CNMC
CNMC GOLDMINE HOLDINGS LIMITED
中色金矿有限公司
(Company Registration No.: 201119104K)

CORPORATE AND BUSINESS UPDATE

The board of directors (the "**Board**") of CNMC Goldmine Holdings Limited ("**CNMC**" or the "**Company**" and together with its subsidiaries, the "**Group**") would like to provide the following corporate and business update:

Review of Operations at Flagship Sokor Mine

The Group has recorded five consecutive quarters of below-average gold output since the last quarter of 2016. The year-on-year decline in gold production in each of those quarters was due to low ore grades in certain parts of its flagship $10km^2$ Sokor gold mine in Malaysia's Kelantan State.

The Company has been operating Sokor since 2007. Of its three mining assets in Kelantan, Sokor is the only one in production at the moment. Since 2010, when it achieved its first gold pour, Sokor has produced more than three metric tonnes (over 100,000 ounces) of fine gold.

In late 2016, the Kelantan State Government extended CNMC's operating lease for Sokor to the year 2034 from 2018. With the lease extended, it began constructing in May 2017 a carbon-in-leach ("**CIL**") plant to process Sokor's higher-grade ore. This is its third gold processing facility at Sokor.

The Company has been conserving higher-grade ore, with a view of mining it once it establish the appropriate equipment to process them. Its heap leaching plant, which is its main production facility, is more suitable for treating lower-grade ore, while its vat leaching plant is used mainly to treat ore with low percolation rates. The CIL plant, which is more suitable for treating higher-grade ore, was built within a budget of RM25 million and completed within six months. It began trial operation in November 2017.

Commencement of Full-Scale Production at CIL Plant

Upon completion of trial operation, CNMC will ramp up full commercial production at the CIL plant. The facility has the capacity to process approximately 500 tonnes of ore daily. With the new plant, the gold recovery rate at Sokor can achieve up to 95% compared to about 65% from heap leaching, which has been the Company's main leaching technique since 2012.

The CIL plant will be a major growth catalyst for the Group in 2018 and beyond. Barring unforeseen circumstances, with the CIL plant's higher gold recovery rate, overall gold output from Sokor this year is expected to be higher than in 2017.

Gold production costs at Sokor are also expected to decline. The average all-in cost of production for every ounce of gold in 2017 was US$1,367, compared to US$819 in 2016 and US$608 in 2015. The increase last year was due to capital expenditure for the CIL plant and additional mining expenses arising from lower gold production. Capital expenditure for the CIL plant was fully recognised in 2017.

Additional Growth Drivers

In addition to ramping up gold production, the Group will pursue the following strategies in 2018 to drive growth further and enhance value for shareholders:

- Monetise other minerals at Sokor;
- Expedite exploration at the two Kelantan-based mining assets acquired in 2017 with a view to preparing them for production;
- Continue to explore acquisition opportunities in Malaysia; and
- Enhance value for shareholders through a dual primary listing on the Stock Exchange of Hong Kong.

1. Monetise Other Minerals at Sokor

Besides gold, the Group has also discovered silver, lead and zinc (the "**base metals**") over the course of its exploration operations at Sokor. The Board believes that the time is right to start monetising these minerals as the Group has amassed enough ore containing base metals for commercial production. This will be a new source of revenue and earnings for the Group.

As its existing facilities are meant to process ore containing mainly gold, the Group is looking into constructing a flotation plant at Sokor dedicated to extracting the base metals, which is expected to be located near the CIL facility. The budget, production capacity and construction schedule for the flotation facility are likely to be roughly similar to those for the CIL plant. Construction of the flotation facility is expected to be funded through internal resources.

The Group will, in compliance with the relevant requirements under the SGX-ST Listing Manual Section B: Rules of Catalist, update shareholders on the progress of the construction of the flotation facility, as and when appropriate.

According to Australia-based Optiro Pty Ltd, an independent mining consulting firm, Sokor had an estimated 1.96 million ounces of silver, 22,678 tonnes of lead and 21,448 tonnes of zinc in the ground as at 31 December 2016. Production costs for silver, lead and zinc will be reported as a consolidated expense item for base metals.

