THIS ADMISSION DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or what action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000, as amended ("FSMA"), who specialises in advising on the acquisition of shares and other securities, if you are in the United Kingdom, or any appropriately authorised person under applicable laws, if you are located in any other jurisdiction.

This document, which is an admission document prepared in accordance with the AIM Rules for Companies, has been issued in connection with the application for the Admission. This document does not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA or the Prospectus Rules published by the Financial Conduct Authority ("FCA") and accordingly contains no offer of transferable securities to the public within the meaning of sections 85 and 102B of FSMA, or otherwise, and is not a prospectus as defined in the AIM Rules for Companies. This document does not constitute a prospectus for these purposes and has not been pre-approved by the FCA pursuant to section 85 of FSMA.

PROSPECTIVE INVESTORS SHOULD READ THE WHOLE TEXT OF THIS DOCUMENT AND SHOULD BE AWARE THAT AN INVESTMENT IN THE COMPANY IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK. PROSPECTIVE INVESTORS ARE ADVISED TO CAREFULLY CONSIDER, IN PARTICULAR, THE RISK FACTORS SET OUT IN PART II OF THIS DOCUMENT BEFORE TAKING ANY ACTION.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

CENTRAL ASIA METALS PLC

(*incorporated in England and Wales under the Companies Act 1985 with registered number 05559627*)

Proposed Acquisition of Lynx Resources Limited

Proposed Placing of 59,755,875 Placing Shares at 230 pence per Placing Share

Proposed issue of 15,278,528 Consideration Shares at a price of 241.5 pence per new Consideration Share

Proposed Readmission of the Enlarged Share Capital to trading on AIM

and

Notice of Extraordinary General Meeting

Financial Adviser and Joint Bookrunner	*Nominated Adviser and Joint Bookrunner*	*Lead Manager*
J.P. Morgan Securities plc	**Peel Hunt LLP**	**Mirabaud Securities Limited**

EXPECTED SHARE CAPITAL IMMEDIATELY FOLLOWING READMISSION

	AMOUNT	NUMBER
Issued and fully paid Ordinary Shares with a par value of US$0.01 each	US$ 1,759,866.19	175,986,619

The Existing Ordinary Shares are currently admitted to trading on AIM. Application will be made for the Company Placing Shares proposed to be issued in connection with the Placing to be admitted to trading on AIM ("Admission"). It is expected that Admission will become effective and that dealings on AIM will commence at 8.00 a.m. on 12 October 2017.

The Placing is conditional, *inter alia*, on: (i) the Resolutions being passed at the Extraordinary General Meeting, (ii) Admission becoming effective by not later than 8.00 a.m. on 12 October 2017 (or such later date as the Company and the Banks may agree, being no later than 8.00 a.m. on 26 October 2017); and (iii) the Placing Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms. Admission is not conditional upon Completion of the Acquisition. The Company Placing Shares will, upon Admission, rank in full for all dividends and other distributions declared paid or made in respect of the Ordinary Shares after Admission but will not be entitled to the interim dividend declared on 22 September 2017 and to be paid on 27 October 2017, and otherwise will rank pari passu in all respects with the Existing Ordinary Shares. It is emphasised that no application is being made for the Ordinary Shares to be admitted to the Official List of the UKLA or to any other recognised investment exchange.

As the Acquisition is classified as a reverse takeover under the AIM Rules for Companies, upon Completion occurring, the admission of the Existing Ordinary Shares will be cancelled and application will be made for the immediate readmission of the Enlarged Share Capital to trading on AIM ("Readmission"). Completion is subject to certain conditions being satisfied (or, if permitted, waived) and there is no guarantee that these conditions will be satisfied (or waived). All of the Consideration Shares are to be issued to Orion. The issue of the Consideration Shares is conditional upon, *inter alia*, Completion of the Acquisition becoming effective by no later than 8.00 a.m. on 15 December 2017. Application will be made for the Consideration Shares to be admitted to trading on AIM, which is expected to be effective on Readmission.

The Company (whose registered office appears on page 10 of this document) and the Directors (whose names appear on page 10 of this document) accept responsibility, both individually and collectively, for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company, each of whom have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

This document is only addressed to and directed at persons in the UK who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC, as amended by the 2010 PD Amending Directive (Directive 2010/73/EU)) and having professional experience in matters relating to investments who fall within the exemption contained in Articles 19, 43 or 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (such persons who are authorised or exempt persons within the meaning of the Financial Services and Markets Act 2000 and certain other investment professionals, high net worth companies, unincorporated associations or partnerships and the trustees of high value trusts) and to persons who are otherwise permitted by law to receive it (all such persons above together being referred to as "relevant persons"). This document is directed only at relevant persons and any investment or investment activity to which this document relates is only available to such persons. The Company, the Selling Shareholder, Peel Hunt LLP, J.P. Morgan Securities plc and Mirabaud Securities Limited will only deal with relevant persons in relation to the investments to which this document relates and any person in the UK who receives this document will be deemed to have represented and agreed that it is a relevant person. Any such recipient will also be deemed to have represented and agreed that it has not received this document on behalf of persons other than qualified investors in the UK and for whom the investor has authority to make decisions on a wholly discretionary basis. The Company, the Selling Shareholder, Peel Hunt LLP, J.P. Morgan Securities plc and Mirabaud Securities Limited will rely on the truth and accuracy of the foregoing representations and agreements. Any person in the UK who is not a relevant person should not act or rely on this document or any of its contents. Failure to comply with this restriction may constitute a violation of applicable securities laws.

The Ordinary Shares have not been and will not be registered or qualified under the relevant laws of any state, province, territory or other jurisdiction of the Excluded Territories and may not be offered or sold, resold, taken up, transferred, delivered or distributed, directly or indirectly, into or within any of the Excluded Territories except pursuant to an applicable exemption from such Excluded Territory's registration or qualification requirements.

Subject to certain exceptions in compliance with the US Securities Act of 1933, as amended (the "US Securities Act") and the rules promulgated thereunder or any applicable laws in the Excluded Territories, this document will not be published, released, or distributed, directly or indirectly and must not be sent, in whole or in part: (i) in or into any Excluded Territory; (ii) to any person within the United States; or (iii) to any person in any jurisdiction where to do so might constitute a violation of local securities laws or regulation.

The Ordinary Shares have not been and will not be registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the United States. The Ordinary Shares may not be offered,

sold, taken up, exercised, resold, transferred or delivered, directly or indirectly to or within the United States or to any US Person, except pursuant to an applicable exemption from, or a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer in the United States.

The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission (the "SEC"), any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

No action has been taken by the Company, the Selling Shareholder, Peel Hunt LLP, J.P. Morgan Securities plc or Mirabaud Securities Limited that would permit an offer of the Ordinary Shares or possession or distribution of this document or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than the United Kingdom. None of the Company, the Selling Shareholder, Peel Hunt LLP, J.P. Morgan Securities plc or Mirabaud Securities Limited or any of their respective affiliates, directors, officers, employees or advisers is making any representation to any offeree, purchaser or acquirer of Ordinary Shares regarding the legality of an investment in the Ordinary Shares by such offeree, purchaser or acquirer under the laws applicable to such offeree, purchaser or acquirer. This document does not constitute an offer to sell the Ordinary Shares to any person in any jurisdiction. The Company, the Selling Shareholder, Peel Hunt LLP, J.P. Morgan Securities plc and Mirabaud Securities Limited reserves the right, in its sole and absolute discretion, to reject any subscription or purchase of the Ordinary Shares that they or their representatives believe may give rise to a breach or violation of any law, rule or regulation.

In making any investment decision in respect of the Placing Shares, no information or representation should be relied upon other than as contained in this document. No person has been authorised to give any information or to issue any advertisement or to make any representation other than that contained in this document and, if given or issued or made, such information, advertisement or representation must not be relied upon as having been authorised by the Company, the Directors, the Selling Shareholder, Peel Hunt LLP, J.P. Morgan Securities plc or Mirabaud Securities Limited or any other person.

Neither the Company, the Directors, the Selling Shareholder, Peel Hunt LLP, J.P. Morgan Securities plc nor Mirabaud Securities Limited are providing prospective investors with any representations or warranties or any legal, financial, business, tax or other advice. Prospective investors should consult with their own advisers as needed to assist them in making their investment decision and to advise them whether they are legally permitted to purchase the Ordinary Shares.

Neither the Company nor any person acting on its behalf accepts any responsibility or obligation to update, review or revise the information in this document or to publish or distribute any information which comes to its attention after the date of this document, and the distribution of this document shall not constitute a representation by the Company or any such person that this document will be updated, reviewed, revised or that any such information will be published or distributed after the date hereof. The Company will comply with its obligation to publish a supplementary admission document containing further updated information required by law or any regulatory authority but assumes no further obligation to publish additional documentation.

Peel Hunt LLP which is a member of the London Stock Exchange and is authorised and regulated in the UK by the FCA, is acting as nominated adviser and joint bookrunner to the Company in connection with the proposed Company Placing, Admission and Readmission and as joint bookrunner to the Selling Shareholder in connection with the proposed Selling Shareholder Placing and will not be acting for any other person or otherwise be responsible to any person for providing the protections afforded to customers of Peel Hunt LLP or for advising any other person in respect of the proposed Placing, Admission and Readmission. Peel Hunt LLP's responsibilities as the Company's nominated adviser under the AIM Rules for Companies and the AIM Rules for Nominated Advisers are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of such person's decision to acquire shares in the Company in reliance on any part of this document.

J.P. Morgan Securities plc (which conducts its UK investment banking activities as J.P. Morgan Cazenove), which is authorised in the UK by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority, is acting as joint bookrunner solely for the Company in connection with the proposed Company Placing and as financial adviser exclusively for the Company and no one else in connection with the Acquisition and as joint bookrunner to the Selling Shareholder in connection with the proposed Selling Shareholder Placing and is acting for no one else in relation to and will not regard any other person as its client in relation to the Placing and Acquisition and will not be responsible to anyone other than the Company and

the Selling Shareholder for providing the protections afforded to clients of J.P. Morgan Securities plc or its affiliates, nor for providing advice in relation to any matter referred to herein.

Mirabaud Securities Limited, which is authorised and regulated in the UK by the FCA, is acting as lead manager solely for the Company in connection with the proposed Company Placing and will not be acting for any other person or otherwise be responsible to any person for providing the protections afforded to customers of Mirabaud Securities Limited or for advising any other person in respect of the proposed Placing.

To the extent permitted by law and regulation, no undertaking, representation or warranty or other assurance, express or implied, is made or given by or on behalf of the Company, or any of their respective parent or subsidiary undertakings or the subsidiary undertakings of any such parent undertakings or any of their respective directors, officers, partners, employees, agents, affiliates, representatives or advisers, or any other person, as to the accuracy, completeness or fairness of the information or opinions contained in this document. None of the Company, the Selling Shareholder, Peel Hunt LLP, J.P. Morgan Securities plc or Mirabaud Securities Limited, their respective affiliates and advisers, agents and/or any other party undertakes or is under any duty to update this document or to correct any inaccuracies in any such information which may become apparent or to provide any person with any additional information. Save in the case of fraud, no responsibility or liability is accepted by any such person for any errors, omissions or inaccuracies in such information or opinions or for any loss, cost or damage suffered or incurred, however arising, directly or indirectly, from any use of, as a result of the reliance on, or otherwise in connection with, this document. In addition, no duty of care or otherwise is owed by any such person to recipients of this document or any other person in relation to this document.

In connection with the Placing, each of the Joint Bookrunners and any of their respective affiliates, acting as an investor for its or their own account(s), may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in Ordinary Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this AIM Admission Document to the Ordinary Shares being offered, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by, each of the Joint Bookrunners and any of their respective affiliates acting as an investor for its or their own account(s). None of the Joint Bookrunners intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

The Joint Bookrunners and their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to, the Company and the Selling Shareholder, for which they would have received customary fees. The Joint Bookrunners and any of their respective affiliates may provide such services to the Company, the Selling Shareholder and any of their respective affiliates in the future.

Copies of this document will be available to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) free of charge from the registered office of the Company, situated at Masters House, 107 Hammersmith Road, London W14 0QH, United Kingdom, and the Company's nominated adviser, Peel Hunt LLP situated at Moor House 120 London Wall London EC2Y 5ET from the date of this document until the date being one month after the date on which Readmission takes place, which is expected to be no later than 15 January 2018.

Forward looking statements

All statements other than statements of historical fact, contained in this document constitute "forward looking statements". In some cases forward looking statements can be identified by terms such as "may", "intend", "might", "will", "should", "could", "would", "believe", "anticipate", "expect", "estimate", "predict", "project", "potential", or the negative of these terms, and similar expressions. Such forward looking statements are based on assumptions and estimates and involve risks, uncertainties and other factors that may cause the actual results, financial condition, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in Part II (*Risk Factors*). New factors may emerge from time to time that could cause the Group's business not to develop as it expects, and it is not possible for the Company to predict all such factors. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements except as required by law. Save as required by law, the Company, the Selling Shareholder, Peel Hunt LLP, J.P. Morgan Securities plc and Mirabaud Securities Limited disclaim any obligation to update any such forward looking statements in this document to reflect future events or developments.

Mineral Resources and Ore Reserves disclosure

The Enlarged Group's Competent Person in respect of the Kounrad asset in Kazakhstan, Phil Newell of Wardell Armstrong, has reviewed the Company's Kazakh Mineral Resources in accordance with the JORC Code (2012), which is an internationally recognised standard.

The Enlarged Group's Competent Persons in respect of its Macedonian assets, Guy Dishaw and Chris Bray, both full-time employees of SRK Consulting (UK) Ltd., have reviewed the Enlarged Group's Macedonian Mineral Resources and Ore Reserves in accordance with the JORC Code (2012).

The JORC Code (2012) sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The JORC Code (2012) has been drawn up by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, the Australian Institute of Geoscientists and the Minerals Council of Australia.

Market and financial information

The data, statistics and information and other statements in this document regarding the markets in which the Enlarged Group is expected to operate are based on the Company's and the Lynx Group's records or are taken or derived from statistical data and information derived from the other sources described in this document.

In relation to these sources, such information has been accurately reproduced from the published information and, so far as the Directors are aware and are able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading.

Various figures and percentages in tables in this document have been rounded and accordingly may not total exactly. Certain financial data has also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

All times referred to in this document are, unless otherwise stated, references to time in London, England.

Presentation of Financial Information

Unless otherwise stated, financial information relating to the Group has been extracted from the audited financial statements for the years as at and for the years ended 31 December 2014, 2015 and 2016 and the unaudited interim condensed financial statements for the six months ended 30 June 2017, each of which is incorporated by reference into this document as set out in Part IX of this document.

Unless otherwise stated, financial information relating to the Lynx Group has been extracted from the audited financial information as at and for the years ended 31 December 2014, 2015 and 2016 and the unaudited condensed financial information for the six months ended 30 June 2017 set out in Part X of this document.

Unless otherwise stated, financial information in this document relating to the Group has been prepared in accordance with IFRS.

Pro Forma Financial Information

In this document, any reference to "pro forma" financial information is to information which has been extracted without material adjustment from the unaudited pro forma financial information contained in Part XI of this document. The unaudited consolidated pro forma statement of net assets set out in Part XI of this document has been prepared for illustrative purposes only and on the basis of the notes set out in Part XI. The unaudited pro forma statement of net assets has been prepared to illustrate the effect of the Acquisition, the Debt Financing and the Company Placing on the net assets of the Company as if they had occurred on 30 June 2017. Due to its nature, the unaudited consolidated pro forma statement of net assets addresses a hypothetical situation and, therefore, does not represent the Company's actual financial position or results following the Acquisition, the Debt Financing and the Company Placing. The unaudited consolidated pro forma statement of net assets is compiled on the basis set out in Part XI of this document from the unaudited interim balance sheet of: (i) the Company at 30 June 2017 as set out in the historical financial information on the Group contained in Part IX of this document; and (ii) the unaudited interim balance sheet of Lynx at 30 June 2017, as set out in the historical financial information on Lynx contained in Part X of this document. The unaudited consolidated pro forma statement of net assets takes no account of trading activity or other transactions since the respective dates.

No Profit Forecast

No statement in this document is intended as a profit forecast.

Non-IFRS financial measures

The document includes non-IFRS measures and ratios, including EBITDA, which are not measures of financial performance under IFRS. The Company defines EBITDA as profit or loss for the period before net finance costs, income taxes, depreciation and amortisation, gains/(losses) from discontinuing operations, foreign exchange differences, impairment losses and gains/(losses) on disposal of financial instruments and other non-recurring (exceptional) costs/income. EBITDA-based measures and the related ratios are used by management as indicators of our operating performance. The Company is not presenting EBITDA-based measures as measures of the Group's or the Lynx Group's results of operations. EBITDA-based measures have important limitations as an analytical tool, and should not be considered in isolation or as substitutes for analysis of the Group's or the Lynx Group's results of operations. Some of these limitations are:

- EBITDA-based measures do not reflect the impact of significant interest expense or the cash requirements necessary to service interest or principal payments in respect of any borrowings, which could further increase if the Enlarged Group incurs more debt.
- EBITDA-based measures do not reflect the impact of income tax expense on the Group's or the Lynx Group's operating performance.
- EBITDA-based measures do not reflect the impact of depreciation of assets on the Group's or the Lynx Group's performance.
- EBITDA-based measures remove the impact of non-recurring items from the Group's or the Lynx Group's performance.

