be achieved.

**For further information please visit the Company’s website ([www.cnfgold.com](http://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 a number of multi-million ounce gold deposits.

## **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 aluminum smelter in Central Asia. CNG's management team has extensive experience in the mining industry in Tajikistan.

## **Chairman's Statement**

As 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 2020. Following the first year of successful complete production in 2019, the Pakrut gold mine entered steady state production and full operation in 2020, making the Group a significant gold producer in Tajikistan.

From January to June 2020, a total of 261,268 tons of ore was extracted from the Pakrut gold mine During that same six month period:

- 344,652 tons of ore was processed;
- the average grade of the raw ore was 2.28 g/t;
- the recovery rate of processing was 92.07%;
- 9,979 tons of concentrate was produced from the processing plant; and
- 8,924 tons of concentrate among them was treated in the smelter (the comprehensive recovery rate of smelting was 85.96%) and 17,411.21 oz gold ingots were poured.

From 2020, the gold price began to rise, especially after March 2020, which has benefited the Group. From January to August 2020, the Group sold 21,314.66 oz of gold ingots, achieving sales revenue of US\$36.51million (unaudited), with an average sales price of US\$1,712.96 / oz. However, there can be no guarantee that these sales will be achieved for the rest of the year.

## **Financial Results**

The Company continued its production and operation work during the first six months of 2020. Administration expenditure was US\$8,063,474 (30 June 2019: US\$6,306,764). The largest increase is the depreciation expense in relation to PPE mainly because CIP was moved into PPE and its depreciation began in 2019. The operating profit was US\$1,503,000 (30 June 2019: US\$278,000). Total cash equivalents at the end of the period amounted to US\$19,548,292 (30 June 2019: US\$16,147,939). As at 30 June 2020, the Group held net liabilities of \$20,712,868 (30 June 2019: net liabilities \$1,363,000).

Given the limited production and cash balances the Group has been reliant on support from its major shareholder, CNMC, and its associates. In April 2020, the Company drew down US\$14.50 million on a new US\$30 million loan facility with China Construction Bank (Asia) Corporation Limited, which is being used for general working capital purposes to fund the Pakrut gold mine. On June 30, 2020, the principal amount of CCB Macau's due loan of USD 5 million has been repaid.

The Group commenced full production in January 2019. As mentioned earlier, the Company currently has borrowings of c.US\$362m (of which c.US\$353m is the principal loan amount and the balance represents accrued interest), the majority of which is due for repayment before June 2021 (and a significant proportion of which is due for repayment before the end of December 2020). The Directors believe that the Company's major shareholder will continue to support the Company but in order to ensure the repayment of existing loans, a broader refinancing is required. Discussions are ongoing and are expected to be completed in the near term. Further updates will be provided when a refinancing package is entered into.

## **Outlook**

With the normal production and operation of Pakrut gold mine, the Company is confident in its ability to achieve the production target of 680,000 tons of ore set at the beginning of this year. This is considered a prudent target in light of the uncertainties presented by the COVID pandemic.

The Company is continuing to enhance its production capacity. Whilst improving production, the Company is also focusing on perfecting and improving the smelting process by reducing production costs, increasing recovery rates and improving competitiveness.

While we have taken big strides in the production and operation of the Pakrut gold mine and achieved much, there are still challenges to overcome and targets to meet, all of which I am confident to accomplish in the coming months.

Overall, however, the uncertainty created by the COVID-19 pandemic on production and operations still exists in Tajikistan, and the long term effects are difficult to predict and estimate.

I would like to take this opportunity to thank all our employees, management and advisers for their continued hard work in 2020. I would also like to extend my thanks to all our stakeholders for their continued backing over the years. I very much look forward to updating our shareholders further on the mine developments, production levels, new strategy and direction.

**Yu Lixian**

**Chairman**



**30 September 2020**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
	<b>Six months ended 30 June 2020</b>	<b>Six months ended 30 June 2019</b>	<b>Year ended 31 December 2019</b>
<b>Note</b>	<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
<b>Revenue</b>	24,329	20,881	49,157
Cost of sales	(14,134)	(13,582)	(32,842)
<b>Gross profit</b>	10,195	7,299	16,315
Other Operating income	-	-	116
Administrative and other expenses	(8,063)	(6,307)	(16,337)
(Loss)/Gain on foreign exchange	(629)	(714)	(905)
Other operating expenses	-	-	(136)
<b>Operating profit/(loss)</b>	1,503	278	(947)
Interest income	50	218	270
Finance costs	(8,465)	(9,812)	(20,796)
			-

