PhillipCapital

CNMC Goldmine Holdings Limited

Carbon-in-leach plant enters into a trial run

StocksBnB.com

SINGAPORE | MINING | 3Q17 RESULTS

- Revenue missed our expectations due to a substantial drop in gold sales volume but net profit exceeded our expectations due to the FX gain and tax credit.
- Carbon-in-leach plant began trial production in the early Nov-17.
- Exploration work in Sokor, Pulai, and Kelgold in on track.
- We revise up earnings forecast by US$603k for FY17e due to the FX gain and tax credit, and meanwhile, we revise it down by US$411k for FY18e. Accordingly, we raise our TP to S$0.3 (previous: S$0.29), and we maintain our recommendation NEUTRAL.

Results at a glance

(USD mn)	3Q17	3Q16	YoY (%)	Comments
Revenue	4.71	8.46	(44.3)	41.3% YoY decrease in sales volume and 5.2% YoY decrease in average realised gold price
Operating profit	(0.02)	2.24	N.M.	In line with the above
PBT	0.17	0.31	(44.4)	In line with the above
PATMI	0.96	1.76	(45.8)	In line with the above

N.M.: not meaningful
Source: Company , PSR

The Positives

+ Carbon-in-leach (CIL) plant has been completed. It was expected to complete the construction in mid Nov-17, but the group managed to accomplish it two weeks in advance. 6th Nov marked the kick-off of trial production of the plant. Meanwhile, there were 18,000 tonnes of higher grade ore explicitly stockpiled for the ramp-up in operation, following the completion of a trial run. The total capex for the plant was less than RM25mn (c.US$6mn) which is substantially below the market expenditure of a similar capacity plant. CNMC recycled some used materials without compromising the quality. 70% of the total costs had been capitalised in the last two quarters and the rest will be forked out in 4Q17. Moving forward, CNMC will explore the Ketubong area which has never been mined previously. Any extracted ore will be processed by CIL. The operational costs of CIL plant are estimated to be comparable to those of heap leach plants.

+ Sokor, Pulai and KelGold project are progressing. The group plans to expand the exploration of the orebody towards the east in Sokor field where 10 drill holes were completed in 3Q17. Moreover, it will kick-start the study on the lead-zinc orebody at Sg. Amang in 4Q17. For the Pulai project, the group completed 9 drill holes at the northern anomaly of iron ore prospect in 3Q17. It will conduct more geological works at Peninsula area where gold mineralised segments were observed. For the KelGold project, soil sampling was completed in 3Q17 with gold anomaly zone identified in Jeli area where trenching activities had been carrying out.

Negatives

- Low ore grade issue protracted while the gold price was flattish. Total sales volume of gold collapsed by 41.3% YoY to 3,691 oz in 3Q17. Accordingly, the YTD sales volume of gold arrived at 11,197oz, only 48% of the total volume in 9M16. The average realised selling price (ASP) slid to US$1,275/oz in 3Q17 (3Q16: US$1,345/oz). However, the 9M17 ASP grew mildly by 1.1% YoY to US$1276/oz.

13 November 2017

Neutral (Maintained)

CLOSING PRICE	SGD 0.285
FORECAST DIV	SGD 0.000
TARGET PRICE	SGD 0.300
TOTAL RETURN	**5.3%**

COMPANY DATA

Bloomberg Code	CNMC SP
O/S SHARES (MN) :	407
MARKET CAP (USD mn / SGD mn) :	85 / 116
52 - WK HI/LO (SGD) :	0.49 / 0.25
3M Average Daily T/O (mn) :	15

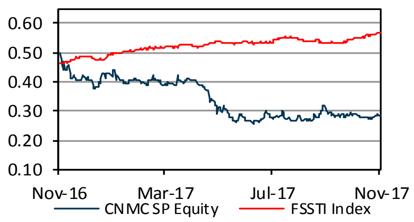
MAJOR SHAREHOLDERS (%)

INNOVATION CHINA LIMITED	26.3%
MESSIAH LIMITED	12.5%
NG ENG TIONG	8.8%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(17)	1.8	(44.7)
STI RETURN	4.1	3.6	24.8

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec (US cents)	FY15	FY16	FY17e	FY18e
Revenue (USD mn)	36	35	19	33
EBIT (USD mn)	14	11	0	10
Net Profit (USD mn)	11	12	13	15
P/E (x)	5	13	52	10
P/B (x)	2	3	2	2
EV/EBITDA (x)	2	6	18	4
Dividend Yield (%)	0.05	0.03	-	0.02

