



CNMC

CNMC GOLDMINE HOLDINGS LIMITED

中远金矿有限公司

(Co. Reg. No. 201119104K)

(Incorporated in the Republic of Singapore)

RESPONSE TO QUESTIONS FROM SIAS ON FY2023 ANNUAL REPORT

The board of directors (the “**Board**”) of CNMC Goldmine Holdings Limited (the “**Company**”) and together with its subsidiaries, the “**Group**”) would like to provide the following replies to questions received from the Securities Investors Association (Singapore) in relation to the Group’s annual report for the financial year ended 31 December 2023 (“**FY2023**”):

- Q1. As noted in the annual report, the spot price of gold increased by about 15% during 2023 and in fact, gold price has surged 2024¹.**

Gold prices

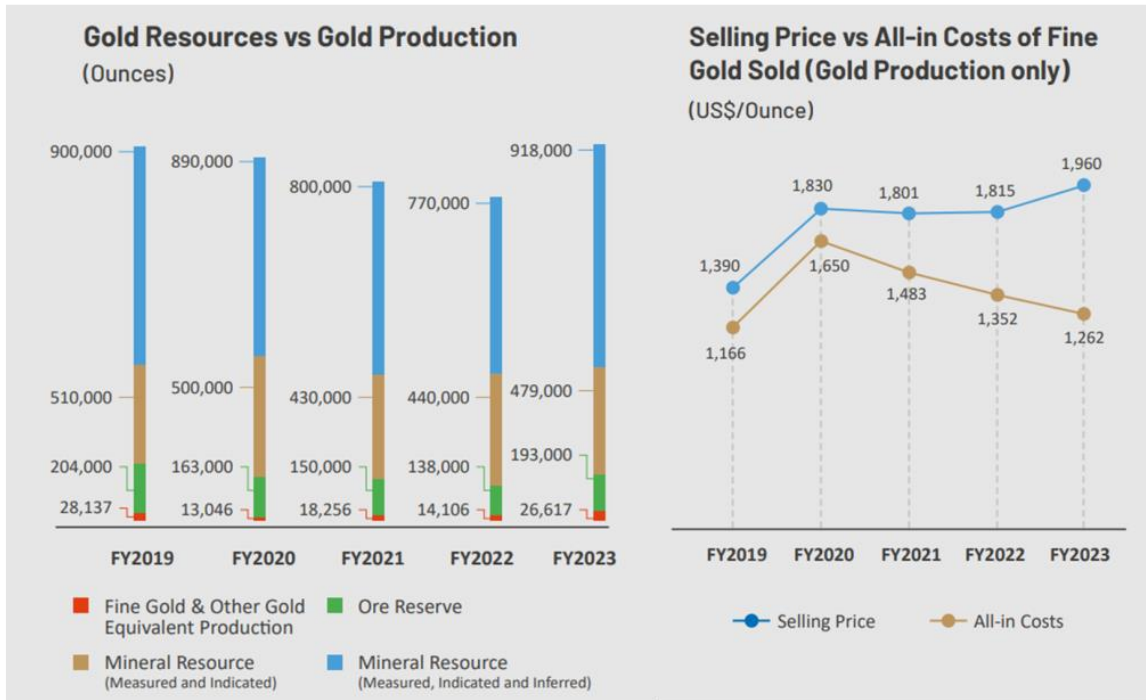


(Source: <https://www.gold.org/goldhub/data/gold-prices>)

The group has increased mining capacity at the flagship Sokor project with a new underground gold mining facility set up since the fourth quarter of 2023.

In 2023, the group achieved an average selling price of gold of US\$1,960 per ounce. Excerpts from the “Financial Highlights 2023” found on page 14 of the annual report are shown below:

¹ <https://www.gold.org/goldhub/data/gold-prices>



(Adapted from company annual report)

- (i) **How does management determine the timing of its gold sale? Are gold doré bars sold as soon as they are smelted? Or does management engage in forward selling strategies or build up inventory for batch sales?**

Company's response

Sales of the gold doré bars are dependent on the production schedules. The gold doré bars, once produced, are sold to a State Government-licensed gold buyer at the prevailing international gold spot price. We do not engage in any forward selling or hedging arrangements.

- (ii) **What is management's perspective on the current gold price and how does that outlook impact the group's operations?**

Company's response

The average spot price of gold appears to be rising since end of 2023. This bodes well for us as we can command higher selling prices and better profit margins, provided we also manage our costs well. Overall, we monitor the gold price closely so that we can respond as promptly as practicable to any significant changes in the market environment.