<b>Loss before Tax</b>		(6,927)	(9,316)	(21,473)
Income tax		-	(243)	(508)
<b>Loss for the period attributable to owners of the Company</b>		(6,927)	(9,559)	(21,981)
Other comprehensive income		-	-	-
<b>Total comprehensive income for the period attributable to owners of the Company</b>		(6,927)	(9,559)	(21,981)
<b>Earnings per Share</b>				
Basic and diluted (cents)	<b>3</b>	(1.81)	(2.49)	(5.75)

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

		<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
		<b>30 June 2020</b>	<b>30 June 2019</b>	<b>31 December</b>
		<b>US\$'000</b>	<b>US\$'000</b>	<b>2019US\$'000</b>
<b>Non-Current Assets</b>				
Property, plant and equipment	<b>5</b>	400,701	410,826	402,548
<b>Total Non-Current Assets</b>		<b>400,701</b>	<b>410,826</b>	<b>402,548</b>
<b>Current Assets</b>				
Inventories		17,035	4,248	16,856
Trade and other receivables		6,373	6,912	4,766
Cash and cash equivalents		19,548	16,148	11,120
<b>Total Current Assets</b>		<b>42,956</b>	<b>27,308</b>	<b>32,743</b>
<b>Non-Current Liabilities</b>				
Borrowings	<b>4</b>	(18,586)	(78,650)	(103,586)
Provisions for other liabilities and charges	<b>4</b>	(913)	(157,725)	(913)
<b>Total Non-Current Liabilities</b>		<b>(19,499)</b>	<b>(236,375)</b>	<b>(104,499)</b>

**Current Liabilities**

Borrowings	4			
		(362,077)	(837)	(267,527)
Trade and other payables		(82,792)	(202,285)	(77,050)
<b>Total Current Liabilities</b>		(444,870)	(203,122)	(344,577)
<b>Total Liabilities</b>		(464,369)	(439,497)	(311,843)
<b>Net Liabilities</b>		(20,712)	(1,363)	(13,785)

**Capital And Reserves**

Share Capital		38	38	38
Share premium		65,901	65,901	65,901
Other reserves		10,175	10,175	10,175
Retained earnings		(96,826)	(77,477)	(89,899)
<b>Total Equity</b>		(20,712)	(1,363)	(13,785)

## CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 30 JUNE 2020

	Unaudited Six months ended 30 June 2020 US\$'000	Unaudited Six months ended 30 June2019 US\$'000	Audited Year ended31 Dec 2019 US\$'000
<b>Cash flows from Operating Activities</b>			
Loss before income tax	(6,927)	(9,316)	(21,473)
<i>Adjustments for:</i>			
Finance income	(50)	(218)	(270)
Finance cost	8,465	9,812	20,796
Depreciation	3,741	5,056	7,722
Foreign exchange	-	-	905
Impairment	-	-	-
<i>Change in working capital:</i>			
Inventory	178	13,095	487
Trade and other receivables	(1,620)	(2,217)	(904)
Trade and other payables	(11,054)	(4,653)	(7,039)
Other current assets	(13)	(988)	(154)
Other current liabilities	353	1,109	3,554
Tax paid		(244)	-
<b>Net cash flows from Operating Activities</b>	<b>2,906</b>	<b>11,436</b>	<b>3,624</b>
<b>Cash flows from Investing Activities</b>			
Purchase of property, plant and equipment	(1,892)	(6,198)	(5,842)
Payments for mining rights and construction in progress	-	-	-

Disposal of PPE	-	-	-
Interest received	50	218	270
<b>Net cash used in Investing Activities</b>	<b>(1,840)</b>	<b>(5,980)</b>	<b>(5,572)</b>
<b>Cash flows from Financing Activities</b>			
Proceeds from borrowings	14,550	20,000	20,000
Repayment of borrowings	(5,000)	(5,000)	(10,000)
Interest paid	(2,186)	(12,671)	(5,295)
<b>Net Cash (used in)/from Financing Activities</b>	<b>7,364</b>	<b>2,329</b>	<b>4,705</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>8,428</b>	<b>7,785</b>	<b>2,757</b>
Cash and cash equivalents at beginning of the period	11,120	8,363	8,363
Cash and cash equivalents at end of the period	19,548	16,148	11,120

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE SIX MONTHS ENDED 30 JUNE 2020**

	<b>Share capital US\$'000</b>	<b>Share premium US\$'000</b>	<b>Other reserve US\$'000</b>	<b>Retained earnings US\$'000</b>	<b>Total equity US\$'000</b>
<b>Balance at 1 January 2019</b>	38	65,901	10,175	(67,918)	8,196
Loss and total comprehensive income for the period	-	-	-	(9,559)	(9,559)
<b>Balance at 30 June 2019</b>	38	65,901	10,175	(77,477)	(1,363)
Loss and total comprehensive income for the period	-	-	-	(12,442)	(12,442)
<b>Balance at 31 December 2019 (audited)</b>	38	65,901	10,175	(89,899)	(13,785)
<b>Balance at 1 January 2020</b>	38	65,901	10,175	(89,899)	(13,785)
Loss and total comprehensive income for the period	-	-	-	(6,927)	(6,927)
<b>Balance at 30 June 2020 (unaudited)</b>	38	65,901	10,175	(96,826)	(20,712)

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### FOR THE SIX MONTHS ENDED 30 JUNE 2020

#### 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 2020 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 2020 to 30 June 2020 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 2019 to 30 June 2019 and extracts from the audited financial statements for the year to 31 December 2019. The financial information contained in this interim report does not constitute statutory accounts.

The comparatives for the full year ended 31 December 2019 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 2019 and the accounting policies adopted are consistent with those used in the preparation of its financial statements for the year ended 31 December 2019.

##### *ii) Cyclicity*

The interim results for the six months ended 30 June 2020 are not necessarily indicative of the results to be expected for the financial year 2020. 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.

#### 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 2020 in respect of the loan with China Nonferrous Metals International Mining Co. Ltd.
- The ultimate parent will continue to support the Group and therefore the directors believe that funding and financial support will be forthcoming if required although this is not guaranteed.

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.

### 3. Earnings per Share

	<i>June 2020</i>	<i>June 2019</i>	<i>December 2019</i>
Basic and diluted earnings per share(cents)	(1.81)	(2.49)	

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The basic earnings per share is calculated by dividing the loss attributable to equity holders after tax of US\$6,927,214 (30 June 2019: US\$9,558,940) by the weighted average number of shares in issue and carrying the right to receive dividend. For all the periods disclosed up to 2020, the total number of shares remain unchanged being 382,392,292 shares.

#### 4. Borrowings

	<i>June 2020</i>	<i>June 2019</i>	<i>December 2019</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
Bank borrowings	104,550	100,000	95,000
Other loans	276,113	260,010	276,113
Less: unamortised borrowing costs	-	-	-
Total	380,663	360,010	371,113
Non-current portion	18,586	202,285	103,586
Current portion	362,077	157,724	267,527

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

In April 2020, the Company drew down US\$14.50 million on a new US\$30 million loan facility with China Construction Bank (Asia) Corporation Limited, which is being used for general working capital purposes to fund the Pakrut gold mine.

The Company extended the repayment period of loans in place with CNMC Trade Company Limited (CNMC Trade), totalling US\$146.50 million, to December 2020. The Company currently has total debt facilities (including banking facilities), before interest, of c.US\$353.7 million (being the US\$341m announced in July 2020, plus the CNMIM loan of US\$12.7m).

#### 5. Property, Plant and Equipment

	<i>Land</i>	<i>Office furniture and equipment</i>	<i>Motor vehicles</i>	<i>Plant and machinery</i>	<i>Producin g Mines</i>	<i>Assets under constru ction</i>	<i>Total</i>
	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>	<i>US\$000</i>
<b>Cost</b>							
At 1 January 2019	32	755	10,772	14,990	-	-	26,549
Additions	-	152	-	2,129	-	3,561	5,842
Transfer	-	-	-	-	398,639	761	399,400
Disposals	-	(320)	(2,074)	-	-	-	(2,394)
At 31 December 2019	32	587	8,698	17,119	398,639	4,322	429,396
Additions	-	-	-	-	1,892	-	-
Transfers	-	-	-	-	4,322	(4,322)	-
Disposals	-	-	-	-	-	-	-
At 30 June 2020	32	587	8,698	17,119	404,853	-	429,396
<b>Accumulated Depreciation</b>							
At 1 January 2019	-	611	7,909	10,607	-	-	19,127
Charge for the period	-	31	392	869	8,823	-	10,116

Disposals	-	(320)	(2,074)	-	-	-	(2,394)
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At 31 December 2019	-	322	6,227	11,476	8,823	-	26,849
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Charge for the period		18	1,262	1,360	1,101		3,741
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Disposals	-	-	-	-	-	-	-
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At 30 June 2020	-	340	7,489	12,836	9,924		30,589
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**Net Book Value**

At 30 June 2020	32	247	1,209	4,283	394,929	-	400,701
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At 31 December 2019	32	265	2,471	5,643	389,816	4,322	402,548
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As the mine started full production from January 2019, all assets included in 'Mines under construction' are transferred to 'Producing mines' as part of Property, Plant and Equipment. Therefore, as at 31 December 2019 and 30 June 2020, there is nil balance being carried forward for 'Mines under construction'. Total depreciation is \$3,741,760 for the 6 months period.