VALUATION METHOD

DCF (Cost of Equity: 12%; Terminal g: 0%)

Chen Guangzhi (+65 6212 1859)
Investment Analyst
chengz@phillip.com.sg

Outlook

The low-grade issue is expected to remain status quo in 4Q17 though CIL plant is under trial operation. For the outlook in FY18, we believe the 18,000 tonnes of high-grade stock awaiting for CIL could boost the performance temporarily. However, solutions to improve the production volumes rely on either the ability to find high-grade ore beyond the existing fields that are being mined or monetisation of other minerals such as silver, zinc, lead, and iron ore. Last but not least, acquiring other gold mines that are generating relatively stable income flows is another alternative. CNMC has been proceeding various strategies so far, and we expect some of which will pay off in FY18.

Change in assumption

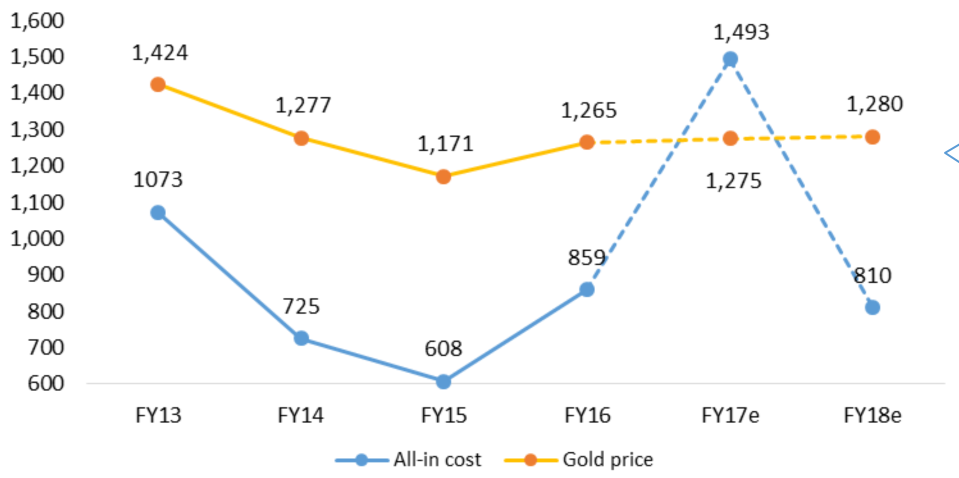
Y/E Dec (US$'000)	FY14	FY15	FY16	FY17e	FY18e
Ore tonnes processed (tonnes)	1,362,138	2,236,674	2,397,908	2,544,000	2,862,000
Capacity (tonnes)	1,000,000	1,000,000	1,133,333	1,200,000	1,350,000
Production volume (oz)	27,685	29,645	27,404	14,930	25,758
Implied gold grade (g/tonne)	0.60	0.43	0.36	0.18	0.28
Gold price (US$/oz)	1,277	1,171	1,265	1,275	1,280
Total revenue	33,213	36,471	34,668	19,035	32,970

Source: Company, PSR

We lower the forecast of implied gold grade to 0.18 g/tonne (previous 0.2 g/tonne).

The forecast average gold prices are revised up to US$1,275/oz in FY17 (previous US$1,240/oz) but remain US$1,280/oz in FY18

All-in cost & gold price



Source: Company, PSR

Due to lower estimated production volume, the all-in cost estimation is changed from previous US$1,340/oz to US$1,493/oz in FY17. The surge is due to lower sales volume as well as substantial capex for CIL plant

Due to higher estimated production, the all-in cost estimation is changed from previous US$843/oz to US$810/oz in FY18.

Investment action

We revise up earnings forecast by US$603k for FY17e due to the FX gain and tax credit, and meanwhile, we revise it down by US$411k for FY18e. Accordingly, we raise our TP to S$0.3 (previous: S$0.29), and we maintain our recommendation NEUTRAL. We are upbeat on gold prices and expect the production will bottom out in FY18.