The assets of the Group's and the Lynx Group's business that are being depreciated will have to be replaced in the future and such depreciation expense may approximate the cost to replace these assets in the future. By excluding this expense from EBITDA-based measures, these measures do not reflect the Enlarged Group's future cash requirements for these replacements. EBITDA and other non-IFRS measures should not be considered in isolation or as an alternative to profit from operations, cash flow from operating activities or other financial measures of the Lynx Group's results of operations or liquidity derived in accordance with IFRS. They have not been prepared in accordance with SEC requirements, IFRS or the accounting standard of any other jurisdiction. The Company has included EBITDA and other non-IFRS measures in this document, because it believes that they are useful measures of the Group's or the Lynx Group's performance and liquidity. Other companies, including those in the Group's and the Lynx Group's industry, may calculate similarly titled financial measures in a manner different to that of the Group or the Lynx Group. Because all companies do not calculate these financial measures in the same manner, the Group's and the Lynx Group's presentation of such financial measures may not be comparable to other similarly titled measures of other companies. EBITDA is not audited.

Currency and Exchange Rates

Unless otherwise indicated, all references in this document to "£", "pounds sterling", "pounds", "sterling", "pence", or "p", are to the lawful currency of the United Kingdom, all references to "Euros", "euros" or "€" are to the single currency of the Eurozone, all references to "ден", "Macedonian Denar", "MKD" or "denar" are to the lawful currency of Macedonia, all references to "Tenge", "Kazakhstan Tenge" or "KZT" are to the lawful currency of Kazakhstan and all references to "US dollars", "US$", "$" or "dollars" are to the lawful currency of the United States. Unless otherwise stated, the rate of exchange of £1 = US$1.358 has been used in this document.

Data Protection

The information that a prospective investor provides in documents in relation to a purchase of Placing Shares or subsequently by whatever means which relates to the prospective investor (if it is an individual) or a third party individual ("personal data") will be held and processed by the Company (and any third party to whom it may delegate certain administrative functions in relation to the Company) in compliance with the relevant data protection legislation and regulatory requirements of the UK. Such information will be held and processed by the Company (or any third party, functionary or agent appointed by the Company) for the following purposes:

- verifying the identity of the prospective investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures;
- contacting the prospective investor with information about products and services, or its affiliates, which may be of interest to the prospective investor;

- carrying out the business of the Enlarged Group and the administering of interests in the Company;
- meeting the legal, regulatory, reporting and/or financial obligations of the Enlarged Group in England and Wales, Kazakhstan, Macedonia, Bermuda or elsewhere; and
- disclosing personal data to other functionaries of, or advisers to, the Enlarged Group to operate and/or administer the Enlarged Group.

Where appropriate it may be necessary for a member of the Enlarged Group (or any third party, functionary or agent appointed by a member of the Enlarged Group) to:

- disclose personal data to third party service providers, agents or functionaries appointed by a member of the Enlarged Group to provide services to prospective investors; and
- transfer personal data outside of the UK to countries or territories which do not offer the same level of protection for the rights and freedoms of prospective investors as the UK.

If a member of the Enlarged Group (or any third party, functionary or agent appointed by a member of the Group) discloses personal data to such a third party, agent or functionary and/or makes such a transfer of personal data it will use reasonable endeavours to ensure that any third party, agent or functionary to whom the relevant personal data are disclosed or transferred is contractually bound to provide an adequate level of protection in respect of such personal data.

In providing such personal data, investors will be deemed to have agreed to the processing of such personal data in the manner described above. Prospective investors are responsible for informing any third party individual to whom the personal data relates of the disclosure and use of such data in accordance with these provisions.

Investment Considerations

In making an investment decision, prospective investors must rely on their own examination of the Group and of the Enlarged Group, this document and the terms of the Acquisition and Placing, including the merits and risks involved, and should inform themselves as to:

- the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Ordinary Shares;
- any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares which they might encounter; and
- the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Ordinary Shares.

Prospective investors must rely upon their own representatives, including their own legal and financial advisers and accountants, as to legal, tax, financial, investment or any other related matters concerning the contents of this document and an investment in Ordinary Shares.

An investment in the Company should be regarded as a long-term investment.

All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Articles, which prospective investors should review.

No Incorporation of Website

Save to the extent explicitly indicated in Part IX (*Group Historical Financial Information*), the contents of the Company's website, the Lynx Group's website or any other website accessible via hyperlinks from the Company's or the Lynx Group's websites are not incorporated into, and do not form part of, this document.

Definitions

A list of defined terms used in this document is set out at Part XIII (*Definitions*) and a glossary of technical terms used in this document is set out at Part XIV (*Glossary of Technical Terms*).

Governing Law

Unless otherwise stated, statements made in this document are based on the laws and practices in force in England and Wales on the date of this document and are subject to the changes therein.

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KEY INFORMATION AND PLACING STATISTICS

Number of Shares in issue as at the date of this document (excluding treasury shares)	111,558,091
Total Number of Placing Shares	59,755,875
Number of Company Placing Shares	49,150,000
Number of Selling Shareholder Placing Shares	10,605,875
Placing Price	230 pence
Enlarged Share Capital immediately following Admission[(1)]	160,708,091
Company Placing Shares as a percentage of the Share Capital immediately following Admission[(1)]	30.6%
Estimated gross proceeds of the Company Placing	£113.0 million
Estimated net proceeds of the Company Placing receivable by the Company	£108.4 million
Estimated gross proceeds of the Selling Shareholder Placing*	£24.4 million
Market capitalisation on Admission (approximately)[(1)]	£369.6 million
Number of Consideration Shares[(2)]	15,278,528
Issue Price	241.5 pence
Consideration Shares as a percentage of the Enlarged Share Capital[(3)]	8.7%
Company Placing Shares as a percentage of the Enlarged Share Capital[(3)]	27.9%
Market capitalisation on Readmission (approximately)[(3)]	£404.8 million
Enlarged Share Capital immediately following Readmission[(3)]	175,986,619
ISIN number	GB00B67KBV28
SEDOL number	B67KBV2
AIM Symbol	CAML

* The Company will not receive any of the proceeds from the sale of the Selling Shareholder Placing Shares, all of which will be received by the Selling Shareholder.

(1) At the Placing Price and assuming no options are exercised prior to Admission.

(2) Calculated in accordance with the Acquisition Agreement, using an exchange rate of £1 = US$1.3551.

(3) At the Placing Price and assuming no options are exercised prior to Readmission.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	22 September 2017
Latest time and date for receipt of form of proxy	11.00 a.m. on 9 October 2017
Extraordinary General Meeting	11.00 a.m. on 11 October 2017
Expected time and date of Admission and issue of the Placing Shares	8.00 a.m. on 12 October 2017
CREST accounts credited (where applicable) in respect of the Placing Shares	8.00 a.m. on 12 October 2017
Despatch of definitive share certificates (where applicable) in respect of the Placing Shares	On or around 20 October 2017
Expected completion of the Acquisition, issue of the Consideration Shares and Readmission and commencement of dealings in the Enlarged Share Capital on AIM	Q4 2017

Notes:

All references to times in this timetable are to London times.

Completion of the Acquisition, issue of the Consideration Shares and Readmission is expected to occur 6 business days after the satisfaction or waiver (if applicable) of the conditions set out in the Acquisition Agreement. The long stop date for satisfaction of such conditions is 15 December 2017.

Each of the times and dates set out above and mentioned elsewhere in this document may be subject to change at the absolute discretion of the Company and the Joint Bookrunners without further notice. If any of the above times and/or dates change, the revised times and/or dates will be notified by an announcement through a regulatory information service.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Nicholas Royston Clarke (*Executive Chairman*) Nigel Francis Robinson (*Chief Financial Officer*) Gavin Ronald Ferrar (*Business Development Director*) Christopher Nigel Hurst-Brown (*Deputy Chairman*) Robert Maitland Cathery (*Non-Executive Director*) David John Swan (*Non-Executive Director*) Roger Owen Davey (*Non-Executive Director*) Kenges Rakishev (*Non-Executive Director*) Nurlan Zhakupov (*Non-Executive Director*)
Company Secretary	Anthony George Hunter
Registered Office	Masters House 107 Hammersmith Road London W14 0QH United Kingdom **UK operational headquarters** 11 Albemarle Street London W1S 4HH United Kingdom
Company website	http://www.centralasiametals.com
Financial Adviser and Joint Bookrunner	J.P. Morgan Securities plc 25 Bank Street Canary Wharf London E14 5JP United Kingdom
Nominated Adviser and Joint Bookrunner	Peel Hunt LLP Moor House 120 London Wall London EC2Y 5ET United Kingdom
Lead Manager	Mirabaud Securities Limited 10 Bressenden Place London SW1E 5DH United Kingdom
Competent Person (Kazakhstan)	Wardell Armstrong International Limited Wheal Jane, Baldhu Truro Cornwall TR3 6EH United Kingdom
Competent Person (Macedonia)	SRK Consulting (UK) Limited 21 Gold Tops Newport NP20 4PG Wales United Kingdom

Auditor and Reporting Accountants	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH United Kingdom
Legal advisers to the Company	***As to English law***
	Jones Day 21 Tudor Street London EC4Y 0DJ United Kingdom
	As to Kazakh law
	White & Case LLP 11th Floor BC Talan Towers 16 Dostyk Street Astana 010000 Kazakhstan
	As to Macedonian law
	Karanović & Nikolić DOO Resavska 23 Belgrade 11000 Serbia
	As to Bermudan law
	Conyers Dill & Pearman Clarendon House 2 Church Street Hamilton HM 11 Bermuda
	As to Chilean law
	Libano Asuntos Juridicos SpA 777 Francisco Cook Las Condes Santiago Chile
	As to Dutch Law
	Stibbe N.V. Beethovenplein 10 P.O. Box 75640 1070 AP Amsterdam The Netherlands
Legal advisers to the Banks	***As to English law***
	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA United Kingdom

PART I

LETTER FROM THE EXECUTIVE CHAIRMAN

CENTRAL ASIA METALS PLC

(Incorporated under the Companies Act 1985 and registered in England and Wales with registered number 05559627)

Directors

Nicholas Royston Clarke
Nigel Francis Robinson
Gavin Ronald Ferrar
Christopher Nigel Hurst-Brown
Robert Maitland Cathery
David John Swan
Roger Owen Davey
Kenges Rakishev
Nurlan Zhakupov

Registered Office

Masters House
107 Hammersmith Road
London
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United Kingdom

UK operational headquarters

11 Albemarle Street
London
W1S 4HH
United Kingdom

22 September 2017

To Shareholders of Central Asia Metals PLC

Dear Shareholder,

Proposed Acquisition of Lynx Resources Limited
Proposed Placing of 59,755,875 Placing Shares at 230 pence per Placing Share
Proposed issue of 15,278,528 Consideration Shares at a price of 241.5 pence per Consideration Share
Proposed Readmission of the Enlarged Share Capital to trading on AIM
and
Notice of extraordinary general meeting

1. INTRODUCTION

The Company announced on 22 September 2017 that it has entered into an agreement to acquire, subject to certain conditions being satisfied, the entire issued share capital of Lynx Resources Limited, a holding company for a group of companies that owns the SASA Mine. As the Acquisition constitutes a "reverse takeover" under the AIM Rules, it is conditional upon, among other things, the approval of Shareholders at an extraordinary general meeting. A reverse takeover also involves the cancellation of Existing Ordinary Shares from trading on AIM and a new application for the Enlarged Share Capital to be admitted to trading on AIM.

Under the terms of the Acquisition Agreement, the Company has agreed to acquire the entire issued share capital of Lynx Resources Limited for a total consideration of US$402.5 million on a debt-free cash-free basis. The consideration payable for the Acquisition will be satisfied by the payment of US$340.5 million in cash on Completion (subject to a net debt and net working capital adjustment) and US$50 million to be applied by Orion in subscribing for 15,278,528 new Ordinary Shares, being the Consideration Shares, which will result in Orion owning, in aggregate, 8.7 per cent. of the Enlarged Share Capital on Readmission. The Company will also pay the Sellers US$12 million of deferred consideration, payable in six equal monthly installments commencing on the first anniversary of Completion.

The Company also announced on 22 September 2017 that it has conditionally placed 49,150,000 Company Placing Shares at 230 pence per Company Placing Share and that the Selling Shareholder is selling, subject to the terms and conditions set out in the Placing Announcement, 10,605,875 Selling Shareholder Placing Shares at 230 pence per Selling Shareholder Placing Share. The proceeds of the Company Placing will be used to part-finance the Acquisition and satisfy certain related costs and expenses. The Placing is, amongst other things, conditional upon Shareholders approving the Acquisition and the issue of the Placing Shares in respect of the Company Placing but it is not conditional on Completion or Readmission.

In addition to the proceeds of the Company Placing, the cash consideration payable for the Acquisition will also be financed by US$120 million in new debt facilities provided by Traxys, details of which are summarised

in paragraph 9.1 of Part XII (*Additional Information*) of this document. Approximately US$67 million of existing Lynx Group net debt is expected to remain in place on Completion.

Accordingly, an extraordinary general meeting of Shareholders is being convened at which the Resolutions will be proposed, *inter alia*, to approve the Company Placing and the Acquisition. The Resolutions are set out in full in the notice of the Extraordinary General Meeting of Shareholders at the end of this document. The Independent Board unanimously considers that the Resolutions are in the best interests of the Company and its shareholders as a whole. Accordingly, the Independent Board unanimously recommends that the Shareholders vote in favour of the Resolutions at the Extraordinary General Meeting. The Directors, whose shareholdings in aggregate represent 23.5 per cent. of the issued ordinary share capital of the Company (excluding treasury shares) as at 21 September 2017, have given irrevocable undertakings to vote in favour of the Resolutions.

Through the sale of the Selling Shareholder Placing Shares pursuant to the Placing, the Selling Shareholder will raise approximately £24.4 million. The Company will not receive any of the proceeds from the sale of the Selling Shareholder Placing Shares, all of which will be received by the Selling Shareholder.

You are recommended to read the whole of this document and not to rely on only part of it. In particular, you are advised to consider carefully Part II *(Risk Factors*), Part XIII (*Definitions*) and Part XIV (*Glossary of Technical Terms*) which sets out the definitions of certain technical terms.

2. REASONS FOR THE ACQUISITION

Background

The Board has a stated intention of expanding and diversifying CAML's business through value accretive acquisitions that would enable it to continue to manage profitable mineral projects with low cost operations and provide a significant dividend to its shareholders.

The Directors believe that the Acquisition is in line with this strategy and represents a compelling opportunity for the Group to expand and diversify with the addition of another cash generative asset with low production costs, a resource base supporting a long mine life and a proven operational track record.

The SASA Mine

The SASA Mine is located in northeastern Macedonia, approximately 150km east of the capital city, Skopje, and 10km north of the local town, Makedonska Kamenica. The SASA Mine comprises an operating underground zinc and lead mine and a processing facility that produces both zinc and lead concentrate. These concentrates are currently trucked to smelters in the surrounding region.

The Directors believe that the SASA Mine is an attractive asset, which has the following benefits:

- **Proven operational track record**: The deposit was originally discovered in the 1950s and commercial mining commenced over fifty years ago. In 2016, the mine produced approximately 23,000 tonnes of zinc in concentrate and approximately 29,000 tonnes of lead in concentrate. These production levels are broadly consistent with production during the previous eight years.
- **Low cost of production**: At an estimated C1 cash cost of US$0.39 per pound for zinc and US$0.29 per pound for lead in 2017E, the SASA Mine's costs are expected to be at the lower end of the second quartile of the zinc industry cost curve and in the lowest quartile of the lead industry cost curve (*source: Wood Mackenzie*).
- **Long production life**: Based on the SASA mine's current Probable Ore Reserves, production can be maintained until at least 2032. The mine has additional Inferred Mineral Resources within the existing mining licence at both Svinja Reka and Golema Reka, which the Directors believe offer the potential to increase the life of the operation to 2038. There is also additional resource potential in the Kozja Reka deposit area, which was previously mined between 1966 and 1989.

Further information on the SASA Mine is set out at Part V (*Information on the Lynx Group*) and in the Macedonian Competent Person's Report set out in Part B of Part VIII (*Macedonian Competent Person's Report*) of this document.

