

1.Executive Summary

Sahakol continues its operation in 2 mining projects, Hongsa project and Mae Moh 8 project. In Q3/2020, the Company recorded a net profit of 17 million baht, a decline when compared to a net profit of 51 million baht in Q2/2020 due to the rainy season. However, favorable operations resulted in a profit when compared to a loss of 266 million baht in Q3/2019. In the current quarter, Mae Moh Mining Project 8 operated on plan, resulting in a production increase by 2% from Q2/2020. The production increase is equivalent to a 71% increment when compared to the previous year due to efficiency in management and proper preparation of working areas of mine pit for the rainy season. Moreover, production increase was also due to machinery management, enabled through support from machineries brought over from the concluded Mae Moh 7 project. Despite entering the rainy season, reported gross profit for Hongsa remained unchanged from the previous quarter due to additional revenue from Operation and Maintenance (O&M) project commenced at the beginning of 2020.

With continued profits during the first nine months of 2020, the company posted a total net profit of 169 million baht, or profit of 0.15 baht per share, compared with the same period of the previous year which registered net loss of 116 million baht.

In the current quarter, the company incurred expenses from staff cuts according to the Lean organization plan. This will enable increased efficiency and reduce administrative expenses in the long run.

2. Financial Performance

Unit : M THB	Q2/2020	Q3/2020	Q3/2019	% Gain (Loss) QoQ	% Gain (Loss) YoY	9M/2019	9M/2020	% Gain (Loss) YTD
Total revenues	1,132	1,088	891	(4%)	22%	3,340	3,527	6%
Cost of Services (Include Depreciation ¹)	931	880	997	(5%)	(12%)	2,919	2,834	(3%)
¹ Depreciation	278	265	292	(5%)	(9%)	876	818	(7%)
Gross Profit (After Depreciation)	201	208	(106)	3%	298%	421	694	65%
Administrative expenses	76	108	96	43%	13%	268	293	9%
EBITDA	432	375	98	(13%)	282%	1,050	1,244	19%
Financial cost	77	79	94	3%	(16%)	294	242	(18%)
Net Profit*	51	17	(266)	(67%)	106%	(116)	169	(246%)
EBITDA margin (%)	38%	34%	11%	(4%)	23%	31%	35%	4%
Gross Profit Margin (%)	18%	19%	(12%)	1%	31%	13%	20%	7%
Net Profit Margin (%)	4%	2%	(30%)	(3%)	31%	(3%)	5%	8%

*Net Profit (Equity holder of the Company)

Operational results for the three-month period in Q3/2020 compared with Q2/2020 (QoQ)

In Q3/2020, Sahakol's revenue totalled 1,088 million baht, a decrease of 44 million baht or 4% compared to the previous quarter (Q2/2020). The decline in revenues was due to the rainy season. However, efficient machinery management and work area preparation, especially mine haul roads during the rainy season, led to a profitability in this quarter.

Some significant cost changes include the following:

- Depreciation costs decreased by 13 million baht from a full depreciation over the machine life
- Explosives costs decreased by 24 million baht from the mine management plan as the current site consisted a Shale base area which required less use of explosives
- The cost of contractors decreased by 32 million baht as the conveyor system in Mae Moh 8 mine project was able to function at full capacity
- Other costs increased by 18 million baht consisting of dismantling and storage of reusable equipment as well as site adjustment costs to accommodate the conveyor system deployed from Mae Moh 7 at the end of the quarter and it is expected to be used under the Mae Moh 8 project in the future.
- Administrative expenses increased by 16 million baht due to compensation of statutory wages to employees whose contracts were terminated following the conclusion of the Mae Moh 7 project, as well as staff cuts based on the Lean organization plan.

As a result, Sahakol registered gross profit margin increase from 18% in Q2/2020 to 19% in this quarter. This amounted to a net profit of 17 million baht, a decrease of 34 million baht or 67% from Q2/2020.