Please refer to Snowden Optiro's report as of 31 December 2023 as set out on page 166 of the FY2023 Annual Report, and other relevant disclosures in our FY2023 Annual Report.

(iii) **What are the main factors that have led to the reduction in the all-in production costs of gold?**

Company's response

Summarised below are the Group's all-in sustaining costs and all-in costs per ounce, relating to gold mining activities for FY2023 and their comparatives as detailed in section G(2) of the condensed financial statements (page 25) announced on 23 February 2024:

	US\$ / gold ounce sold		
	FY2023	FY2022	↑/ (↓) %
Sales volume of fine gold (ounces)	17,190	14,106	21.9
Mining related costs	722	723	(0.1)
Royalty and tribute expenses	258	243	6.2
Adjusted operating costs	980	966	1.4
General and administrative costs	190	129	47.3
Capital expenditure	38	46	(17.4)
All-in sustaining costs	1,208	1,141	5.9
Capital exploration (non-sustaining)	3	40	(92.5)
Capital expenditure (non-sustaining)	51	171	(70.2)
All-in costs	1,262	1,352	(6.7)

The all-in costs per ounce in FY2023 were 6.7% lower, as compared to FY2022. This was mainly due to economies of scale arising from the higher production and sale volume of fine gold. The decrease in non-sustaining capital expenditure was because one of the underground mining facilities had commenced operation since 4Q2023.

(iv) **How much revenue has the company generated from the sale of lead and zinc concentrates, and what are the corresponding volume figures?**

Company's response

The table below is a summary of the revenue and volume for FY2023 and the comparative financial performance for FY2022 as detailed in section G(2) of the condensed financial statements (page 23) announced on 23 February 2024:

UOM		FY2023			FY2022			Movement		
		Revenue US\$'000	Volume UOM	Price US\$/UOM	Revenue US\$'000	Volume UOM	Price US\$/UOM	Revenue	Volume	Price
Gold	oz	33,699	17,190.51	1,960	25,600	14,105.92	1,815	32%	22%	8%
Lead in lead concentrate	t	3,064	1,949.69	1,572	-	-	-	100%	100%	100%
Gold in lead concentrate	oz	9,099	5,545.18	1,641	-	-	-	100%	100%	100%
Silver in lead concentrate	oz	3,254	216,259.18	15	-	-	-	100%	100%	100%
Zinc concentrate	t	3,053	1,980.58	1,541	-	-	-	100%	100%	100%
		52,169			25,600					
Gold equivalent ounces ¹		52,169	26,616.84	1,960	25,600	14,105.92	1,815	104%	89%	8%

¹ see definition of Gold Equivalent Ounces in the Company's announcement of 23 February 2024.

- (v) **Can management elaborate further on the planned exploration work for 2024 and beyond? Has the exploration schedule been intensified due to the surge in gold prices?**

Company's response

Based on data from previous quarters, we carry out specific exploration tasks every three months. Regular updates for our shareholders, including details on exploration, development, and production efforts, along with expenditure summaries and explanations for significant deviations from earlier projections, are provided every quarter through announcements on SGXNet.

We endeavour to be successful in all our exploration work, regardless of how gold prices fare. In addition to our in-house team of geologists, we also collaborate with reputable independent geological consulting firm(s), employing seasoned consultants to closely support our efforts with the aim of enhancing our exploration success rate.

- (vi) **A 2017 convertible loan agreement (CLA) matured in February 2022 and the group, CNMC Pulai Mining Sdn. Bhd. ("CNMC Pulai"), entered into a new CLA with the company and a third party. The embedded derivative representing the conversion option of the convertible loan has a fair value determined as nil as at 31 December 2023. Can management help shareholders better understand the reasons for this CLA and what aspects of this CLA is critical to the group or CNMC Pulai? Why was the 2017 CLA rolled over into a new CLA in 2022?**

Company's response

Please refer to the Company's announcement of 27 February 2017 for details on the old convertible loan agreement entered into by the Group on 24 February 2017. Please also refer to page 123 of the FY2022 Annual Report and page 120 of the FY2023 Annual Report for details on the new convertible loan agreement entered into by the Group on 3 November 2022.