2. Expedite Exploration at the Two Kelantan-Based Mining Assets Acquired in 2017

The Company acquired full control of KelGold Mining Sdn Bhd ("**KelGold**") and a 51% stake in Pulai Mining Sdn Bhd ("**CNMC Pulai**") in 2017. Both entities are located in Kelantan.

<u>KelGold</u>

KelGold has rights to explore for gold, iron ore and other minerals at a site in Kelantan spanning 15.5km^2. The greenfield site is about two hours' drive from Sokor. Exploration work is on-going.

KelGold's existing exploration programmes are formulated to ascertain a JORC-compliant estimated amount of gold resources and reserves in the ground. The Australasian JORC Code is a set of globally accepted standards for the public reporting of mineral resources, ore reserves and exploration results. Pending the completion of the study, KelGold intends to start production as soon as commercially viable gold is discovered.

The Company plans to build leaching facilities at KelGold's premises to extract gold once it finds commercially viable ore. A full-fledged production plant is not required in the initial production stage as output from the leaching facilities can be trucked to the main gold de-absorption and smelting plant at Sokor for processing, given the two projects' close proximity to each other. As such, the initial production capital expenditure for the leaching facilities will be minimal.

CNMC Pulai

CNMC Pulai has a total of 11 licences to explore for and mine gold, iron ore and feldspar (a raw material used for making glass and ceramics) in a brownfield site in Kelantan spanning 38.4km^2. The concession site produced alluvial gold, valued at about RM38 million, between March 2011 and May 2013. CNMC Pulai has yet to produce gold or any other minerals on its own although the feldspar mine is already in production under an external contractor.

The Company has been exploring for gold and iron ore at the CNMC Pulai concession since it completed the acquisition in February 2017. In 2018, besides continuing to explore for gold and iron ore, CNMC Pulai also intends to commence exploration for feldspar. It will commission a JORC-compliant study to ascertain the economic value of the feldspar in the ground.

3. Continue to Explore Acquisition Opportunities in Malaysia

The Company is exploring opportunities to acquire more mining projects in Malaysia that are potentially commercially viable. It has an in-house team that regularly reviews potential deals.

Gold mining in Malaysia is generally concentrated in what is known as the Central Gold Belt, which covers the states of Kelantan, Pahang, and Terengganu. These three states accounted for all of the 2,249kg of gold produced in Malaysia in 2016, according to the Malaysian Chamber of Mines. Studies by Malaysia's Department of Minerals and Geoscience have indicated prospective gold deposits in other states, including Negeri Sembilan, Johor, Sabah and Sarawak.*

* *Source: Malaysian Chamber of Mines*
http://malaysianminerals.com/index.php?option=com_content&task=view&id=21&Itemid=45

4. Enhance Value for Shareholders through Dual Primary Listing in Hong Kong

The Company, listed on the Catalist board of the Singapore Exchange since 2011, has no bank borrowings and has consistently been generating cash from operations since 2012. As at 31 December 2017, it had US$19.5 million in cash and cash equivalents.

The Company intends to seek a dual primary listing in Hong Kong as part of efforts to raise its profile among investors, especially those outside Singapore. The proposed listing may or may not involve a public offering of new shares.

As announced on 15 January 2018, the Company has appointed Alliance Capital Partners Limited as its sponsor for a dual primary listing on the main board of the Stock Exchange of Hong Kong. In addition, a team of professionals has been engaged for the purpose of the aforesaid dual primary listing.

The Board believes the dual primary listing may help attract more institutional investors to the Company, expand its shareholder base and increase the stock's trading liquidity. This in turn could help boost value for shareholders. The Board will update shareholders on the progress of the proposed listing in due course.

Outlook

In view of the strategies mentioned above, and barring unforeseen circumstances, the Board expects:

- The Group's revenue to increase in 2018 as compared to 2017, driven mostly by the expected increase in gold production at the CIL plant; and

- A potentially new source of income as production and sales of silver, lead and zinc start contributing to the Group's financial results once the proposed flotation plant at Sokor starts commercial production.

By Order of the Board

Lim Kuoh Yang
Chief Executive Officer

26 February 2018

The contact person for the Sponsor is Ms Keng Yeng Pheng, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg)