



CNMC

CNMC GOLDMINE HOLDINGS LIMITED

中远金矿有限公司

(Co. Reg. No. 201119104K)

(Incorporated in the Republic of Singapore)

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## RESPONSE TO QUESTIONS FROM SHAREHOLDERS FOR ANNUAL GENERAL MEETING TO BE HELD ON 28 APRIL 2023

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*Unless otherwise defined, all capitalised terms used in this announcement shall bear the same meaning in the Group's FY2022 Annual Report dated 13 April 2023.*

The board of directors (the “**Board**”) of CNMC Goldmine Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) refers to the questions received from shareholders of the Company ahead of the Company's Annual General Meeting to be held on 28 April 2023 at 3.00 p.m.. The Company wishes to provide its response below:

**Q1. Given that gold production hit record of 19,767 ounces in 2H2018 and had been on the decline ever since, are we expecting such volumes in the near future?**

Company's response

The amount of gold the Group produces hinges largely on the quality of the gold ore it mines as the design processing capacity of our Carbon-in-Leach plant is fixed at approximately 500 tonnes of ore per day. Ever since gold production started in 2010, the Group has been able to generate profits and cash flows from operations nearly every year<sup>1</sup>, even though the quality of its gold ore had at times not met expectations.

In seeking to mine better-quality gold ore, the Group expanded into underground mining in 2020 (as opposed to open-pit or surface mining in the initial years of production) and completed our Carbon-in-Leach plant in 2018, which is designed to process higher-grade gold ore. Underground mining at our Sokor project typically yields better quality ore than open-pit mining.

To further improve gold production, two additional underground mining facilities are currently being built. Barring any unforeseen circumstances, one of these facilities is expected to be completed in 2023, while the other should be ready by 2024. Both facilities, when completed, are expected to enable the Group to mine more higher-grade gold ore and increase the total volume of mined underground ore. The Group is hopeful that these initiatives, together with ongoing exploration activities to locate and expand gold deposits, will enable it to increase its production volumes.

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<sup>1</sup> Save for FY2010 & FY2011 when the Group just embarked on gold production and gold production were low during initial operation and FY2020 where the Covid-19 pandemic caused significant disruption to our operations and logistics, especially when skilled underground workers from China were unable to return to Malaysia after Chinese New Year in February 2020.

**Q2. Company's share price is a big disappointment to shareholders given recent historic high gold price, what is company doing to mitigate this?**

Company's response

The share price of a company is influenced by many factors, and not driven by a single factor such as the global price of gold. And many of these factors are driven by human emotions and characteristics such as fear and greed. As Warren Buffett has famously said, "Price is what you pay. Value is what you get.", there is an appreciable difference between the price and value of an asset.

The Group is making a conscious effort to expand its revenue and tighten cost control measures, in an attempt to improve profitability so as to enable the Company to distribute a higher dividend payout to shareholders. Despite a lackluster profit in 2022, the Company proposed a dividend.

Besides expanding its underground mining capacity as part of efforts to increase gold production, the Group has commenced commercial production of lead and zinc concentrates. Revenue from the sale of these concentrates is already being recognised and will contribute to the Group's overall financial performance from this year. Producing and selling lead and zinc concentrates is expected to create an additional stream of income and help mitigate any fluctuations in earnings from gold sales alone. Demand for base metals such as lead and zinc from China is expected to be healthy given, among other things, China's efforts to drive its economic turnaround following its less-than-stellar economic growth in recent years due to the Covid-19 pandemic.

**Q3. Given that gold production had experienced hiccups in 2022, how does the company ensure that such hiccups are adequately minimised?**

Company's response

The Group's Carbon-in-Leach plant, which runs incessantly daily and is designed to process higher-grade gold ore, had to be shut down for repairs for about a month in the third quarter of 2022. This was the first major structural repair for the plant since it started operating in 2018. With the benefit of hindsight and experience, the Group is now more adept at keeping the Carbon-in-Leach plant in good working condition. We schedule more inspections and employ technicians from the machine manufacturer to monitor the system.

**Q4. The Company's expenses seem to be out of control, how do you assure shareholders that cost is prudently managed?**

Company's response

On a macro level, increase in expenses can be generally attributed to the sharp increase in inflation worldwide following the outbreak of Covid-19 and the Russian-Ukraine war. Internally, given the focus on Carbon-in-Leach processing and underground mining during FY2022, there was significantly higher consumption of diesel (as reflected by higher site and factory expenses being incurred). Additionally, there was a major structural repair for the CIL plant, coupled with some non-recurring write-offs relating to fixed assets and inventories, as explicated in the Company's annual report for FY2022. To ameliorate such hikes, management has been prudently managing the overall cost structure of the Group by reducing other expenses during the year. The total expenses of the Group have in fact decreased in FY2022 vis-à-vis the previous two financial years as tabulated below, for ease of reference.

	<b>FY2022</b>	<b>FY2021</b>	<b>FY2020</b>
	US\$ million	US\$ million	US\$ million
Total expenses	24.2	30.3	29.2

As part of our continuing efforts to manage the rising costs, the Group has, *inter alia*, engaged a generator supplier to provide and maintain more energy-efficient power generators in order to reduce fuel consumption and carbon emissions, with a view to reducing site and factory expenses which is one of the major cost components of the Group's business.

### **By Order of the Board**

Lim Kuoh Yang  
Chief Executive Officer

23 April 2023

*This announcement has been reviewed by the Company's Sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

*The Sponsor has also not drawn on any specific technical expertise in its review of this announcement*

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