- Q2. On 22 December 2023, the company announced that the group had entered into a sales contract with Yuchen Resources Co., Limited (“Yuchen”) pursuant to which Yuchen shall purchase all lead, zinc and other concentrates or ore produced by the group at its Ulu Sokor concession for a ten-year period from 1 January 2024 to 31 December 2033.**

The company’s announcement, which includes the salient terms of the contracts, can be read here:

https://links.sgx.com/FileOpen/YuChen_Agreement.ashx?App=Announcement&FileID=781420

To clarify, the group reserves the right to sell to third-party buyers if Yuchen declines to match any higher price offered.

- (i) Can management confirm that the prices are reviewed annually? Would this be an efficient arrangement? In the event of price increases, will the group actively seek third-party buyers and grant Yuchen the opportunity to match the price? Conversely, if prices decrease, will there be pressure on Yuchen to renegotiate for lower prices?**

Company’s response

As disclosed in the Company’s announcement of 22 December 2023, the terms of sale for the lead and zinc concentrates will be reviewed by CMNM Mining Group Sdn Bhd and Yuchen annually. Pertinently, the Group reserves its right to sell to third-party buyers if Yuchen declines to match any better price or terms offered by such third-party buyers.

- (ii) Has management carried out any due diligence on Yuchen? Is Yuchen a commodities trader?**

Company’s response

Please refer to the Company’s announcement of 22 December 2023 for the relevant information.

- (iii) Given that Yuchen will pay 95% of the provisional cargo value within one business day of receiving the draft bill of lading, there seems to be little risk for the group. Nevertheless, what other potential risks has the board/management identified regarding to the long-term sales agreement?**

Company’s response

All relevant and material information relating to the contract with Yuchen has been disclosed in the Company’s announcement of 22 December 2023.

- Q3. As the three independent directors (IDs), Mr Kuan Cheng Tuck and Mr Tan Poh Chye Allan and Dr Gan Siew Lian, have served on the board beyond nine years from the date of their first appointments, they will be resigning or retiring at the forthcoming annual general meeting of the company on 30 April 2024.**

The company has proposed Mr Giang Sovann, Ms Keng Yeng Pheng and Ms Chooi Pey Nee as candidates for appointment as the new independent directors.

- (i) With all three independent directors retiring at the AGM, without replacements being already appointed to the board, would the newly constituted board face a steep learning curve?**

Company's response

Mining is a highly specialised industry, and identifying suitable board candidates with the requisite expertise and experience is a significant challenge, particularly in Singapore. Following a comprehensive search, we have successfully identified three candidates who possess the necessary skills and experience to join our Board as independent directors. We believe that their professional and business background, experience and qualifications will enable them to adapt quickly and effectively.

Specifically, two of the proposed incoming directors have had prior professional experience working closely with our management team which gives them a reasonably solid understanding of both the mining industry and our operations.

As an added stability measure, our executive directors and key management team have remained intact, which will help preserve our institutional knowledge and expertise. We are committed to minimising the impact of this change and maintaining effective board operations.

- (ii) Does the current arrangement pose a risk of disrupting the board's operations and potentially result in the loss of institutional knowledge?**

Company's response

Please see our response to Q3(i) above.

- (iii) Would this be in line with Principle 4 of the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore which requires the company to progressively renew the board?**

Company's response

Yes, this would be in line with Principle 4 of the Code of Corporate Governance, which requires the Board to have a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

- (iv) **Were there any difficulties encountered to onboard new independent directors early?**

Company's response

Please see our response to Q3(i) above.

- (v) **Can the board help shareholders better understand why Mr Giang Sovann is seeking to be appointed under Article 119 of the company's constitution while the other two directors are seeking their appointments under Article 122?**

Company's response

Dr Gan Siew Lian will be retiring under Article 119. As she has served on the Board for more than nine years since her appointment as Director of the Company, she will not be seeking re-election at the forthcoming AGM. Mr Giang Sovann is proposed to be appointed to replace her as Director under the same Article.

Mr Kuan Cheng Tuck and Mr Tan Poh Chye Allan have each served on the Board for more than nine years since their appointment as Directors of the Company. As part of the Board renewal process, they have tendered their resignations and will be stepping down as Directors at the conclusion of the forthcoming AGM. Ms Keng Yeng Pheng and Ms Chooi Pey Nee are proposed to be appointed under Article 122 to fill these vacancies.

By Order of the Board

Lim Kuoh Yang
Chief Executive Officer

25 April 2024

*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 announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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

The contact person for the Sponsor is Ms Lim Hui Ling, 16 Collyer Quay, #10-00 Collyer Quay Centre, Singapore 049318, sponsorship@ppcf.com.sg.