Operational results for the three-month period in Q3/2020 compared to Q3/2019 (YoY)

Sahakol's total revenue increased by 197 million baht, equivalent to an increase by 22% compared to the same period in the previous year. This was the result of revenue increase in Mae Moh 8 project by 332 million baht due to favourable on-site road conditions despite the rainy season, which facilitated greater efficiency in soil conveying and maintenance in the current quarter. Moreover, machineries deployed from Mae Moh 7 helped to increase productivity of Mae Moh 8 by approximately 71%.

Significant cost changes as follows:

- Maintenance cost increased by 59 million baht due to entering the machinery overhaul program as planned.
- Fuel costs declined by 43 million baht based on a change in fuel usage plan and a change from B7 Diesel to B10 Diesel to support government initiatives
- Depreciation costs decreased by 27 million baht and contractor costs also decreased by 43 million baht mainly due to full depreciation of machineries under the concluded Mae Moh 7 project and deployed to Mae Moh 8 project resulting in improved efficiency of the conveyor system and the reduction in proportion of contractors needed to support this operation
- Administrative expenses increased by 19 million baht from dismantling and storage of reusable equipment; site preparation to accommodate machineries from Mae Moh 7 at the end of the current quarter to be utilized under Mae Moh 8 as planned
- Financial costs decreased by 15 million baht from gradual repayment of long-term loans and repayment of high interest short-term loans as part of cost reduction strategies that aim to increase financial efficiency through utilization of alternative financial instruments.

This resulted in a net profit of 17 million baht in Q3/2020 compared to a net loss of 266 million baht in Q3/2019.

3. Operation Result by Project

Unit : M THB	Q2/2020	Q3/2020	Q3/2019	% Gain (Loss) QoQ	% Gain (Loss) YoY	9M/2019	9M/2020	% Gain (Loss) YTD
Hongsa								
Service Revenue	282	266	235	(5.5%)	13.3%	798	846	6.0%
Cost of Services (Include Depreciation ¹)	238	222	219	(6.5%)	1.8%	637	697	9.4%
¹ Depreciation	64	58	58	(11%)	(0%)	171	186	9%
Gross Profit	44	44	16	(0%)	166%	162	150	(8%)
Gross Profit (%)	16%	16%	7%	1%	9%	20%	18%	(3%)
Mae Moh 8								
Service Revenue	829	807	475	(3%)	70%	1,813	2,404	33%
Cost of Services (Include Depreciation ¹)	671	654	493	(2%)	33%	1,499	1,893	26%
¹ Depreciation	206	202	172	(2%)	18%	515	574	11%
Gross Profit	158	153	(18)	(4%)	>200%	314	511	63%
Gross Profit (%)	19%	19%	(4%)	(0%)	23%	17%	21%	4%

Hongsa

Gross profit for Hongsa project amounted to 44 million baht, unchanged from Q2/2020 with overall decrease in production by 11 percent due to the rainy season. However, the cost of service and depreciation of machinery decreased as some machines used at the beginning of the project were fully depreciated. As such, gross profit margin slightly increased from 15.6% in Q2/2020 to 16.4% in Q3/2020.

In comparing performance in Q3/2020 with Q3/2019, gross profit for Hongsa increased by 27 million baht or by 166% resulting from increased revenues in the Operation and Maintenance (O&M) section. The gross profit margin increased from 7% in Q3/2019 to 16.4 percent in Q3/2020.

Mae Moh 8

Mae Moh 8 project reported gross profit decline of 5 million baht or a 4% drop from Q2/2020, a slight decrease when considering seasonal factors. Productivity was achieved according to plan based on preparation of the working area to safeguard against the large amount of water during the rainy season. This included machinery management, enabled through support from machineries brought over from the concluded Mae Moh 7 project. As a result, the gross profit margin remained unchanged from Q2/2020 at 19%.

In comparing performance in Q3/2020 compared to the same period in the preceding year, the project was able to return to a profitable position at 153 million baht from Q3/2019 which recorded a loss of 18 million

baht. The main reason being optimal machine management during the rainy season proceeded according to plan and haul road system preparation since the beginning of the year.

4. Summary of Financial Position

Balance Sheet Position

Assets

Total assets as of 30 September 2020 totaled 10,202.9 million baht, a decrease by 903.3 million baht from that as of 31 December 2019 which totaled 11,106.2 million baht or 8.1% with the following details:

	(Million Baht)			
	Q3/2020	2019	change	change %
Current Assets	1,613.2	2,065.2	(452.1)	(21.9)
Non – Current Assets	8,589.7	9,041.0	(451.3)	(5)
Total assets	10,202.9	11,106.2	(903.3)	(8.1)

Liabilities

Total liabilities as of 30 September 2020 were 7,867.2 million baht. Compared to liabilities of 8,941.3 million baht as of 31 December 2019, total liabilities declined by 1,074.1 million baht or by 12% due to a gradual debt repayment of long-term loans made with the following details:

	(Million Baht)			
	Q3/2020	2019	change	change %
Current liabilities	3,334.4	3,555.2	(220.8)	(6.2)
Non - Current liabilities	4,532.8	5,386.1	(853.3)	(15.8)
Total liabilities	7,867.2	8,941.3	(1,074.1)	(12)

Shareholder's equity

Shareholder's equity as of 30 September 2020 amounted to 2,335.7 million baht, an increase by 170.7 million baht or 7.9% from that as of 31 December 2019 which totaled 2,164.9 million from net profit for this period with details as follows:

	(Million Baht)			
	Q3/2020	2019	change	change %
Total shareholders' equity	2,335.7	2,164.9	170.7	7.9

Statement of Cash Flows

As of 30 September 2020, cash and cash equivalents stood at 106.9 million baht, a decrease by 156.1 million baht or 59.3% from those in 2019 which cash and cash equivalents amounted to 263.1 million baht as summarized below:

	(Million Baht)
Cash flows from operating activities	957.7
Cash flows from investing activities	(373.3)
Cash flows from financing activities	(743.1)
Currency translation difference	2.7
Net decrease in cash and cash equivalents	(156.1)

Cash flows from operating activities was 957.7 million baht from operating profit.

Cash flows from investing activities at (373.3) million baht, mainly due to asset acquisition according to the project investment plan of the Hongsa O&M project, and Machinery overhaul program in Mae Moh Mine 8 Project and Hongsa Project.

Cash flows from financing activities in the amount of (743.1) million baht, mainly arising from repayment of long-term loans and paid up of financial lease payable.

Financial Cost

Financial cost for Q3/2020 and Q3/2019 were 241.7 million baht and 293.8 million baht respectively, reflecting a 17.7% decrease. The main contributing factors were repayment of long-term loans and the lowered MLR interest rate.

5.Key Financial Ratios

Profitability Ratios		2019	6M/2020	9M/2020
Gross Profit (After Depreciation)	(Percent)	13.86	19.08	18.85
EBITDA	(Percent)	33.32	36.03	35.64
EBIT	(Percent)	8.19	12.45	11.47
Net (Loss) Profit	(Percent)	0.02	6.25	4.80

Efficiency Ratios		2019	*6M/2020	*9M/2020
Return on Assets	(Percent)	0.01	0.03	2.69
Return on Fix Assets	(Percent)	8.46	13.26	17.09
Return on Equity	(Percent)	0.05	0.26	12.71

Leverage Ratios		2019	6M/2020	9M/2020
Debt to Equity ratio	(times)	4.13x	3.73x	3.37x
Interest Bearing Debt to Equity ratio	(times)	3.59x	3.07x	3.01x

Note

*Key financial ratios as of June 2020 and September 2020 was calculated based on last 12 months.