Financials

Income Statement

Y/E Dec (US$'000)	FY14	FY15	FY16	FY17e	FY18e
Revenue	**33,213**	**36,471**	**34,668**	**19,035**	**32,970**
EBITDA	**17,847**	**17,962**	**15,828**	**3,949**	**14,813**
Dep & Amt	(3,051)	(3,986)	(4,527)	(3,588)	(4,746)
EBIT	**14,796**	**13,976**	**11,301**	**360**	**10,067**
Net Finance Inc/(Exp)	36	463	1,006	782	998
PBT	**14,832**	**14,438**	**12,307**	**1,143**	**11,064**
Tax	489	(1,010)	(792)	924	(775)
PATMI	**12,243**	**10,666**	**9,155**	**1,643**	**8,180**
Non-controlling interest	3,077	2,762	2,361	424	2,109

Per share data

Y/E Dec (US cents)	FY14	FY15	FY16	FY17e	FY18e
EPS, reported	3.0	2.6	2.2	0.4	2.0
DPS	0.5	0.7	0.9	-	0.5
BVPS	6.2	8.2	9.7	9.5	11.5

Cash Flow

Y/E Dec (US$'000)	FY14	FY15	FY16	FY17e	FY18e
CFO					
Profit for the year	15,320	13,429	11,515	2,067	10,290
Adjustments	3,343	7,528	5,868	116	3,023
WC changes	(446)	(882)	(1,076)	(658)	147
Others	(265)	155	598	314	459
Cashflow from ops	**17,952**	**20,230**	**16,906**	**1,839**	**13,919**
CFI					
CAPEX, net	(2,836)	(2,894)	(894)	(6,453)	(865)
Exploration & Evaluation Exp	(2,064)	(1,253)	(5,509)	(380)	(500)
Cashflow from investments	**(4,900)**	**(4,146)**	**(6,403)**	**(6,833)**	**(1,365)**
CFF					
Dividends to Company	(1,148)	(2,155)	(2,888)	(2,714)	-
Dividends to NCI	(448)	(753)	(992)	(469)	-
Others	(464)	(143)	(47)	(1,097)	(750)
Cashflow from financing	**(2,060)**	**(3,050)**	**(3,928)**	**(4,280)**	**(750)**
Net change in cash	**10,992**	**13,034**	**6,575**	**(9,274)**	**11,804**
Effects of exchange rate	(859)	(3,239)	(1,754)	(1,200)	(1,350)
Ending cash	**12,340**	**22,135**	**26,955**	**16,480**	**26,934**

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based

Balance Sheet

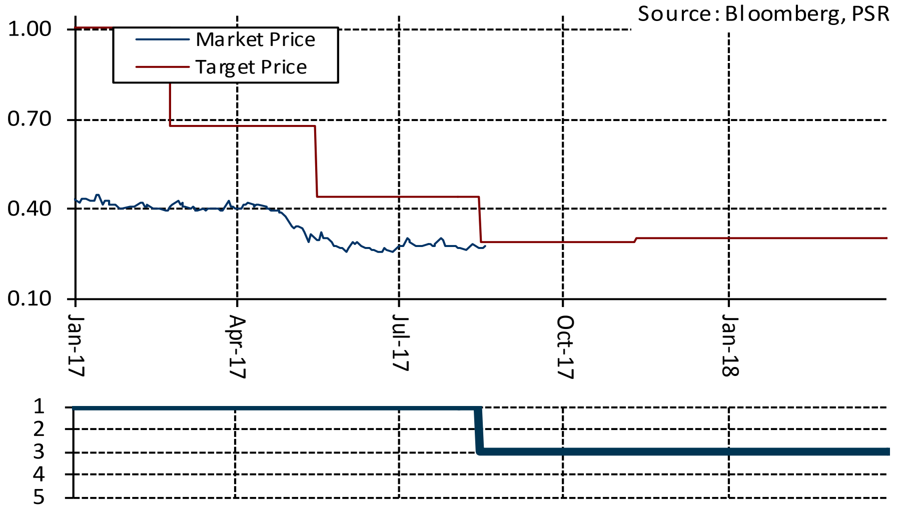
Y/E Dec (US$'000)	FY14	FY15	FY16	FY17e	FY18e
ASSETS					
Exploration & Evaluation Assets	4,990	2,085	2,200	8,487	8,987
Mine Properties	6,517	9,617	14,129	13,633	12,585
Property, Plant and Equipment	7,569	8,163	6,384	8,808	6,764
Others	-	-	-	-	-
Total non-current assets	**19,076**	**19,866**	**22,713**	**30,927**	**28,335**
Cash	12,340	22,135	26,955	16,480	26,934
Trade receivables	613	832	1,397	2,793	2,933
Inventories	802	869	660	759	835
Others	-	-	-	-	-
Total current assets	**13,755**	**23,835**	**29,012**	**20,033**	**30,702**
Total Assets	**32,831**	**43,701**	**51,725**	**50,960**	**59,037**
LIABILITIES					
Trade payables	3,157	2,999	2,791	3,629	3,992
Borrowings	73	43	36	40	40
Dividend payable	761	917	1,030	-	-
Others	311	347	680	850	927
Total current liabilities	**4,301**	**4,305**	**4,537**	**4,519**	**4,959**
Borrowings	176	100	58	760	50
Others	542	1,250	1,581	362	362
Total non-current liabilities	**718**	**1,350**	**1,639**	**1,122**	**412**
Total Liabilities	**5,019**	**5,655**	**6,175**	**5,641**	**5,371**
Shareholder Equity	**25,160**	**33,495**	**39,635**	**38,505**	**46,685**
Non-controlling interest	2,653	4,551	5,914	6,814	6,981