Strategic benefits for the Group

The Directors believe that the Acquisition has a number of strategic benefits, which include:

- **Geographical, operational and commodity diversification**: The acquisition of the Macedonian SASA Mine, when added to the Group's existing principal operations at Kounrad, Kazakhstan, should provide the Enlarged Group with two low operating cost, long life and cash generative base metal mines in two highly prospective jurisdictions. The Directors believe that this diversification will offer investors exposure to a range of base metals with attractive fundamentals, and that the low cost nature of these combined operations should ensure the Group remains well positioned throughout the commodity cycle.
- **Cash generative asset to support dividend policy**: The Enlarged Group's operations at Kounrad and the SASA Mine are expected to be highly cash generative and should enable the Company to remain one of the leading dividend payers in the sector.
- **Operational growth opportunities**: The SASA Mine has significant Inferred Mineral Resources and other brownfield exploration targets that offer potential for growth in terms of production levels and the life of the mine. This compliments the Group's Kounrad operation, which is highly cash generative but which does not offer growth potential.
- **The creation of an attractive AIM quoted mid-tier base metals producer**: The Directors believe that the Enlarged Group will be a larger, diversified producer that is likely to be attractive to investors seeking to invest in a range of base metals, including zinc where there is a limited number of alternative listed investment opportunities.

The Directors also believe that the significant increase in the size of the Group as a result of the Acquisition will enable it to source lower cost capital to fund the organic growth of the Enlarged Group or to pursue further accretive acquisitions.

3. INFORMATION ON THE GROUP

CAML is an AIM quoted copper producer which wholly owns the Kounrad operations in central Kazakhstan and has begun exploration of the 80 per cent. owned Shuak property in the Akmola region of northern Kazakhstan.

CAML's senior management team has a proven track record of developing and commercialising mining opportunities, with over 100 years of combined mining experience. The team is supported by non-executive directors who, together, have extensive experience in the natural resources and financial sectors.

Further information on the Group is set out in Part IV (*Information on Central Asia Metals PLC*) of this document.

4. INFORMATION ON THE LYNX GROUP

Lynx Resources Limited is a private company registered in Bermuda established by Fusion Capital and Orion in June 2015 for the purpose of acquiring the SASA zinc-lead mine in Macedonia from the Solway Sellers.

Orion Mine Finance Group (which manages Orion) is a leading mining focussed private equity business with an active presence in Europe and with approximately US$3 billion in assets under management. Fusion Capital is a Swiss-based mining management team with extensive experience in significant zinc and lead mining operations.

Lynx Resources Limited owns an effective 100 per cent. interest in the SASA Mine. Lynx Resources Limited currently has offices in Macedonia, Switzerland and Bermuda.

Further information on the Lynx Group is set out in Part V (*Information on the Lynx Group*) of this document.

5. SUMMARY FINANCIAL INFORMATION

Set out below is a summary of the audited consolidated results of the Group as at and for the years ended 31 December 2014, 31 December 2015 and 31 December 2016, which has been extracted from the Company's published audited historical financial information, which has been incorporated by reference in Part IX *(Group Historical Financial Information*) of this document. Investors should read the whole of the Company's

published audited historical financial information and should not rely solely on the summarised information set out below.

(US$ million)	31 December 2014	31 December 2015	31 December 2016
Revenue	73.1	64.4	66.7
Operating profit	37.5	33.0	33.0
Profit for the year	59.5	22.2	26.1
Cash and cash equivalents	46.3	42.0	40.4
Net assets	187.9	114.2	121.5

6. PRINCIPAL TERMS OF THE ACQUISITION

Pursuant to the Acquisition Agreement, the terms of which are summarised in Part III (*Summary of the Terms of the Acquisition*) of this document, the Company has conditionally agreed to acquire the entire issued share capital of Lynx Resources Limited. The Acquisition values the Lynx Group at US$402.5 million on a debt-free, cash free basis. Approximately US$67 million of existing Lynx Group net debt is expected to remain in place following Completion. The total equity value of Lynx Resources Limited is estimated to be approximately US$335.5 million, subject to certain adjustments, which include customary net debt and net working capital adjustments. The net debt and net working capital adjustments will be determined by reference to an effective date of 30 September 2017 and, subject to certain exceptions, the Sellers have agreed to indemnify the Company for any distributions to them from 1 October 2017. As a result, the Group will have the benefit of Lynx Group's trading from 1 October 2017. Interest from 1 October 2017 to Completion is payable at a rate of 9 per cent. of the equity value.

Details of the financing of the Acquisition are set out in paragraph 7 below.

The Sellers have given certain warranties and indemnities in respect of their period of ownership of the SASA Mine, subject to customary limitations and disclosure.

Completion of the Acquisition is conditional, *inter alia*, on:

- certain regulatory approvals, including from the Macedonian Competition Commission;
- if required, the Republic of Macedonia granting an unqualified approval for the transfer of the Sale Shares and the amount of the related transfer fee being agreed (the Minerals Law establishes a fee for the direct transfer of a concession or a change in owner of a concession. The Company has received legal advice that this fee should not apply in the context of the Acquisition);
- the Placing Agreement and Debt Financing Agreement having become unconditional in all respects (save for any condition relating to Completion);
- the passing of the Resolutions at the Extraordinary General Meeting; and
- no authority having jurisdiction over the Company or the Acquisition having commenced any proceedings for the purpose of prohibiting the Acquisition on the terms contemplated.

The Group shall be entitled to take any action relating to the transfer approval referred to above (if any) including but not limited to responding to any assertion that such an approval is required, and agreeing or disputing the terms of any approval or fee. Based on legal advice received to date, the Directors do not currently believe this transfer approval (and payment of the related fee) is required. However, any fee payable would be borne by the Enlarged Group, and as such, the Company has included, within the aggregate costs of the transaction, its reasonable estimate of the amount of the fee that would be payable if it were to be required. Any such fee has been taken into account in the Independent Directors' recommendation that Shareholders vote in favour of the Resolutions, and their belief that the Company Placing and Acquisition promote the success of the Company for the benefit of its Existing Shareholders as a whole.

Orion's undertakings in relation to the Consideration Shares and the Company

Orion has also entered into the Shareholder Participation Agreement with the Company pursuant to which it has undertaken, for a period of 12 months from Completion, not to:

- acquire shares in the Company, such that its shareholding amounts to 30 per cent. or more of the Company;
- influence the voting of the Consideration Shares;
- seek to control or influence the Company's management or obtain representation on the Board; or
- engage in any discussions which may result in Orion gaining control over CAML.

Orion has also undertaken until the earlier of (i) 18 months from Readmission, or (ii) the date on which it holds in aggregate less than 4 per cent. of the issued Ordinary Shares to vote, or cause to be voted at all meetings of the Company's shareholders, in a manner consistent with the recommendation made by management of the Company or the Board in relation to a number of matters, including the election or re-election of directors and auditors, the renewal of, or adoption of certain new, share incentive plans, executive remuneration and certain acquisitions.

In addition, subject to certain exceptions, the Shareholder Participation Agreement requires Orion not to sell any Consideration Shares for the first six months following Completion, and not to sell more than 50 per cent. of the Consideration Shares between six months from Completion and the first anniversary of Completion (without the prior consent of the Company). Any Consideration Shares forming part of the 50 per cent. referred to above that are sold in the second six months must be sold via the Joint Bookrunners in order to maintain orderly markets.

Transitional Services Agreement

In connection with the Acquisition and conditional on Completion, the Company has entered into a Transitional Services Agreement with Fusion Capital pursuant to which it will have limited access to Chris James, Stefan Peschke, Florian Dax and Patrick Henze for the provision of transitional consultancy services for a period of three months following Completion. Further details are set out in paragraph 9.1 of Part XII (*Additional Information*) of this document.

7. FINANCING THE ACQUISITION

The Company proposes to finance the acquisition via a combination of the following sources:

Placing

The Company has conditionally raised approximately £113.0 million before expenses (approximately US$153.5 million) via the Company Placing. The Company Placing has been underwritten by the Joint Bookrunners. Further details of the Company Placing and Admission are set out in paragraph 8 below.

Consideration Shares

Orion will subscribe for the Consideration Shares for an aggregate value of US$50 million. The issue of the Consideration Shares is conditional on Completion taking place.

Debt Financing

Traxys has agreed to provide US$120 million of secured debt financing to the Company. In addition, approximately US$67 million of existing Lynx Group net debt is expected to remain in place following Completion. The existing lenders have agreed to waive their rights to accelerate on a change of control and to waive certain technical defaults, in each case subject to certain customary conditions precedent and with effect from Completion.

The Debt Financing Agreement forms part of a pre-payment arrangement between the Group and Traxys under which Traxys is advancing funds in expectation of acquiring production from the Group's business in Kazakhstan.

Traxys will be funding the advances made under the pre-payment arrangement from its own lenders and the availability of the facility is subject to the availability of such funding to Traxys. The agreement contains other conditions precedent to drawdown which are typical for this type of facility.

Deferred Consideration

The Company will also make a deferred cash payment of US$12 million to the Sellers as part of the consideration for the Acquisition. The cash payment of US$12 million shall be payable in six equal monthly installments commencing on the first anniversary of the completion of the Acquisition.

8. DETAILS OF THE PLACING AND ADMISSION

The Placing Shares have been conditionally placed with institutional and other investors in the UK pursuant to the terms and conditions of the Placing set out in the Placing Announcement. The Placing has been underwritten by the Joint Bookrunners. Subject to the Placing becoming unconditional, the Company Placing is

expected to raise approximately £113.0 million before expenses incurred in connection with the Company Placing (approximately US$153.5 million) for the Company. Subject to the Placing becoming unconditional, the Selling Shareholder Placing is expected to raise approximately £24.4 million before expenses incurred in connection with the Selling Shareholder Placing (approximately US$33.1 million) for the Selling Shareholder. The Company will not receive any of the proceeds from the sale of the Selling Shareholder Placing Shares, all of which will be received by the Selling Shareholder. The Placing and Admission are subject to the satisfaction of certain conditions that include (among other things) the passing of the Resolutions by Shareholders at the Extraordinary General Meeting, consent by the Kazakh government for the issue of the Company Placing Shares and the Consideration Shares, the issue of the Placing Shares and Admission. The Placing and Admission are not conditional on Completion of the Acquisition or Readmission. Should Shareholder approval of the Resolutions not be obtained at the Extraordinary General Meeting, none of the Placing nor Admission will occur. In the event that the Placing proceeds, but ultimately the Acquisition does not take place, the Directors intend to use the funds raised by the Company to satisfy the costs of the transaction and to seek other suitable acquisition opportunities. The Company may apply the Placing Proceeds for another acquisition of a company or mineral licence by the Group, provided that where such transaction would constitute a Class 1 transaction within the meaning of and applying the requirements of Chapter 10 of the Listing Rules (as if Chapter 10 of the Listing Rules applied to the Company), it will only do so where it has sought and received shareholder approval and complied with the provisions of LR 10.5.1 as if they applied to the Company. If no other acquisition opportunity can be found on acceptable terms by the time of the Company's 2018 annual general meeting, and unless the Shareholders resolve otherwise it will take steps to return such sums to Shareholders as a whole and not just Placees. In the event that the Placing proceeds, but the Acquisition does not take place, it will not affect the Selling Shareholder Placing and the Selling Shareholder will be entitled to retain all sums paid to it.

The Company Placing Shares will represent approximately 30.6 per cent. of the Share Capital following Admission. The Company Placing Shares will, upon issue, be credited as fully paid and will rank in full for all dividends and other distributions thereafter declared, made or paid and otherwise pari passu with the Existing Ordinary Shares but will not be entitled to the interim dividend of 6.5 pence declared on 22 September 2017 and to be paid on 27 October 2017. The Selling Shareholder Placing Shares are credited as fully paid and rank pari passu with the Existing Ordinary Shares although will be transferred ex dividend of the interim dividend declared on 22 September 2017 and payable on 27 October 2017.

As the allotment and issue of the Company Placing Shares would exceed the Directors' existing authorities to allot Ordinary Shares for cash on a non pre-emptive basis, the Extraordinary General Meeting is being convened to seek Shareholders' approval to grant new authorities to enable the Directors to complete the Company Placing. Application will be made to the London Stock Exchange for the Company Placing Shares to be admitted to trading on AIM. It is expected that Admission will be effective and that dealings in the Placing Shares will commence at 8.00 a.m. on 12 October 2017. The Selling Shareholder Placing Shares are Existing Ordinary Shares and are admitted to trading on AIM. Following Admission, approximately 9.7 per cent. of the share capital will not be in public hands.

No stamp duty or stamp duty reserve tax should generally be payable on the issue of share capital pursuant to the Company Placing. There should be no liability to stamp duty or stamp duty reserve tax on the transfer of the Selling Shareholder Placing Shares and, to the extent that any arises, the Selling Shareholder will bear the cost of any liability to stamp duty and/or SDRT. There should not be any liability to stamp duty or stamp duty reserve tax on subsequent transactions involving share capital listed exclusively on AIM, for so long as AIM is recognised as a "Growth Market" by H.M Revenue & Customs.

Admission is conditional on the completion of the Placing and will not take place if the Placing does not complete. In the case of Placees requesting Placing Shares in uncertificated form, it is expected that the appropriate stock accounts of Placees will be credited at 8.00 a.m. on or around 12 October 2017. In the case of Placees requesting Placing Shares in certificated form, it is expected that certificates in respect of the Placing Shares will be dispatched by post on or around 20 October 2017.

9. SELLING SHAREHOLDER

The Selling Shareholder is CBH Europe Limited as holder of 10,605,875 Ordinary Shares which were pledged to it by Mr Rakishev, one of the Company's Non-Executive Directors, pursuant to arrangements announced by the Company on 5 May 2017. Mr Rakishev is the beneficial owner of and continues to have an interest and voting rights in respect of these Ordinary Shares and he has authorised their sale.

The Selling Shareholder has entered into an agreement with the Joint Bookrunners in respect of the sale of these shares and pursuant to which the Joint Bookrunners will be paid certain commissions and expenses by the Selling Shareholder. The Selling Shareholder Placing is underwritten by the Joint Bookrunners. The Selling Shareholder Placing is conditional upon, amongst other things, the Company Placing and Admission. The Selling Shareholder has also given a standstill undertaking to the Joint Bookrunners not to enforce its security in relation to these Selling Shareholder Placing Shares prior to Admission or the termination of the Placing.

Mr Rakishev remains the legal and beneficial owner of a further 10,605,876 Ordinary Shares which remain subject to a pledge in favour of JSC CenterCredit Bank ("CenterCredit") as announced by the Company on 2 July 2014.

Mr Rakishev has entered into an irrevocable undertaking to vote in favour of the Resolutions in respect of all of the Ordinary Shares he is beneficially interested in, totalling 21,211,751 Ordinary Shares. In respect of the 10,605,876 Ordinary Shares Mr Rakishev will be interested in following Admission, he has entered into a lock-in agreement pursuant to which he has agreed that for a period of 90 days from Admission he will not, without the prior written consent of the Joint Bookrunners, sell or contract to sell, grant any option over or otherwise dispose of any such Ordinary Shares (or any interest therein), or enter into any transaction with the same economic effect as any of the foregoing, other than pursuant to any security granted by him to CenterCredit. CenterCredit has agreed that, should it become entitled to such shares during this period, it will comply with the terms of the lock-in given by Mr Rakishev.

The relationship agreement with Mr Rakishev will be terminated with effect from Admission as Mr Rakishev's interests in the Company will be below 14 per cent. of the Enlarged Share Capital. Further details are set out in paragraph 9.1 of Part XII (*Additional Information*)

10. DETAILS OF READMISSION

The Acquisition constitutes a reverse takeover for the Company pursuant to the AIM Rules for Companies. As such, it is subject to shareholder approval and upon Completion, the Company proposes to delist the Company's shares from trading and subsequently to relist the Enlarged Share Capital to trading on AIM. The Acquisition and Readmission are subject to the satisfaction of certain conditions which include (among other things) the passing of the Resolutions by Shareholders at the Extraordinary General Meeting. Should Shareholder approval of the Resolutions not be obtained at the Extraordinary General Meeting, neither the Placing nor Acquisition will proceed.

If the Acquisition completes, the Company Placing Shares and the Consideration Shares will represent 36.6 per cent. of the Enlarged Share Capital following Readmission.

If the Acquisition completes, application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. The Consideration Shares will be issued to Orion upon Readmission. If the Acquisition completes, it is expected that Readmission will be effective and that dealings in the Ordinary Shares will commence in Q4 2017. If the Acquisition completes, approximately 8.9 per cent. of the Enlarged Share Capital will not be in public hands following Readmission.

11. USE OF PROCEEDS

The proceeds of the Company Placing will be used to satisfy the costs of the Acquisition and Placing and, if the Acquisition completes, to part-finance the cash consideration payable in respect of the Acquisition.

In the event that the Placing proceeds, but ultimately the Acquisition does not take place, the Directors intend to use the funds raised by the Company to satisfy the costs of the transaction and to seek other suitable acquisition opportunities as set out in paragraph 8 above.

12. FINANCIAL EFFECTS OF THE ACQUISITION

The Acquisition is expected to be earnings and cash flow per share accretive for the Company in the first full financial year following Completion.

As at 30 June 2017, the Company had net assets of US$126,404,000. An unaudited pro forma statement of net assets of the Enlarged Group is set out in Part XI of this document and has been included to provide an overview of the financial effects of the Company Placing and Acquisition.

The total costs and expenses (including certain possible contingent costs) payable by the Enlarged Group in connection with or incidental to the Acquisition, Placing, Admission and Readmission are set out in paragraph 17.1 of Part XII (*Additional Information).*

13. CURRENT TRADING AND PROSPECTS OF THE ENLARGED GROUP

Kounrad has produced copper cathode since 2012 and output has increased annually to a level that the Directors believe is broadly sustainable for the medium term. The Company's production performance has been reliable and, in 2016, it met the top end of its copper production guidance, producing 14,020 tonnes of copper. The production guidance for 2017 is 13,000 to 14,000 tonnes of copper cathode. In H1 2017 copper production increased by 2 per cent. year on year to 7,027 tonnes (H1 2016: 6,908 tonnes), and therefore the Directors believe that the Company is on track to meet its production guidance for 2017.

While copper production has been robust, the copper price has weakened since production commenced at Kounrad with the average sales price of copper received decreasing from US$7,995 per tonne in 2012 to US$4,994 per tonne in 2016. There has been a subsequent recovery in copper prices since Q4 2016 with spot prices, as at 1 September 2017, approximately US$6,775 per tonne. The average sales price of copper received by the Company in H1 2017 was US$5,659 per tonne. Gross revenue for the year ended 31 December 2016 was US$69.3 million and Group EBITDA was US$39.1 million, resulting in an EBITDA margin of 56 per cent. This EBITDA margin was achieved due to Kounrad's low operating costs.

Kounrad's 2016 C1 cash cost, defined as the industry standard by Wood MacKenzie, was US$0.43 per pound, which was in the lowest 10 per cent. of global copper producers and Kounrad's H1 2017 C1 cash cost was US$0.45 per pound. During 2016, CAML spent US$12.3 million on capital expenditure, the majority of which was related to the Kounrad Stage 2 Expansion project that has enabled the extension the operation into the Western Dumps area and the life of Kounrad to beyond 2030. The Directors believe that this should be the last major capital programme required at Kounrad, with only sustaining capex required going forward.

In 2016, the SASA Mine produced 783,000 tonnes of ore which generated 22,515 tonnes of zinc in concentrate and 28,955 tonnes of lead in concentrate with approximately 85 per cent. and 95 per cent. payability respectively. Zinc and lead head grades have been relatively stable at approximately 3.5 per cent. and 4.0 per cent. respectively over the past three years ended 31 December 2016 and are expected to remain at these levels for the medium term. On average over the three years ended 31 December 2016, the SASA Mine's mining costs have been US$17 per tonne. At an estimated C1 cash cost of US$0.39 per pound for zinc and US$0.29 per pound for lead in 2017E, the SASA Mine's costs are expected to be at the lower end of the second quartile of the zinc industry cost curve and the lowest quartile of the lead industry cost curve (*source: Wood Mackenzie*). The SASA Mine's production guidance for 2017 is 21,500 tonnes of zinc and 29,000 tonnes of lead. In H1 2017, zinc production was 10,700 tonnes and lead production was 14,900 tonnes, and therefore the Directors believe that the Company is on track to meet its production guidance for 2017.

Global zinc consumption is forecast to grow at a compound average annual rate of 1.7 per cent. over the period from 2017 to 2035. This consumption growth creates a requirement for extra raw material supply to smelters. Whilst some of the extra mine capacity will come from expansions and mine life extensions of existing producers, the majority will be from new mines. Given that it takes 18 months to five years to commission a mine, this is a significant challenge for the zinc industry. Refined market tightness and falling inventories are expected to provide fundamental support to prices and the price is forecast to reach a cyclical high of US$3,875 per tonne in 2018 (*source: Wood Mackenzie*).

Mine production cuts in 2015 and 2016 caused the rapid draw-down of global lead concentrate inventories last year, leading stocks to fall to the 29 days of consumption last year, from which they are projected to fall further to the critically low level of 25 days in 2017. Undersupply of mined lead is expected to continue to constrain primary output for the next couple of years, thereby maintaining the supply-demand balance in deficit until 2018. The increased mine output encouraged by higher prices is not expected to restore the market fully to balance, or a small surplus, until 2019. Prices are expected to average around US$2,350 per tonne for 2017 and slightly over US$2,400 per tonne in 2018 (*source: Wood Mackenzie*).

The Directors believe that the Enlarged Group should have combined recoverable copper equivalent mineral resources of 499,000 tonnes[1] and be able to produce in the order of 34,800 tonnes[2] (based upon commodity prices) of copper equivalent metal annually, representing an increase in metal equivalent production of 148 per cent. to 2016 Kounrad production.

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[1] Zinc and lead resources converted into copper equivalent based on long term (real) consensus prices (copper $6,232/t, zinc $2,205/t, lead $1,984/t)

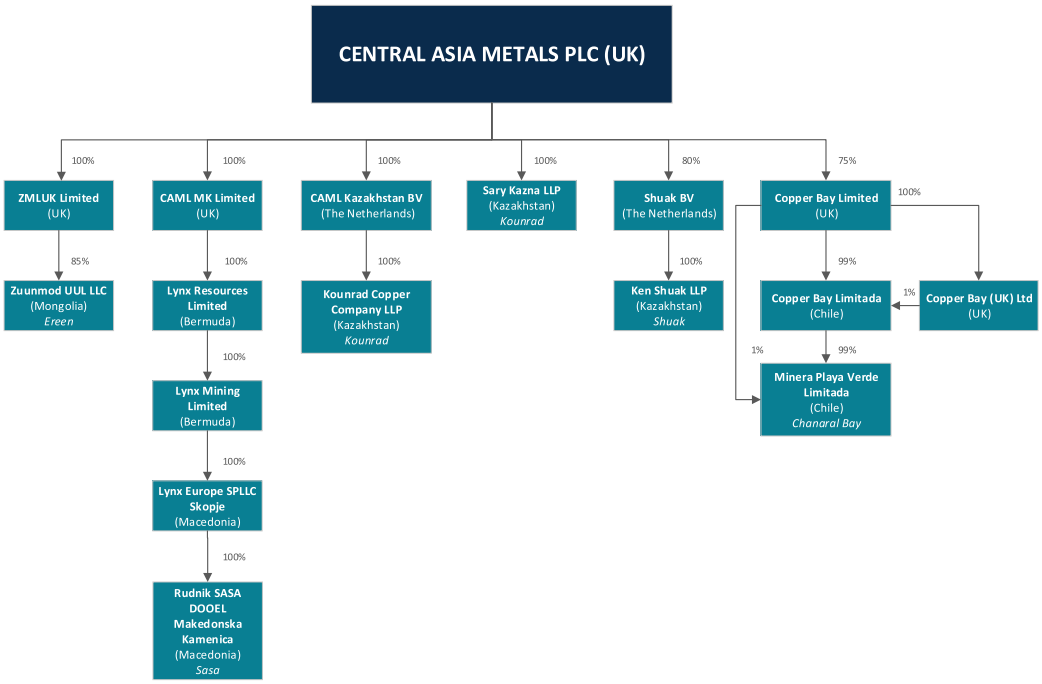
[2] Zinc and lead 2017E production converted into copper equivalent based on 2017E consensus prices (copper $5,710/t, zinc $2,767/t, lead $2,205/t)

14. STRATEGY OF THE ENLARGED GROUP

The Directors believe that the Enlarged Group would be an attractive AIM quoted company as a mid-tier low-cost base metals producer with geographical, operational and commodity diversity. With two, low operating cost, long life assets, the Enlarged Group's strategy would be to remain a highly cash generative business that is focused on maximising shareholder returns, primarily in the form of dividend distributions.

The Directors believe that the Enlarged Group will provide an enhanced platform for growth through both its organic growth potential, including further exploration at the Shuak project and brownfields exploration programmes at the SASA Mine, as well as strategic acquisitions.

Enlarged Group Structure



15. DIRECTORS

The Board consists of nine Directors, each with significant mining, financial and/or public company experience. Brief biographical details are set out below. Further information on previous directorships and their terms of appointment are set out in paragraph 6 of Part XII (*Additional Information*) of this document and related party transactions are set out in paragraph 14 of this Part XII (*Additional Information*).

Nicholas ("Nick") Royston Clarke, Executive Chairman, aged 65

Nick has over 40 years of mining experience, including 16 years spent within senior management positions in production and technical services in South Africa, Ghana and Saudi Arabia. Nick served as the managing director of Oriel Resources plc until its acquisition by OAO Mechel for US$1.5 billion in 2008. In addition, Nick was managing director at Wardell Armstrong International Ltd, where he managed numerous multidisciplinary consulting projects in the resource sector. He is a graduate of Camborne School of Mines and is a chartered engineer. Nick is also a non-executive director of Wolf Minerals Ltd. In 2013, Nick was named chief executive officer of the year at the Mining Journal outstanding achievements awards. He joined the Company in 2009 as Chief Executive Officer prior to the Company's initial public offering on AIM in 2010 which raised US$60 million. He assumed the role of Executive Chairman in June 2016.

Christopher Nigel ("Nigel") Hurst-Brown, Deputy Chairman, aged 66

Nigel is currently chief executive of Hotchkis and Wiley Ltd. Previously he was chairman of Lloyds Investment Managers between 1986 and 1990 before becoming a director of Mercury Asset Management and later a managing director of Merrill Lynch Investment Managers. He is also a director of Borders & Southern Petroleum plc and a Fellow of The Institute of Chartered Accountants in England and Wales.

Nigel Francis Robinson, Chief Financial Officer, aged 57

Nigel is a member of the Institute of Chartered Accountants in England & Wales and was formerly a Royal Naval Officer in the Fleet Air Arm. Upon leaving the Royal Navy, he qualified with KPMG where he stayed for a further three years before leaving to work in commerce. He worked for six years in management with British Airways plc before leaving in 2002. Following a period consulting to smaller enterprises in the private sector, he joined CAML in November 2007 as Group Financial Controller. In April 2009, he was appointed Chief Financial Officer of the Group.

Gavin Ronald Ferrar, Business Development Director, aged 48

Gavin holds post-graduate degrees in geology and finance and has been involved in the mining sector for 21 years. His career in industry began at Anglo American plc in the New Mining Business Division. He spent 10 years in the investment banking sector focusing on equity and debt financing for mining clients of Barclays Capital, West LB and Investec plc. He joined the Company in June 2014 as business development director.

Robert Maitland Cathery, Non-Executive Director, aged 73

Robert became a member of the London Stock Exchange in 1967 and was managing director and Head of Oil and Gas at Canaccord Europe. During his career in the city of London, he was a director of Vickers da Costa and Schroders Securities and head of corporate sales at SG Securities (London) Limited. He is a co-founder of Salamander Energy Plc and has previously served as a non-executive director of that company. He has also served as non-executive independent director of SOCO International Plc. He is a founder shareholder of the Company.

David John Swan, Non-Executive Director, aged 62

David is a chartered accountant with extensive experience across the natural resources sector. He is also the chief financial officer of Scotgold Resources Limited, a non-executive director of Sunrise Resources Plc and Oriel Resources Ltd. David joined the Company in June 2014.

Roger Owen Davey, Non-Executive Director, aged 71

Roger, a chartered mining engineer, has over 45 years of experience in the international mining industry. He is also a non-executive director of a number of other companies in the mining sector quoted on AIM and the Main Market, namely Atalaya Mining plc where he serves as chairman, Tharisa plc, Orosur Mining Inc and Condor Gold plc. Until 2010, he was senior mining engineer at N. M. Rothschild in the mining and metals project finance team. Previously, he held senior management and director level roles in mining companies in South America and Africa as well as the UK, covering the financing, development and operation of underground and surface mining operations. Roger joined the Company in December 2015.

Kenges Rakishev, Non-Executive Director, aged 38

Kenges is a prominent business leader in Kazakhstan. He serves as chairman of the board of directors for a number of large companies including SAT & Company JSC, a diversified industrial holding company and NASDAQ listed Net Element International, Inc. Kenges joined the Company in December 2013.

Nurlan Zhakupov, Non-Executive Director, aged 39

Nurlan is a Kazakh national. He has extensive experience in capital markets and has held positions at UBS and RBS. He is currently Chief Business Development and Investment Officer, Member of the Executive Board of JSC Kazatomprom and a non-executive director of SPK Astana, a Kazakh regional development institution. He has previously held a number of positions in the Kazakhstan resource sector for Tau-Ken Samruk (the national mining company), Chambishi Metals and ENRC. He holds bachelor and master's degrees in economics from the Moscow State Institute for International Relations. Nurlan joined the Company in October 2011.

16. CORPORATE GOVERNANCE

The Company will follow, as far as practicable, the recommendations on corporate governance of the Quoted Companies Alliance for companies with shares quoted on AIM.

As an AIM quoted company, CAML is not obliged to comply with the UK Corporate Governance Code (the "**Corporate Governance Code**"). Nonetheless, the Company draws on its provisions in guiding governance structures and complies with a number of its key provisions, which include:

- a strong independent representation on the Board;
- an Audit Committee; and
- a Remuneration Committee.

Although not a Corporate Governance Code requirement, CAML also has a Corporate Social Responsibility Committee which comprises both Executive and Non-Executive Directors, as the Company sees this as another key area of governance.

Each of these committees reports into and provides great value to the Board. The Board itself comprises a diverse group of Directors from the UK and Kazakhstan, most of whom have worked in a number of jurisdictions globally.

Due to its size, the Company does not have a separate nomination committee or health and safety committee, and these functions are therefore carried out by the Board.

The role of the Board

The Board assists the Company in making key decisions about strategy, financial planning and investments. The Board considers this role as fundamental to steering and enabling the Group to achieve success in its business, and to the Company in delivering long-term value to shareholders.

CAML's Board is comprised of three Executive Directors: Nick Clarke, Nigel Robinson and Gavin Ferrar and six Non-Executive Directors: Nigel Hurst-Brown, Robert Cathery, David Swan, Roger Davey, Kenges Rakishev and Nurlan Zhakupov. Four are considered fully independent: Nigel Hurst-Brown, Robert Cathery, David Swan, and Roger Davey. In line with the Corporate Governance Code, the independence of each of the Non-Executive Directors who have served on the Board for over nine years (being Robert Cathery and Nigel Hurst-Brown) was reviewed in 2016. The other independent Non-Executive Directors have confirmed that Robert Cathery and Nigel Hurst-Brown continue to demonstrate the characteristics of independence, such as challenging management and providing valuable contributions to the Board. As such, notwithstanding that they would not be considered independent under the Corporate Governance Code by virtue of the fact that they have served on the Board for more than nine years, the Board continues to consider both Mr Cathery and Mr Hurst-Brown to be independent Directors. With Roger Davey and David Swan, the more recently appointed independent Non-Executive Directors, more than half the Board excluding the Executive Chairman is considered to be independent. Two Directors are based in Kazakhstan including Kenges Rakishev, who is a major shareholder in the Company and brings depth of experience in the Kazakh business environment. These two Directors are not considered independent due to the fact that Mr Rakishev is a major shareholder of the Company, and Mr Zhakupov has received share awards from the Company and is engaged to provide services to the Company in Kazakhstan when required.

The Board offers significant expertise and experience in the mining industry, financial and operational aspects of businesses, public markets and in operating in different geographies around the world.

The Board meets at least four times per year, and at other times where required for specific matters. The Board receives comprehensive reports in advance of meetings to enable matters to be properly considered and debated on an informed basis during the meetings.

Whilst the Executive Directors have the greatest contact with the Company's institutional investors, the other Board members receive reports of views expressed by shareholders, and the other Directors and are available to meet with investors where requested.

All Directors on the Board have access to the Company Secretary who acts as secretary of the Board and its Committees, reporting directly to the Executive Chairman in ensuring appropriate governance procedures are followed. All Directors are also able to seek advice from the Company's external advisors if they wish.

Relationship agreement

Kenges Rakishev has entered into a relationship agreement with the Company due to his position as both a Board member and significant shareholder. This is to ensure that transactions entered into between any member of the Group and Kenges Rakishev, or any of his associates, are conducted on an arm's length basis and on normal commercial terms.

Under this agreement, Kenges Rakishev has given certain undertakings, including, to exercise his voting rights, insofar as he is able, as a shareholder and as a Board member to: (i) ensure that no variations are made to the Company's Articles which would be contrary to the maintenance of the Company's independence; (ii) that transactions between Kenges Rakishev (and his associates) and any member of the Group are made on an arm's length basis and on, in the Company's opinion, normal commercial terms; and (iii) that the Company will make decisions for the benefit of shareholders of the Company as a whole and not solely for the benefit of Kenges Rakishev.

This agreement will terminate with effect from Admission upon Kenges Rakishev's interests in the Company falling below 14 per cent. of the Enlarged Share Capital, which is the threshold for automatic termination set out in the agreement.

Committees

The Board has specific Audit and Remuneration Committees covering areas of the Group's operation which the Board views as being key to the Group's stakeholders. Each of these Committees have their own terms of reference which provide the necessary authorities for them to operate as they consider appropriate.

Audit Committee

The Audit Committee assists the Board in its oversight of the Company's financial reporting, internal control and risk management. The Committee is made up of Nigel Hurst-Brown, Roger Davey and Committee chairman, David Swan.

The Committee's primary responsibilities are to:

- evaluate and, when appropriate, select external auditors and ensure their independence and objectivity;
- review with the external auditor the nature and scope of their audit and review of half year results and outcomes from these;
- review the effectiveness of the Company's systems of internal controls; and
- monitor the effectiveness of risk management of the Group.

The Committee considers these roles to be of fundamental importance to the long term sustainability of the Group, in achieving its ongoing successes and continuing to build value for shareholders.

System of internal control

The Audit Committee is responsible for monitoring and reviewing the effectiveness of the Group's internal control systems. Key elements within the internal control structure are summarised as follows:

- The Board and management—The Board is responsible for overseeing the day-to-day management of the Company which is undertaken by the Executive Chairman supported by the Executive Directors;
- Budgeting—There is an annual budgeting process whereby budgets for the following financial year are reviewed by the Board;
- Long-term forecasts—These are reviewed by the Board on a regular basis;
- Management reporting—The financial performance of the Group is monitored against budget on a monthly basis and is updated by periodic re-forecasts;
- Operating controls—Such controls are in accordance with Group policies and include management authorisation processes; and
- Monitoring—the Effectiveness of the system of internal control is monitored regularly through internal reviews and external audits.

Risk management

Whilst the Board of Directors has ultimate responsibility for risk management, Group staff have a role to play in the implementation of policies and procedures aligned to mitigate and manage risk. Risk committees consisting of senior staff are responsible for the development of risk management policies and procedures, the identification, analysis, mitigation and review of the risks of the business. These committees report to the Audit Committee on a regular basis.

Remuneration Committee

The Remuneration Committee determines the remuneration of Executive Directors, oversees the remuneration of the senior management, and approves awards under the Company's long-term incentive plan. The Committee is made up solely of independent Non-Executive Directors, David Swan, Nigel Hurst-Brown and Committee Chairman, Robert Cathery.

The Remuneration Committee reviews the performance of the Executive Directors and sets the scale and structure of their remuneration as well as the basis of their service agreements. In doing so, it has due regard to the interests of shareholders.

In determining the remuneration of Executive Directors, the Remuneration Committee seeks to enable the Company to attract and retain executives of the highest calibre. The Remuneration Committee also reviews the remuneration of other senior management. In addition, it decides whether to grant share awards in the Company and, if these are to be granted, who the recipients should be.

The Company's policy is to remunerate senior executives fairly so as to encourage recruitment, retention and motivation. The Remuneration Committee agrees with the Board a framework for the remuneration of Executive Directors and senior management of the Company. The principal objectives of the Committee are to ensure that Executive Directors and members of the senior management of the Company are provided incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company. The Directors' believe this is key to the Company achieving its strategic aims and building shareholder value over the long-term.

Non-Executive Director fees are considered and agreed by the Board (excluding the Non-Executive Directors) with no Director participating in any decision relating to his own remuneration.

CSR Committee

The Board has always considered the Group's corporate social responsibilities to be at the core of the Group's activities. These are key to operating an ethical and sustainable business. It was in this context that the Company's Corporate Social Responsibility Committee ("**CSR Committee**") was established in June 2012.

The CSR Committee comprises independent non-executive Directors from both the UK, Roger Davey (CSR Committee chairman) and, from Kazakhstan, Nurlan Zhakupov and Executive Chairman, Nick Clarke. This ensures a full breadth of perspectives are brought to the Committee's important and varied activities. Given the importance that the Board places in this area, the CSR Committee meets on a regular basis throughout the year, usually on the same day as Board meetings.

CAML continues to believe that the health and safety of employees, protecting the operating environment, and helping to develop the local communities are extremely important matters. These areas will continue to receive the appropriate attention from the CSR Committee and from the Group as a whole.

17. TAKEOVER CODE

The Takeover Code applies to the Company.

Mandatory bid

Under Rule 9 of the Takeover Code, if:

(a) a person acquires an interest in shares in the Company which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or

(b) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested,

the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquiror or its concert parties during the previous 12 months.

Compulsory acquisition

Under sections 974–991 of the Act, if a "takeover offer" (as defined in section 974 of the Act) is made for the shares of the Company and an offeror acquires or contracts to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which such takeover offer relates it may then compulsorily acquire the outstanding shares not assented to the takeover offer.

In addition, pursuant to section 983 of the Act, if a takeover offer is made for the shares of Company and an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

18. DIVIDEND POLICY

The Company's dividend policy is currently to return a minimum of 20 per cent. of the attributable revenues generated from the Kounrad Project to shareholders subject to maintaining three times cash cover. The final dividend for the year ended 31 December 2016 of 10 pence per Ordinary Share was paid to Shareholders on 7 June 2017 and brought total dividends paid in respect of 2016 to 15.5 pence (2015: 12.5 pence). On 22 September 2017 the Company announced an interim dividend for the period from 1 January 2017 to 30 June 2017 of 6.5 pence per Ordinary Share. It is expected that this interim dividend will be paid to Shareholders on 27 October 2017. The following dividends (adjusted for changes in the share capital of the Company) have been paid since 1 January 2014:

Date of Declaration	Date of Payment	Pence per Ordinary Share
22 September 2017	27 October 2017	6.5
4 April 2017	7 June 2017	10
12 September 2016	28 October 2016	5.5
11 April 2016	20 May 2016	8
14 September 2015	30 October 2015	4.5
30 March 2015	24 June 2015	7.5
25 September 2014	31 October 2014	5
16 April 2014	20 June 2014	5

For the avoidance of doubt, the Placing Shares and Consideration Shares will not be entitled to the interim dividend for the period ended 30 June 2017, declared on 22 September 2017 and expected to be paid on 27 October 2017. Subscribers for new Ordinary Shares and purchasers of the Selling Shareholder Placing Shares will however be entitled to any final dividend in respect of the period ended 31 December 2017, which will be announced in Q2 2018.

In respect of periods commencing on 1 January 2018, the Company's dividend policy is intended to be to return to Shareholders a target range of between 30 per cent. and 50 per cent. of free cash flow (defined as net cash generated from operating activities less capital expenditure). The dividends will only be paid provided there is sufficient cash remaining in the Group to meet the ongoing contractual debt repayments and that banking covenants are not breached.

19. TAXATION

Information on UK taxation is set out in paragraph 8 of Part XII (*Additional Information*) of this document. This information is intended only as a general guide to the current tax position in that jurisdiction. If you are in any doubt as to your own tax position or are subject to tax in a jurisdiction other than the UK, you should consult your own independent professional adviser without delay.

20. EXTRAORDINARY GENERAL MEETING AND SUMMARY OF THE RESOLUTIONS

The Acquisition and the Company Placing require Shareholders' approval of the Resolutions. Notice of the Extraordinary General Meeting of the Company to be held at 21 Tudor Street, London EC4Y 0DJ at 11.00 a.m. on 11 October 2017 is set out at the end of this document, at which the Resolutions will be proposed, a summary of which is set out below. The full text of the Resolutions is set out in the notice of Extraordinary General Meeting at the end of this document.

The Resolutions

Both Resolutions are special resolutions. The purpose of the Resolutions is to, *inter alia*:

- approve the Acquisition;
- provide all of the authorities necessary to issue the Company Placing Shares and the Consideration Shares; and
- provide the Company with certain general authorities, conditional upon Completion, calculated by reference to the Enlarged Share Capital.

The following paragraphs set out the purpose of each of the Resolutions:

Special Resolution 1

Paragraph (A) of special resolution 1 is to approve the terms of, and authorise the Directors to implement, the Acquisition.

Paragraph (B) of special resolution 1 is to authorise the Directors, for the purposes of section 551 of the Act, to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company of up to a maximum aggregate nominal amount of US$644,285.28 in connection with the Consideration Shares and the Company Placing Shares to be issued under the Acquisition Agreement and the Company Placing respectively. This is the aggregate maximum nominal amount of the new Ordinary Shares that the Company could be required to issue and allot to Placees pursuant to the Company Placing and the new Ordinary Shares that the Company is expected to be required to issue and allot to Orion pursuant to the Acquisition.

Paragraph (C) of special resolution 1 is to disapply statutory pre-emption rights up to an aggregate nominal amount of US$644,285.28 in connection with the Acquisition and Company Placing.

Special Resolution 2

Special resolution 2 is conditional upon the passing of special resolution 1 and completion of the Acquisition.

Paragraph (A) is to authorise the Directors for the purposes of section 551 of the Act, conditional upon Completion, to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company of a maximum aggregate nominal amount (in addition to the authority granted in paragraph (B) of special resolution 1 and in substitution for the authority granted at the annual general meeting on 31 May 2017) of: (i) US$586,563.40, representing 33.33 per cent. of the Enlarged Share Capital; and (ii) a further maximum aggregate nominal amount of US$586,563.40, representing 33.33 per cent. of the Enlarged Share Capital in connection with a rights issue (as defined in paragraph (D) of special resolution 2). This power will expire on the earlier of 11 January 2019 and the conclusion of the next annual general meeting of the Company. The authorities in paragraph (D) of special resolution 2 reflect the increased issued share capital of the Company following Completion. The Directors have no present intention to make use of this authority but are seeking it to ensure that the Company has flexibility in managing the Enlarged Group's resources. The Directors believe that it is prudent for them to have this power so that there is readily available for issue an appropriate pool of authorised but uncommitted ordinary shares to take advantage of any suitable opportunities that may arise to extend the Enlarged Group's activities, either to acquire further assets or to raise additional funds.

Paragraph (B) of special resolution 2, in addition to the authority granted in paragraph (C) of special resolution 1 and in substitution for the authority granted at the annual general meeting on 31 May 2017 and conditional upon Completion, disapplies statutory pre-emption rights up to (i) a maximum aggregate nominal amount of US$175,986.62 (representing 10 per cent. of the Enlarged Share Capital) and (ii) in connection with a rights issue (as defined in paragraph (A) of special resolution 1). This power will expire on the earlier of 11 January 2019 and the conclusion of the next annual general meeting of the Company and is in substitution for the similar authority granted at the annual general meeting of the Company held on 31 May 2017. The Directors have no present intention of exercising this authority but consider it desirable that they should have the flexibility to act in the best interests of Shareholders when opportunities arise.

The notice of Extraordinary General Meeting is contained at the end of this document and sets out the Resolutions in full.

21. IRREVOCABLE UNDERTAKINGS

The Company has received irrevocable undertakings from the Directors that they will, or will use reasonable endeavours to procure that the legal Shareholders will (where the Directors are not the registered holders of such Ordinary Shares) vote in favour of the Resolutions at the Extraordinary General Meeting in respect of 26,218,672 Ordinary Shares, representing, in aggregate, approximately 23.5 per cent. of the Existing Ordinary Shares.

Shareholders should note that if the Resolutions are not passed, the Acquisition and the Placing will not be completed, in which event the Company will continue to pursue its strategy of identifying acquisition targets.

22. ACTIONS TO BE TAKEN

A form of proxy is enclosed with this document for use by Shareholders in connection with the Extraordinary General Meeting. Whether or not you intend to be present at the Extraordinary General Meeting, Shareholders are asked to complete, sign and return the form of proxy in accordance with the instructions printed thereon. To be valid, completed forms of proxy must be received by the Company's Registrars, Computershare Investor Services, as soon as possible and in any event so as to arrive not later than 11.00 a.m. on 9 October 2017, being 48 hours (excluding weekends and public holidays) before the time appointed for the holding of the Extraordinary General Meeting. The completion and return of the form of proxy will not preclude Shareholders from attending the Extraordinary General Meeting and voting in person should they wish to do so. Accordingly, whether or not Shareholders intend to attend the Extraordinary General Meeting they are urged to complete and return the form of proxy as soon as possible.

23. ADMISSION, READMISSION, SETTLEMENTS AND DEALINGS

Application will be made for the Company Placing Shares to be admitted to trading on AIM and, if the Resolutions are passed at the Extraordinary General Meeting, it is expected that Admission will become effective and dealings in the Placing Shares will commence at 8.00 a.m. on 12 October 2017. Admission is not conditional on the Acquisition having completed.

As the Acquisition is classified as a reverse takeover under the AIM Rules for Companies, upon Completion occurring, the admission of the Existing Ordinary Shares (including the Placing Shares) will be cancelled and application will be made for the Enlarged Share Capital to be admitted to trading on AIM. Completion is subject to certain conditions being satisfied (or, if permitted, waived).

If the Acquisition completes, application will be made for Readmission and it is expected that Readmission will become effective and dealings in the Ordinary Shares will commence in Q4 2017.

If the Resolutions are not passed at the Extraordinary General Meeting, the Acquisition will not proceed and the Directors will consider alternative options for the Company.

24. CREST

CREST is a paperless settlement procedure allowing title to securities to be transferred from one person's CREST account to another otherwise than by written instruments of transfer in accordance with the CREST Regulations. The Articles permit the holding of Ordinary Shares under the CREST system. The Directors intend to apply for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Shareholder wishes.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able so to do.

25. RISK FACTORS

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS REFERRED TO IN PART II OF THIS DOCUMENT.

26. DIRECTORS' RECOMMENDATION

The Directors believe that the Company Placing and the Acquisition promote the success of the Company for the benefit of its Existing Shareholders as a whole. Accordingly, the Independent Board unanimously

recommend that Existing Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

By virtue of Kenges Rakishev's interest in the Selling Shareholder Placing as the beneficial owner of the Selling Shareholder Placing Shares, he has not participated in the Directors' recommendation to the Existing Shareholders.

The Directors, whose shareholdings in aggregate represent 23.5 per cent. of the issued ordinary share capital of the Company (excluding treasury shares) as at 21 September 2017, have given irrevocable undertakings to vote (or procure that the relevant registered holders vote) in favour of the Resolutions.

Yours faithfully

Nicholas Royston Clarke
Executive Chairman

PART II

RISK FACTORS

Shareholders should carefully consider the following risk factors in addition to the rest of the information contained or incorporated by reference in this document prior to making any decision as to whether or not to vote in favour of the Resolutions.

The Directors consider the following to be the material risk factors relating to the Placing and the Acquisition and to which the Group and, following Completion, the Enlarged Group will be exposed as a result of the Acquisition. If any of the risks described below were to occur, it could have a material adverse effect on the business, results of operations, financial condition and/or growth prospects of the Group and, if Completion takes place, the Enlarged Group, and the value of Shares could decline and Shareholders could lose all or part of the value of their investment in Shares. The risks described below should not be considered to be an exhaustive statement of all the potential risks and uncertainties that the Group and the Lynx Group face and that the Enlarged Group may face if the Acquisition is completed. There may be additional risks, or risks that are considered to be immaterial at the time of publication of this document that may become material and adversely affect the Group and, if Completion takes place, the Enlarged Group.

Unless otherwise indicated or the context otherwise requires, references in this Part II to 'the Group' should be taken as referring to the Enlarged Group if the Acquisition is successfully completed, and the risks summarised in this Part II should be considered as applying to the Enlarged Group.

Shareholders should read this document as a whole and not rely solely on the information set out in this section.

RISKS RELATING TO THE ACQUISITION NOT PROCEEDING

The conditions of the Acquisition may not be satisfied and the Acquisition may not be completed

Completion of the Acquisition is subject to certain conditions, including but not limited to, the approval of Shareholders at the Extraordinary General Meeting, the Placing Agreement becoming unconditional, the Debt Financing Agreement becoming unconditional (including in respect of the availability of funds to Traxys from its lenders), the consent of the existing Lynx Group lenders to the existing debt facilities becoming unconditional, applicable regulatory approvals being obtained (and associated costs being paid) and Readmission.

There can be no assurance that the conditions to completion of the Acquisition will be satisfied or waived, if applicable) by 15 December 2017 (which is the long stop date specified in the Acquisition Agreement), or that the parties would agree to extend this long stop date, if necessary. If any applicable conditions are not satisfied (or waived) by the agreed long stop date, the Acquisition will not complete. If the Acquisition does not complete, the Company would nonetheless be obliged to pay certain costs (including due diligence and advisory fees) incurred in connection with the Acquisition, Placing, Admission and Readmission.

The Placing is not conditional upon completion of the Acquisition and an investment in Placing Shares may represent only an investment in the existing Group and could give rise to a significant dilution for Existing Shareholders without the benefit of the Acquisition

As the Placing is not conditional upon completion of the Acquisition, the purchase of Placing Shares may simply be an investment in the Company and the Group, and not the Enlarged Group. In particular, the Acquisition may not complete if any of the Acquisition Conditions are not satisfied. Accordingly, in the event the Acquisition is not completed, purchasers of Placing Shares are investing in the Company and the Group on a stand-alone basis, without the business of the Lynx Group, and existing Shareholders would experience significant dilution.

In the event that the Acquisition does not complete following completion of the Placing, the Directors intend to use the funds raised to satisfy the costs of the transaction and to seek other suitable acquisition opportunities. In the event that the Placing proceeds, but the Acquisition does not take place, the Directors intend to use the funds raised by the Company to satisfy the costs of the transaction and to seek other suitable acquisition opportunities. The Company may apply the Placing Proceeds for another acquisition of a company or mineral licence by the Enlarged Group, provided that where such transaction would constitute a Class 1 transaction within the meaning of and applying the requirements of Chapter 10 of the Listing Rules (as if Chapter 10 of the Listing Rules applied to the Company), it will only do so where it has sought and received shareholder approval and complied with the provisions of Listing Rule 10.5.1 as if they applied to the Company. If no other

acquisition opportunity can be found on acceptable terms by the time of the Company's 2018 annual general meeting, and unless the Shareholders resolve otherwise it will take steps to return such sums to Shareholders as a whole and not just Placees. In the event that the Placing proceeds, but the Acquisition does not take place, it will not affect the Selling Shareholder Placing and the Selling Shareholder will be entitled to retain all sums paid to it. Such a return could carry financial costs for certain Shareholders such as taxes, withholdings, transaction or advisor costs, will incur costs on the part of the Company and would be subject to applicable securities laws.

RISKS RELATING TO THE PLACING AND ACQUISITION

The Placing and Acquisition are subject to a number of conditions that may not be satisfied or, where applicable, waived

The implementation of the Placing and Admission is subject to the satisfaction (or waiver, where applicable) of a number of conditions, including the passing of the Resolutions, consent by the Kazakh government for the issue of the Company Placing Shares and the Consideration Shares, each of the new debt facility agreements not being terminated prior to Admission, no event having arisen at any time prior to Admission which gives any party a right to terminate the Acquisition Agreement and there not having occurred any material adverse change in relation to the Group or the Lynx Group.

There is no guarantee that these (or any other) conditions of the Placing Agreement will be satisfied (or waived, if applicable), in which case the Placing and the Admission will not be completed.

The implementation of the Acquisition and the Readmission is subject to the satisfaction (or waiver, where applicable) of a number of conditions, including receipt of applicable regulatory approvals, the Placing Agreement having become unconditional and the passing of the Resolutions at the Extraordinary General Meeting.

There is no guarantee that these (or any other) conditions of the Acquisition Agreement will be satisfied (or waived, if applicable), in which case the Acquisition and the Readmission will not be completed. The conditions are summarised in more detail in Part III (*Summary of the Terms of the Acquisition*).

If completion of the Company Placing and/or the Acquisition does not occur, the Company would nonetheless be obliged to pay certain costs (including due diligence and advisory fees) incurred in connection with the Proposals. In anticipation of the Company Placing and Completion, the Company will also have invested significant time and resources (including that of the Directors) and may have, in the meantime, not been able to capitalise on other transaction opportunities.

The Republic of Macedonia may assert that certain provisions of the Minerals Law apply to the Acquisition

The Minerals Law establishes regulatory formalities which have to be obtained when selling and purchasing an exploitation concession and/or selling shares in companies owning exploitation concessions in Macedonia. One such formality includes obtaining the approval of the Ministry of the Economy and paying a fee of 7% of the value of the exploitation concession on the direct transfer of the concession or a change of control of the holder of the exploitation concession. The Sellers and the Company have separately received legal advice that these provisions do not apply, and any such fee would not be payable, in respect of indirect changes of control in companies owning exploitation concessions, such as is the case in the context of the proposed Acquisition. However, the Company is not aware of any prior comparable transactions that involved an indirect change of control of an exploitation concession holder since the Minerals Law was enacted in 2012, and no contractual protections have been provided by the Sellers in this regard. While the Company's position is that this approval (and related fee) is not applicable in the context of the Acquisition, there is a risk that the Republic Of Macedonia may take a different position. If the approval of the Republic of Macedonia were to be required for the Acquisition pursuant to the Minerals Law, there can be no guarantee that such approval would be obtained in a timely fashion, on acceptable terms or at all. While the basis for determining the value of the exploitation concession required to calculate such fee is not prescribed in detail in the Minerals Law, the Directors believe it would be material in the context of the Transaction and have provided within the aggregate costs of the transaction for what the Company believes is a reasonable estimate of the fee would be borne by the Enlarged Group, if it were to be payable. Further, there can be no assurance that any approval would be obtained before 15 December 2017, being the long stop date under the Acquisition Agreement or that any fee borne by the Enlarged Group would be within the estimate provided for by the Company. The Company would not have a contractual right to terminate the Acquisition Agreement by reason of any fee payable exceeding its current estimate.

Existing Shareholders could experience significant dilution as a result of the Proposals and will, on Readmission own less than 63.4 per cent. of the Enlarged Group

Following completion of the Company Placing and Acquisition, the Existing Shareholders will experience significant dilution as a result of the issue of the Company Placing Shares and (if relevant) the Consideration Shares and will: (i) on Admission be interested in, in aggregate, approximately 69.4 per cent. of the Company's Share Capital; and (ii) on Readmission (provided Completion occurs), be interested in, in aggregate, approximately 63.4 per cent. of the Enlarged Share Capital. As a consequence, voting power which can be exercised and the influence which may be exerted by the Existing Shareholders in respect of the Group or of the Enlarged Group (provided Completion occurs) will be significantly reduced.

There can be no assurance that the Group will realise the anticipated benefits of the Acquisition

If Completion occurs, the Group may not realise the anticipated benefits from the Acquisition or may encounter difficulties in achieving the anticipated benefits. The Group is subject to all of the risks set forth in this "Risk Factors" section which may impact the Group's ability to realise the benefits its Directors believe will result from the Acquisition. In addition, if the future financial performance and cash flows generated by the Group are not in line with the Directors' expectations, it may significantly affect the financial performance of the Group. This could reduce the potential benefits arising from the Acquisition, adversely affect the market price of the Ordinary Shares, or have a material adverse effect on the Group's business, financial condition, operating results and prospects including its ability to pay a dividend.

The due diligence carried out in respect of the Lynx Group may not have revealed all relevant facts or uncovered significant liabilities

While the Company conducted certain due diligence in respect of the Acquisition with the objective of identifying any material issues that may affect its decision to proceed with the Acquisition, there can be no assurance that all such issues have been identified. The Company also used information revealed during the due diligence process to formulate its business and operational planning. During the due diligence process, the Company is only able to rely on the information that was made available to it. Any information that was provided or obtained from available sources may not have been accurate at the time of delivery and/or remained accurate during the due diligence process and in the run-up to the Acquisition. More broadly, there can be no assurance that the due diligence undertaken was adequate or accurate or revealed all relevant facts or uncovered all significant liabilities. If the due diligence investigation failed to identify key information in respect of the Lynx Group, or if the Company considered certain material risks to be commercially acceptable, the Company may be forced to write-down or write-off assets in respect of the Lynx Group, which may have a material adverse effect on the Enlarged Group's business, financial condition or results of operations. In addition, following the Acquisition, the Company may be subject to significant, previously undisclosed liabilities in respect of the Lynx Group that were not known or identified during due diligence and which could have a material adverse effect on the Group's business, financial condition and results of operations including its ability to pay a dividend.

Foreign exchange risk arises as a result of the proceeds of the Company Placing being in pounds sterling and the consideration payable under the Acquisition Agreement being in US dollars.

The proceeds raised by the Group pursuant to the Company Placing will be in pounds sterling, but the payment to the Sellers pursuant to the Acquisition will be made in US dollars. There could be a period of several weeks between Admission and the payment to the Sellers pursuant to the Acquisition, during which time the Group will therefore be exposed to the risk of a significant appreciation in the US dollar against the pound sterling. The Group has entered into currency hedge arrangements in respect of the majority of the anticipated net proceeds of the Company Placing in order to limit its total exposure to adverse currency movements in respect of the Acquisition, although there is no guarantee that such measures will be implemented or be fully effective. The Group will incur additional costs if hedging is secured for this exchange rate risk. Should the US dollar appreciate against the pound sterling and such hedging measures are not implemented or fully effective, the cost of the Acquisition for the Group will increase which could have a material adverse effect on the returns the Group is able to make to its Shareholders and the Group's financial condition.

Acquisition and integration costs may be greater than anticipated

The Company expects to incur a number of costs in relation to the Acquisition, including integration and post-completion costs in order to successfully combine the operations of the Group and the Lynx Group, assuming the Acquisition completes. The actual costs of the acquisition and integration process may exceed

those estimated and there may be further additional and unforeseen expenses incurred in connection with the Acquisition. In addition, the Group will incur legal, accounting, financial adviser and transaction fees and other costs relating to the Acquisition, some of which are payable whether or not the Acquisition reaches Completion. Although the Directors believe that the integration and Acquisition costs will be more than offset by the realisation of the benefits resulting from the Acquisition, this net benefit may not be achieved in the short-term or at all, particularly if the Acquisition is delayed or does not complete. These factors could materially adversely affect the business, financial conditions, results of operations and prospects of the Group including its ability to pay a dividend.

The Group will not have full recourse to the Sellers against all potential liabilities in connection with the Acquisition, whether identified or unidentified

Under the terms of the Acquisition Agreement, the Sellers will provide the Group with certain limited indemnities, covenants and warranties in relation to the Lynx Group. However, these indemnities, covenants and warranties may not cover all potential liabilities associated with the Lynx Group, whether identified or unidentified, and they are in certain circumstances limited in scope, duration and/or amount. In particular, the warranties and indemnities are largely limited to matters arising after the Sellers acquired the SASA Mine in November 2015, and therefore the Group will have minimal protection in relation to matters arising prior to this. The Group may not have full recourse against, or otherwise recover in full from, the Sellers in respect of all losses which it may suffer in respect of a breach of those covenants and warranties, or in respect of the subject matter of any of the indemnities, or otherwise in respect of the Acquisition. In addition, the Group will be dependent on the ongoing solvency of the Sellers to the extent it seeks to recover amounts in respect of claims brought under such indemnities, covenants and warranties. The warranties, covenants and indemnities provided by the Sellers do not cover all issues identified by the Group, nor do they cover all fees and costs that may be payable by the Lynx Group in connection with the Acquisition, which may be material. To the extent the Group suffers any losses and is unable to recover such losses from the Sellers it could have a material adverse effect on the Group's business, results of operation, financial condition and ability to pay a dividend.

The Sellers are special purpose vehicles

The Sellers are special purpose vehicles. Although the Acquisition Agreement provides for certain remedies and contractual protections in favour of the Group, and a guarantee from an affiliate of one of the Sellers, in practice the Group may not have successful recourse against the Sellers or their guarantor under the Acquisition Agreement as the entities may not own any other assets and may be wound up in due course following Completion prior to the expiry of the period in which such claims can be made by the Group.

The integration process may result in disruption

Until Completion, the Group and the Lynx Group will continue to operate as two separate and independent businesses. The integration process for these two businesses will only begin following Completion and the success of the Enlarged Group will depend, in part, on the effectiveness of this integration process. The Company does not plan to hire separate integration specialists to manage this process and it will be a time consuming process that will demand a significant amount of involvement on the part of the Directors and senior management of the Company, which may divert focus and resources from the day-to-day management of the Group's business.

In particular, while the Company will enter into the Transitional Services Agreement to ensure certain transitional arrangements are in place following Completion, there can be no assurance that the mining operations at the SASA Mine will continue without disruption. A large number of operational responsibilities and knowledge are concentrated in the Lynx Group management team, all of whom will not be retained on Completion, and the Company will only be provided limited access to certain key individuals for a period of three months following Completion pursuant to the terms of the Transitional Services Agreement. Whilst there is significant mining experience among the Company's senior management team, there is limited underground mining experience. Moreover, whilst the SASA Mine is a standalone asset and it is assumed that it will largely continue to operate as it has done prior to Completion, there are a number of key SASA operational activities that are controlled directly by Orion and the Lynx Group and the change of control on Completion may lead to business disruptions.

There is also limited capability and experience at Lynx for the preparation of financial information in accordance with IFRS and the information required to support public company processes and disclosures. This, coupled with the fact that the existing Lynx Group monthly financial reporting timetable is not aligned with the Company's reporting requirements, could cause delays during the half year and year end financial reporting

process of the Enlarged Group. Additionally, many aspects of the Lynx Group and the SASA Mine internal controls and processes are not formally documented and improvements will need to be made in order to align these with the practices generally observed by listed companies in the UK. These include (but are not limited to) the implementation of formal risk management procedures, IT policies, formal KPI reporting and re-forecasting processes.

As a result, the integration process may result in the disruption of ongoing business that may adversely affect the Enlarged Group's ability to achieve the anticipated advantages of the Acquisition. Moreover, some of the potential challenges in combining the businesses may not become known until after Completion.

Management's attention may be diverted from the business of the Enlarged Group by the Acquisition

The Acquisition has required, and will continue to require, substantial amounts of time from the Group's and the Lynx Group's management teams, which could adversely affect their ability to operate the respective businesses. The Enlarged Group's management team will also be required, following Completion, to devote significant attention and resources to integrating the businesses. There is a risk that the challenges associated with managing the Acquisition will result in management distraction and that consequently the underlying businesses will not perform in line with expectations.

The loss of one or more members of the Enlarged Group's key employees following the Acquisition could adversely affect the Enlarged Group's business, prospects, financial condition and results of operation

The performance of the Enlarged Group's management and other key employees, taken together, is critical to the success of the Enlarged Group and, while plans are, or will be put in place, for the retention of management and other key employees, there can be no assurance that the Acquisition will not result in the departure of management and/or other key employees from the Enlarged Group. Such departures may take place either before Completion or during the Enlarged Group's integration process following Completion. Failure of the Enlarged Group to maintain or put in place plans or arrangements or otherwise to incentivise employees appropriately could result in the departure of management and/or other key employees. The departure of a significant number of management or other key employees could adversely affect both the Enlarged Group's ability to conduct its businesses (through an inability to execute business operations and strategies effectively) and the value of those businesses, which could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations and prospects.

Borrowing and interest rate risk

The Acquisition will result in the raising of debt finance, which will significantly increase the overall levels of borrowing in the Enlarged Group. The Enlarged Group's borrowing costs are likely to increase as a result of this additional debt and may also increase further due to increases in interest rates as set by the lending institutions. The Enlarged Group's indebtedness will impose financial and other restrictive covenants that limit the ability of the Enlarged Group to, among other things, borrow additional funds and dispose of assets, and the failure, in the longer term, to comply with such restrictions may result in an event of default, which, if not cured or waived, could have a material adverse effect on the Enlarged Group. The Enlarged Group's leverage may hinder the Enlarged Group's ability to adjust rapidly, if required, to changing market conditions and could make the Enlarged Group more vulnerable in the event of a downturn in economic conditions or its business.

Taxation

Any change in the Company's tax status, the tax consequences of the Acquisition, or in taxation legislation in the UK or in any jurisdiction in which the Enlarged Group operates (as described more fully in the "*Risks generally relating to the countries in which the Group operates*" section) could affect the Group's profitability and ability to maintain returns to shareholders.

RISKS SPECIFIC TO THE GROUP IN MACEDONIA

The following risk factors will be relevant to the Group if Completion occurs.

Political Instability

Macedonia has been involved in political turmoil in recent years, cumulating in anti-government protests in 2015, 2016 and 2017. An early election was held in December 2016, as part of an EU-mediated multiparty agreement, in order to break a year-long parliamentary deadlock and maintain the country on a path towards formal EU accession talks. However, the election produced an indecisive election result and on 2 March 2017

President Gjorge Ivanov's decided to block the opposition Social Democratic Union (SDSM) leader, Mr Zoran Zaev, from forming a government. On 31 May 2017 Mr Zoran Zaev (with the President's consent) formed a coalition between his own party, the Democratic Union for Integration and the "Alliance for the Albanians" coalition in order to serve as the official government. There may be ongoing political uncertainty during the new coalition government's tenure which could lead to material adverse consequences for the Group's operations in Macedonia.

Construction of a new tailings' storage facility may be delayed

A new tailings' storage facility is currently being built at the SASA Mine ("**TSF 4**") which will be required for the operation of the SASA Mine once the existing tailings facility reaches its maximum storage capacity, which is expected to occur around October 2018. Construction of TSF 4 could be delayed for a number of reasons, including delays in obtaining the necessary permits and consents. Any such delay could have a material impact on the operations and profits of the Lynx Group and, following Completion, the Enlarged Group.

River Diversion Tunnel

The SASA Mine is undertaking a structural integrity assessment for the two kilometre long tunnel that diverts the Kamenica river around and underneath the existing tailings facility, to advise on any potential requirements for additional support or remediation. The findings of this study could result in additional costs for the remediation of this infrastructure and consequently could have a material impact on the operations and profits of the Lynx Group and, following Completion, the Enlarged Group.

Environmental Permits

The Macedonian environmental inspectorate has found that Rudnik SASA DOOEL's discharge waters have occasionally exceeded the limits prescribed in its A-integrated Permit. Rudnik SASA DOOEL has submitted an application to amend the permitted limits for discharge waters under the A-integrated Permit as the permitted limits are stricter than those permitted under Macedonian environmental law. This application is currently pending before the Macedonian Ministry of Environment and Physical Planning ("**MOEPP**"). If MOEPP refuses to grant the amendment to the A-integrated Permit requested by Rudnik SASA DOOEL, it would continue to be bound by the current limits in the A-integrated Permit. If that is the case and there are further instances of the discharge waters exceeding the prescribed limits, such breach could have a negative effect on the ongoing operations of Rudnik SASA DOOEL and the Enlarged Group following Completion.

During a recent control environmental inspection, the Environmental Inspectorate determined that Rudnik SASA DOOEL needs to construct certain settlement ponds on Horizon 830 within 90 days of obtaining the construction permits. If the discharge limits are not met following construction of the settlement ponds, the company may need to treat chemically the waters to achieve compliance, or pump the water back to the tailings storage facility. Either of these options would impose additional costs on the Lynx Group and, following acquisition, the Enlarged Group.

Taxation

Rudnik SASA DOOEL is currently the subject of a routine annual tax inspection by the Macedonian tax authorities. Any negative findings in this inspection could have a material adverse effect on the profits and operations of the Lynx Group and, following Completion, the Enlarged Group.

Rudnik SASA DOOEL has also filed a request to obtain a withholding tax exemption in line with existing double taxation treaties in respect of all payments to its existing lenders (being Investec and Société Générale) executed in 2016. In addition, Rudnik SASA DOOEL has requested the authority's opinion in respect of the tax treatment of the silver stream arrangements in order to confirm whether the relevant transactions are tax-neutral. If an adverse ruling is made in relation to either of these requests it could have a material adverse effect on the Lynx Group and, following Completion, the Enlarged Group.

The Lynx Group is currently appealing a tax ruling alleging improper tax practices with respect to historic shareholder loans. Although the Company has been advised that this would be unlikely, there can be no guarantee that the authorities will not initiate a criminal investigation with respect to these allegations, which (if sustained) could have material adverse consequences for the Group's business. Further information on this dispute is set out in paragraph 10.2 of Part XII (*Additional Information)* of this document.

Privatisation Procedure

Rudnik SASA DOOEL has applied for privatisation of certain plots of land which, if successful, would enable it to acquire full ownership over the land concerned. The application is still pending. If the application is refused, Rudnik SASA DOOEL could continue to use the land but it would need to enter into a lease agreement or purchase the land from the Macedonian government. This could lead to the Lynx Group incurring material costs and consequently could have a material impact on the operations and profits of the Lynx Group and, following Completion, the Enlarged Group.

Legalisation Procedure

Due to recent changes in Macedonian law, Rudnik SASA DOOEL was required to retrospectively apply for the legalisation of certain constructions, ranging from sewage networks to various electrical cables. The procedure is ongoing. While the Directors believe that all relevant documentation has been submitted and that the procedure will be completed during 2018, there can be no assurance this will be the case. If the legalisation procedure is not successful, the relevant constructions may be required to be dismantled or removed. This could result in significant costs for Lynx Group and consequently could have a material impact on the operations and profits of the Lynx Group and, following Completion, the Enlarged Group.

Liability for Historic Pollution

There are certain historic events of pollution arising from acid rock drainage and waste rock dumps that occurred prior to Rudnik SASA DOOEL's acquisition of the SASA Mine in 2005. Whilst the Company has been advised that Rudnik SASA DOOEL should not legally be held liable for these historic events of environmental pollution, there is a risk that it could be held liable to the extent that the environmental damage is enhanced, maintained or continued by the activities undertaken pursuant to the current operation of the SASA Mine. In addition, there is a remote risk that, upon expiry of the concession, Rudnik SASA DOOEL could be required to rehabilitate areas affected by historic pollution to the extent that they are located within the concession exploration area or other land used for the operation of the SASA Mine. If Rudnik SASA DOOEL is held liable for the aggravation or continuation of historic pollution or is required to rehabilitate land affected by such pollution in the future, this could have a material adverse effect on the prospects of the Enlarged Group.

RISKS SPECIFIC TO THE GROUP IN KAZAKHSTAN

Liability for Kazakhstan subsidiaries

Under Kazakh law, the Group may be severally liable for the obligations of its Kazakh subsidiaries, if the Group has the ability to make decisions for such Kazakh subsidiaries or as a result of its ownership interest or the terms of a binding contract: (i) the Kazakh subsidiaries concluded the transaction giving rise to the obligations pursuant to the Group's mandatory instructions; and (ii) the Kazakh subsidiaries become bankrupt due to the Group's fault. The Directors do not believe that members of the Group should be liable for the liabilities of their subsidiaries but it is a risk that applies to Kazakh companies, which if a Group member were to become bankrupt could result in the Group being liable for the liabilities of such insolvent company. As a result, there could be a material adverse effect on the Group's business, results of operations and financial condition and the price of the Shares.

Leaching Operations

The nature of in-situ leaching means that there are varying grades and flows of copper bearing solution from the dumps. Should the flow and/or grade drop, this could lead to a reduction in copper cathode produced. During 2017, operations have begun on the Western Dumps where the Company did not previously have operational leaching experience. An interruption to the project's water supply could have an adverse impact on leaching operations. Any interruptions or disruptions of leaching operations could have a material adverse effect on the Group's operations in Kazakhstan.

Kounrad SX-EW Operations

The Kounrad SX-EW operations have a number of critical supplies, particularly reagents and electricity, and the loss of any one may have a significant adverse impact on the production of copper cathode, which could have a material adverse effect on the Group's operations in Kazakhstan.

The SX operations of the Kounrad facility in particular have a significant risk of fire due to the materials used in the extraction of copper, and there can be no assurance that any fire detection or prevention systems will be effective. Any such fire could severely disrupt the Group's operations and therefore materially and adversely affect its financial position and prospects.

The Subsoil Law

The Subsoil Law establishes regulatory formalities which have to be obtained when selling and purchasing the subsoil use rights and/or selling shares in companies owning or directly or indirectly controlling subsoil use companies in Kazakhstan. One of such formalities includes the state waiver of the statutory pre-emptive right, which before January 2015 was applicable to any subsoil use contract, however, today applies only to subsoil use contracts concluded in respect of deposits or subsoil use plots of strategic importance. There is a possibility that transactions which the Group has entered into in the past, and for which waivers have not been obtained, may be deemed to have required such a waiver. Whilst the Directors are of the view that the risk to the Group from the waiver under the Previous Subsoil Law being triggered is low given the stage of development of the assets at that time, and the subsequent granting of such waiver in respect of the Placing and Admission, any breach may have a material adverse impact on the Group's interest.

Since adoption in 2010, the Subsoil Law has undergone a number of amendments. In 2015, the concept of new subsoil use code was introduced (the "**Subsoil Code**") to supersede the Subsoil Law and related regulations. The draft Subsoil Code has been developed by the Ministry for Investments and Development of the Republic of Kazakhstan, involving experts from the KazEnergy Association, Kazakhstan Petroleum Lawyers' Association (KPLA), Association of Mining and Mining-and-Metallurgical Enterprises (AMME) and employees of the profile ministries and is expected to be enacted in early 2018. The latest draft of the Subsoil Code contains a number of substantial regulatory changes including the introduction of a licensing regime which would entail that new subsoil use rights in respect of minerals will be granted on the basis of licences rather than subsoil use contracts. At the same time, the transitional provisions of the draft Subsoil Code provide that contracts and licences executed before the introduction of the Subsoil Code would remain valid. If, by the time of enactment of the Subsoil Code, this part of the transitional provisions is excluded, the future status of the Company's existing subsoil contract and licence in respect of Kounrad and Shuak will be unknown. A change in subsoil use legislation affecting the Company's current subsoil use right may have a material adverse impact on the Group's finances and results of operations.

The Kazakhstan government has the right to initiate reviews of subsoil use contract terms and to unilaterally terminate subsoil use contracts in respect of deposits of "strategic importance". A list of 361 deposits of strategic importance and criteria for designation of deposits as strategic were approved by Kazakhstan Government decree in October 2011, replacing the previously effective list comprised of 231 deposits. Although the Kounrad mine in Kazakhstan was not included on this list, the Kazakhstan Government is entitled to amend this list and the criteria at any time.

Shuak Subsoil Use Agreement

In November 2016, the Company entered a framework agreement to acquire an 80 per cent. effective interest in the subsoil use contract for the Shuak gold and copper exploration property, with 20 per cent. being held by local partners. The transfer of this subsoil use contract to an entity wholly held by Shuak BV was completed in August 2017. The consideration for this acquisition is an investment in exploration activities of US$2 million over five years, subject to continued positive results from exploration activities and the general economic outlook for commodity prices.

The previous holder of the Shuak subsoil use contract could not achieve full compliance with its contractual and regulatory obligations. Pursuant to Kazakhstan subsoil use legislation, after transfer of the subsoil use right in respect of the Shuak gold and copper exploration property to Shuak BV's subsidiary, the Kazakhstan authorities will retain full discretion to terminate the Shuak subsoil use contract for breaches committed by the previous holder of the contract. Should this occur, this may adversely affect the Enlarged Group in Kazakhstan.

Fluctuations in the Kazakhstan Tenge

In 2015 there was an 85 per cent. devaluation of the Kazakhstan Tenge against the US Dollar. The immediate impact for the Company was positive as the Group's income in Kazakhstan through the export of copper cathode is generated in US Dollars. The Group manages its exposure to foreign currency exchange risk associated with material commercial transactions and working capital requirements by maintaining controlled amounts of cash in the required currencies. The Group does not hedge foreign exchange risk. Further

fluctuations in the Tenge may result in foreign exchange losses that have a material adverse impact on the Group's operations in Kazakhstan.

Tax Law

Having adopted the current Tax Code in 2008, the Kazakhstan Government has been developing the new Tax Code to supersede the current one (the "**New Tax Code**"). Upon a statement made by the President of the Republic of Kazakhstan, the new Tax Code must be developed by the end of 2017. The New Tax Code is being developed under time constraints without extensive discussion with businesses, including subsoil users. Given that the Company's business in Kazakhstan does not enjoy tax stability exemptions, there is no assurance that the New Tax Code will not introduce a tax burden adversely affecting the Group's business, financial condition and results of operations in Kazakhstan.

The President of Kazakhstan, Nursultan Nazarbayev, has been in office since 1991 and should he leave office without a smooth transfer to his successor, the political and macroeconomic situation in Kazakhstan could become unstable

Kazakhstan's President, Nursultan Nazarbayev, has been in office since Kazakhstan became an independent sovereign state in 1991. Under President Nazarbayev's leadership, the foundations of a market economy have taken hold, including privatisation of state assets, liberalisation of capital controls, tax reforms and pension system development. Should President Nazarbayev fail to complete his current term of office for whatever reason or should a new president be elected, Kazakhstan's political situation and economy could become unstable and the investment climate in Kazakhstan could deteriorate. For example, a new government could adopt taxation or subsoil use regimes that would be less favourable to mining companies. Changes to Kazakhstan's property, tax or mining regulatory regimes, or other changes that affect the investment climate in Kazakhstan, could negatively affect the Group's business, financial condition and results of operations.

The Group's export sales in Kazakhstan are subject to domestic transfer pricing regulations

Generally, all cross-border and certain other transactions in Kazakhstan are subject to the domestic transfer pricing regulations, which state that transaction prices for tax purposes are to be determined based on market prices. There are special procedures in Kazakh tax regulations to determine the applicable market price for a given transaction. Where the prices of the Group's exports in Kazakhstan deviate from the applicable market prices, the Kazakh tax authorities are entitled to make tax adjustments and assessments to corporate income tax and any other taxes affected, as well as assess fines and late payment interest if such adjustments lead to an increase in tax payments by an entity. Audits of transfer pricing issues are routinely carried out by the tax authorities in respect of exporters of oil, gas and minerals. Kazakhstan's tax laws are not always clearly expressed, have not always been applied in a consistent manner and continue to evolve. The uncertainty of application and evolution of tax laws creates a risk of additional and substantial payments of tax by the Group, which could have a material adverse effect on the Group's business, results of operations and financial condition and the price of the Shares.

In certain circumstances, the Kazakh tax authorities have conducted tax audits and raised additional tax assessments within the statute of limitation for five years after the end of the relevant tax period.

RISKS SPECIFIC TO THE GROUP IN CHILE

Status of the Copper Bay Project

Although the definitive feasibility study undertaken in 2016 in respect of Copper Bay illustrated that the project would have potentially significant value, the Company is unlikely to progress a development of Copper Bay and the Board has now decided to seek to sell the Group's interest in the project. Ultimately, there can be no certainty that the Group will be able to sell its interests in the project on acceptable terms or at all or that significant value will otherwise be realised in relation to the Group's investment in Copper Bay.

RISKS RELATING TO THE OPERATIONS OF THE GROUP

Exploration, development and operating risks

The exploration for and development of mineral deposits is speculative and involves significant risks which even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Once a mineral deposit is discovered it can take several years to determine whether Mineral Resources or Ore Reserves exist. During this time the economic viability of production may change.

Substantial expenditure may be required to locate and establish mineral resources or ore reserves through drilling, metallurgical and other testing techniques, to develop metallurgical processes to extract metal from the ore and to construct mining and processing facilities at a particular site. It is impossible to ensure that the exploration or development programmes planned by the Group will result in a profitable commercial mining operation. Whether a mineral deposit will be commercially viable depends on a number of factors, some of which are: (i) the particular attributes of the deposit, such as size, grade and proximity to infrastructure; (ii) metal prices, which are highly cyclical; and (iii) government regulations, including regulations relating to prices, taxes, royalties, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital.

Mineral Resource and Ore Reserve estimates

The Group's reported Mineral Resources are only estimates, which are based on a range of assumptions. In addition, Mineral Resource estimates are based on limited sampling and consequently are uncertain because the samples may not be representative. There are numerous uncertainties inherent in estimating Mineral Resources and Ore Reserves, including factors beyond the control of the Group and, following the Acquisition, the Enlarged Group. The estimation of Mineral Resources and Ore Reserves is a subjective process and the accuracy of any such estimates is a function of the quality of available data and of engineering and geological interpretation and judgment. Results of drilling, metallurgical testing, production, evaluation of mine plans and exploration activities subsequent to the date of any estimate may justify revision (up or down) of such estimates. There is no assurance that Mineral Resources can be economically mined. Those portions of the Mineral Resources that have not been converted to Ore Reserves do not have demonstrated economic viability. A Mineral Resource is not the equivalent of a commercially mineable ore body or an Ore Reserve. Lower market prices, increased production costs, reduced recovery rates and other factors may render the Group's (and following the Acquisition, the Enlarged Group) Ore Reserves uneconomic to exploit and may result in revision of its Ore Reserve estimates from time to time. Ore Reserve data are not indicative of future results of operations. If in the future, the Group's actual Mineral Resources and Ore Reserves prove to be less than the current estimates, other than as a result of depletion through production, or if the Group fails to develop its resource base through the upgrading of Inferred Mineral Resources to Indicated or Measured Resources, or by realisation of identified new mineralised potential, the Group's results of operations and financial condition may be materially and adversely affected. The Company and the Directors cannot give any assurance that the estimated Ore Reserves will be recovered as the Group proceeds through production or that they will be recovered at the volume, grade and rates estimated.

Dependence on key personnel

The success of the Enlarged Group, in common with other businesses of a similar size, will be highly dependent on the expertise and experience of its Directors and senior management. The loss of any key personnel could harm the business or cause delay in the plans of the Enlarged Group whilst management time is directed at finding suitable replacements. The future success of the Enlarged Group is in part dependent upon its ability to identify, attract, motivate and retain staff with the requisite expertise and experience. Although the Group and the Lynx Group enter into employment arrangements with its key personnel to secure their services, the Group nor the Lynx Group cannot guarantee the retention of such key personnel. Should key personnel leave, the Group's business, prospects, financial condition or results of operations may be materially adversely affected.

Reliance on third parties

The Enlarged Group will be reliant on third party service providers, including Fusion management pursuant to the Transitional Services Agreement and the Sellers pursuant to the terms of a transitional services agreement, and suppliers to provide equipment, infrastructure and raw materials required for the Enlarged Group's business and operations and there can be no assurance that such parties will be able to provide such services in the time scale and at the cost anticipated by the Company.