Valuation Ratios

Y/E Dec	FY14	FY15	FY16	FY17e	FY18e
P/E (x)	6.54	5.10	13.48	52.05	10.46
P/B (x)	3.12	1.60	3.09	2.22	1.83
EV/EBITDA (x)	3.64	1.71	5.92	17.69	3.96
Dividend yield (%)	0.03	0.05	0.03	0.00	0.02
Growth & Margins (%)					
Growth					
Revenue	99.8%	9.8%	-4.9%	-45.1%	73.2%
EBITDA	154.1%	0.6%	-11.9%	-75.1%	N.M.
EBIT	68.9%	-5.5%	-19.1%	-96.8%	N.M.
Net profit	356.9%	-12.9%	-14.2%	-82.1%	N.M.
Margins					
EBITDA margin	53.7%	49.2%	45.7%	20.7%	44.9%
EBIT margin	44.5%	38.3%	32.6%	1.9%	30.5%
NP margin	36.9%	29.2%	26.4%	8.6%	24.8%
Key Ratios					
ROE (%)	49%	32%	23%	4%	18%
ROA (%)	37%	24%	18%	3%	14%
Net Debt or (Net Cash)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

N.M.: not meaningful

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

PhillipCapital

Contact Information (Singapore Research Team)

Head of Research
Paul Chew – paulchewkl@phillip.com.sg

Research Operations Officer
Mohamed Amiruddin - amiruddin@phillip.com.sg

Consumer | Healthcare
Soh Lin Sin - sohls@phillip.com.sg

Oil & Gas | Energy
Chen Guangzhi - chengz@phillip.com.sg

Macro
Pei Sai Teng - peist@phillip.com.sg

Transport | REITs (Industrial)
Richard Leow, CFTe, FRM - richardleowwt@phillip.com.sg

REITs (Commercial, Retail, Healthcare) | Property
Dehong Tan - tandh@phillip.com.sg

Technical Analysis
Jeremy Ng - jeremyngch@phillip.com.sg

Banking and Finance
Jeremy Teong - jeremyteongfh@phillip.com.sg

US Equity
Ho Kang Wei - hokw@phillip.com.sg

Contact Information (Regional Member Companies)

SINGAPORE
Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

MALAYSIA
Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

HONG KONG
Phillip Securities (HK) Ltd
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

JAPAN
Phillip Securities Japan, Ltd.
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

INDONESIA
PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

CHINA
Phillip Financial Advisory (Shanghai) Co Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

THAILAND
Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

FRANCE
King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

UNITED KINGDOM
King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

UNITED STATES
Phillip Capital Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

AUSTRALIA
Phillip Capital Limited
Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 9629 8288
Fax +61-03 9629 8882
Website: www.phillipcapital.com.au

SRI LANKA
Asha Phillip Securities Limited
2nd Floor, Lakshmans Building,
No. 321, Galle Road,
Colombo 03, Sri Lanka
Tel: (94) 11 2429 100
Fax: (94) 11 2429 199
Website: www.ashaphillip.net

INDIA
PhillipCapital (India) Private Limited
No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

TURKEY
PhillipCapital Menkul Degerler
Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

DUBAI
Phillip Futures DMCC
Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

CAMBODIA
Phillip Bank Plc
Ground Floor of B-Office Centre,#61-64,
Norodom Blvd Corner Street 306,Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's license under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

(i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and

(ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.