Mining Risks

The business of mining and mineral processing involves a number of risks and hazards, including industrial accidents, labour disputes, community conflicts, activist campaigns, unusual or unexpected geological conditions, equipment failure, changes in the regulatory environment, environmental hazards, and weather and other natural phenomena such as earthquakes and floods. The Enlarged Group may experience material mine or

plant shutdowns or periods of reduced production as a result of any of the above factors. Such occurrences could result in material damage to, or the destruction of, mineral properties or production facilities, human exposure to pollution, personal injury or death, environmental and natural resource damage, delays in mining, monetary losses and possible legal liability, and may result in actual production differing, potentially materially, from estimates of production, including those contained in this document, whether expressly or by implication. There can be no assurance that the realisation of operating risks and the costs associated with them will not materially adversely affect the results of operations or financial conditions of the Enlarged Group.

Commodity pricing

The profitability of the Enlarged Group's operations will be dependent upon the market price of copper, zinc and lead. Metal prices fluctuate widely and are affected by numerous factors beyond the control of the Company. The level of interest rates, the rate of inflation, the world supply of mineral commodities and the stability of exchange rates can all cause significant fluctuations in prices. Such external economic factors are in turn influenced by changes in international investment patterns, monetary systems and political developments. The price of mineral commodities has fluctuated widely in recent years, and future price declines could cause commercial production to be impracticable, thereby having a material adverse effect on the Company's business, financial condition and results of operations. A significant or sustained downturn in copper, zinc and lead prices would adversely affect the Enlarged Group's available cash and liquidity and could have a material adverse effect on its business, results of operations and financial condition of the Enlarged Group in the longer term. Furthermore, reserve estimates and feasibility studies using significant lower commodity prices could result in material write-downs of the Enlarged Group's investment in its assets and increased amortisation, reclamation and closure charges. In addition to adversely affecting the Enlarged Group's reserve estimates and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Competition

Mines have finite lives and, as a result, one of the ways the Group seeks to replace and expand its reserves is through the acquisition of new mining concessions and properties. There is a limited supply of desirable mining concessions and properties with potential mineralisation available in Kazakhstan and Macedonia, which is where the Group would consider conducting further exploration and/or production activities. Because: (i) the Group faces competition for new mining concessions and properties from other mining companies, some of which may have greater financial resources than the Group; and (ii) the current owners of desirable properties may be unwilling to sell the property to the Group, the Group may be unable to acquire attractive new mining concessions and/or properties on terms that it considers acceptable or at all. As a result, the Group's revenues may decline over time, thereby materially and adversely affecting its results of operations and financial condition.

Future financing and commercial viability of future projects

The capital expenditure plans of the Group and the further development and exploration of mineral properties in which the Group holds interests or which the Group may acquire may depend upon the Group's ability to obtain financing through joint ventures, debt financing, equity financing or other means. The turmoil caused by the global financial crisis has resulted in major financial institutions consolidating or going out of business, the tightening of credit market, significantly lower liquidity in most financial markets and extreme volatility in fixed income, credit, currency and equity markets. No assurance can be given that the Group will be successful in obtaining any required financing as and when needed on acceptable terms or at all, which could prevent the Group from further development and exploration or additional acquisitions.

The Enlarged Group's operations will be located in Kazakhstan and Macedonia, areas that have experienced economic and political difficulties in the past and which may be perceived as unstable. This may make it more difficult for the Group to obtain debt financing from projects or other lenders if it should determine that debt financing is the appropriate method of funding in the future. Failure to obtain additional financing on a commercial and timely basis may cause the Group to postpone its capital expenditure plans, forfeit its rights in properties or reduce or terminate operations. Reduced liquidity or difficulty in obtaining future financing could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group's growth projects may require greater investment than currently expected or suffer delays or interruptions, which could cause cost overruns. Any such delay, interruption or cost overruns in implementing the Group's planned capital investments could result in the Group failing to complete the projects and a reduction in future production volumes, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, projects may not prove to be commercially viable upon completion.

Infrastructure

Mining, processing, development and exploration activities depend, to a significant degree, on adequate infrastructure. In the course of developing future mines the Group, may need to construct and support the construction of infrastructure, which includes permanent water supplies, tailings storage facilities, power, rail and maintenance facilities and logistics services and access roads. Reliable rail facilities, roads, bridges, power sources and water supply are important determinants, which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could materially adversely affect the Group's operations, financial condition and results of operations. Any such issues arising in respect of the supporting infrastructure or on the Group's sites could materially adversely affect the Group's results of operations or financial condition. Furthermore, any failure or unavailability of the Group's operational infrastructure (for example, through equipment failure or disruption to its transportation arrangements) could materially adversely affect the production output from its mines or impact its exploration activities or development of a mine or project.

Uninsured hazards

The Group may be subject to substantial liability claims due to the inherently hazardous nature of its business or for acts and omissions of contractors, sub-contractors or operators. Any indemnities the Group may receive from such parties may be limited or may be difficult to enforce if such contractors, sub-contractors or operators lack adequate resources. The Company believes that the level of the Group's insurance cover (and that of the operators of assets it does not itself operate) is reasonable based on the costs of cover, the risks associated with its business and industry practice. The Company can give no assurance that the proceeds of insurance applicable to covered risks will be adequate to cover expenses relating to losses or liabilities. Accordingly, the Group may suffer material losses from uninsurable or uninsured risks or insufficient insurance coverage. The Group will also be subject to the risk of unavailability, increased premiums or deductibles, reduced cover and additional or expanded exclusions in connection with its insurance policies and those of operators of assets it does not itself operate.

Decline in reserves, resources and production over time

To realise future production growth, extend the lives of its mines and ensure the continued operation of the business, the Group must continue to produce from its existing identified reserves, convert resources into reserves, develop its resource base through the realisation of identified mineral potential, undertake successful exploration and/or acquire new reserves and resources. The Group's reserves and resources decline as copper, zinc, lead and silver are produced by the Group. Mineral Resources may be increased when the Group discovers or acquires rights to new deposits or operations or increases reserves of operating mines via additional exploration. Once mineral deposits are discovered or acquired, it may take a number of years to complete geological surveys to assess whether these deposits are in such form, grade and quantity that there are reasonable prospects for eventual economic extraction and therefore qualify as Mineral Resources. Following technical studies to assess whether production is technically feasible, the economic viability of production may change during that time, which will determine whether or not the Mineral Resources can be converted to Ore Reserves.

Substantial capital expenditure is required to identify and delineate Mineral Resources and Ore Reserves through geological surveying, drilling and sampling to determine the appropriate metallurgical processes to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities.

Any acquisition that the Group may choose to complete may change the scale of the Group's business and operations and may expose the Group to geographical, political, operating, financial and geological risks. The Group's success in its acquisition activities depends on its ability to identify suitable acquisition candidates, negotiate acceptable terms and integrate the acquired entity successfully into the Group's operations. The volume of production from properties generally declines as reserves are depleted. The Group's future production growth is dependent upon its success in finding or acquiring and developing additional reserves. There can be no assurance that the Group will be able to identify future reserves or continue to extend the mine

life of its existing operations. If the Group is unsuccessful in locating and/or securing new reserves, the Group's total reserves and production will decline, which would materially adversely affect the Group's business and the results of its operations.

Processes and chemicals

Mining activities are generally subject to environmental and safety hazards as a result of the processes and chemicals used in extraction and production. In particular, the Group transports, uses and disposes of cyanide and other hazardous substances at its mines, which gives rise to the risk of spillage or seepage in areas where there could be damage or harm caused to the environment and/or to the public. The Group's operations also involve the discharge of materials and contaminates into the environment, the disturbance of land and other potential harm to the environment. Furthermore, the storage of tailings may present a risk to the environment, property and persons. There remains a risk of leakage from, or failure of, the Group's tailings dams during the operating life of the mines or after their closure.

The Group may be liable for losses associated with environmental hazards and rehabilitation, have its licences and permits withdrawn or suspended, face negative reputational consequences or be forced to undertake extensive remedial clean-up action or to pay for government-ordered remedial clean-up actions, even in cases where such hazards have been caused by any previous or subsequent owners or operators of the property, by any past or present owners of adjacent properties or by acts of vandalism by trespassers. Any such losses, withdrawals, suspensions, reputational consequences, actions or payments may have a material adverse effect on the Group's business, results of operations and financial condition and the price of its shares.

Appropriation of land

The Group's operations depend on obtaining rights to access and develop mineral resources, which may require that land be appropriated from land owners and/or users, potentially resulting in their displacement. This may result in opposition to the Group's future plans or pressure from governmental bodies, regional authorities, local community groups or other parties for the Group to amend or cease its land appropriation projects or activities.

The Group may also face negative publicity or law suits as a result of its land appropriation activities, projects or plans. There can be no guarantee that the Group will be able to adequately meet the demands of, or come to a suitable agreement with, these third parties.

Furthermore, the Group cannot rule out the possibility that such opposition may result in the Group being unable to carry out future exploration and/or development projects, or that future applications by the Group for exploration, development or mining permits and licences may be refused as a result of such opposition. If any of these events were to occur, they could have a material adverse effect on the Group's business, results of operations and financial condition and the price of its shares.

Employees

Although the Company believes that the Group's relations with its employees are good, there can be no assurance that a work slowdown or stoppage will not occur at any of the Group's operating units or exploration prospects. Any future work slowdowns, stoppages, disputes with employee unions or other employment-related developments or disputes, including the entry into or renegotiation of collective bargaining agreements, could result in a decrease in the Group's production levels and adverse publicity and/or increase costs, which could have a material adverse effect on the Group's business, results of operations and financial condition and the price of its shares.

Financial, accounting, marketing and other data processing information systems

The Group's operations are dependent on information systems and technology. The cost of maintaining the Group's information systems may increase from its current level. The Group has taken precautions through disaster recovery sites to limit the impact that a disruption to these key offices could cause. Although precautions have been taken and plans are in place, a disaster or a disruption in the infrastructure at a main site and its disaster recovery site that supports the Group's business, including a disruption involving electronic communications or other services used by it or third parties with whom it conducts business, or directly affecting its headquarters or other key offices, could have a material adverse impact on its ability to continue to operate its business without interruption.

In addition, insurance and other safeguards might only partially reimburse the Group for its losses, if at all. Although the Group performs and backs up all key functions of its business internally, it relies on third party

products and services providers widely used in the industry for certain aspects of its business, including for certain information systems and technology. Severe interruptions or deteriorations in the performance of these third parties or failures of their information systems and technology could impair the Group's operations.

Limited Diversification

The Group's revenues will be derived from the sale of copper cathode and lead and zinc concentrate produced by the Enlarged Group's facilities in Kazakhstan and Macedonia. Consequently, if there were any change in law or policy or other circumstances arising in Kazakhstan or Macedonia which materially reduced or interrupted or halted mining or processing operations at Kounrad or the SASA Mine then the Enlarged Group's results of operations and financial condition could be materially and adversely affected.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group's mining licences and contracts

No assurance can be given that the governments of Kazakhstan, Macedonia (if the Acquisition is completed) or Chile will not revoke, refuse to transfer, or significantly alter, the conditions of the exploration and development authorisations held by the Group. There can be no assurances that claims by third parties against the Group's title to its mining rights in those jurisdictions or other rights will not be asserted at a future date.

The operations of the Group will in some cases also require renewals of existing concessions, licences and permits from the relevant governmental authority or authorities. The Group's ability to obtain, sustain or renew such concessions, licences and permits or to obtain, sustain or renew such concessions, licences or permits on acceptable terms, including the amount of any associated costs and fees, may be subject to changes in laws, regulations and policies or the interpretation of them, and to the discretion of the applicable government authorities. Licensing authorities in these countries have a high degree of discretion in determining the validity of a licence or whether or not licence holders are in compliance with their legal obligations. The Group's subsoil use rights and licences will also be subject to termination if the Group does not comply with its contractual obligations or legal requirements. There can be no assurance that the Group will be able to achieve compliance with all applicable regulations at all times. If, in any year the Group is unable to meet the minimum required expenditure, it may lose its right to apply for a mining licence, or have an exploration licence revoked. If the Group was unable to obtain a mining licence, or an exploration licence was revoked, this could materially adversely affect the financial performance of the Group.

Termination of Subsoil Use Contract and Concession Agreement

The mining sector and activities in Kazakhstan are principally regulated by the Subsoil Law, a summary of which is set out in Part VI of this document. The rights to operate the Kounrad mine are contained in the Kounrad Contract. Sary Kazna's subsoil use right shall terminate in case of termination of the Kounrad Contract, adoption by the Kazakhstan Government of a decision to prohibit use of a subsoil use plot on which the operations are carried out or upon liquidation of Sary Kazna. The Kounrad Contract shall terminate upon expiry of its term or may be prematurely terminated by mutual agreement of the parties. In addition, the Kazakh government has the right to unilaterally terminate the Kounrad Contract following the occurrence of certain events, including, *inter alia,* where: (i) Sary Kazna fails to rectify more than two violations of the obligations under the Kounrad Contract within the time specified by the government; (ii) there is a transfer of a subsoil use right and/or of any Objects without the government's prior consent, where such consent is required; or (iii) Sary Kazna performs less than 30 per cent. of its financial obligations under the Kounrad Contract for a period of two consecutive years. Any termination of the Kounrad Contract, or a material variation of it, may have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

The mining sector and activities in the Republic of Macedonia are principally regulated by the Law on Mineral Resources, a summary of which is set out in Part VII of this document. The rights to operate the SASA Mine are contained in the SASA Concession Agreement. This concession agreement is terminable by the Republic of Macedonia following the occurrence of certain events, including, *inter alia,* where: (i) prior approval from the Government of Macedonia is not granted, or the payment of the related applicable fee is not made, upon a transfer of the exploitation concession granted to Rudnik SASA DOOEL or a change of ownership in Rudnik SASA DOOEL's shares; (ii) Rudnik SASA DOOEL loses the economical, technical or operative capacities necessary to operation the concession in accordance with law; (iii) applicable environmental permits are withdrawn or terminated; or (iv) there has been an interruption of mining activities for a period exceeding one year. Any termination of the SASA Concession Agreement, or material variation of it, may have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

Environmental compliance

All phases of the Group's operations in Kazakhstan, Macedonia (if the Acquisition completes) and Chile are subject to environmental regulation in these jurisdictions. Environmental legislation is evolving in a manner that may have a greater impact on the Group's operations. Compliance with environmental laws will require ongoing expenditure and considerable capital commitments from the Group, and non-compliance may subject the Group to significant penalties, including the suspension or revocation of its rights in respect of its licences, concession agreements or assets. The Directors are aware of a number of instances of environmental non-compliance at the SASA Mine. There can be no assurance that the Group will be able to implement the necessary remedial actions without material cost or other adverse consequences. There is no assurance that existing or future environmental regulation will not materially adversely affect the Group's business, results of operations and financial condition and the price of its shares.

Environmental hazards may also exist on the properties on which the Enlarged Group hold interests that are unknown to the Group at present and that have been caused by previous or existing licence holders or operators. The Directors are aware of certain areas of historic contamination at the SASA Mine prior to the Sellers period of ownership. While the Company has been advised that the Group will not inherit liability under applicable law for these historic issues, there can be no assurance that the Group will not suffer losses, liabilities or penalties as a result of this, whether because of a different interpretation of the law, because of difficulties in identifying when the issues arose, or otherwise.

Environmental approvals and permits are currently, or may in the future be, required in connection with the Group's operations. To the extent such approvals are required and not obtained, the Group may be curtailed or prohibited from proceeding with planned exploration or development of mineral properties. Failure to comply with applicable environmental laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations, including the Company, may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil, administrative or criminal fines or penalties imposed for violations of applicable environmental laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementations thereof could have a material adverse impact on the Group and cause increases in exploration expenses, capital expenditures or production costs, reduction in levels of production at producing properties, or abandonment or delays in development of new mining properties.

Health and safety

Certain of the operations of the Group are carried out under potentially hazardous conditions. While the Directors intend to continue to operate in accordance with relevant health and safety regulations and requirements, the Group remains susceptible to the possibility that liabilities might arise as a result of the breaches of these requirements, accidents, fatalities or other workforce-related misfortunes, some of which may be beyond the Group's control. The occurrence of any accidents or any of these situations could delay production, increase production costs and/or result in material liability for the Group.

Internal Controls

The financial reporting processes, audit processes, internal controls and risk management systems that the Group will employ may not be as robust as those that a company of a similar size would employ in a more developed economy. This could harm the Group's operating results and cause investors to lose confidence in reported financial information, which could have a negative effect on the value of the shares. Notwithstanding anything in this paragraph, the risk described should not be taken as implying that the Company will be unable to comply with its obligations as a company with securities admitted to AIM.

Social programmes for, and relations with, local communities

As a condition of certain of its subsoil use licences and contracts, the Group is obliged to maintain certain social programmes for the benefit of local communities. Furthermore, the Group has an obligation under its Kazakhstan subsoil use licences and contracts to invest in training the local workforce. These obligations may increase or become more burdensome in the future and may have a negative impact on the Group's profitability. While the Directors believe that the Group enjoys good relations with local communities, there can be no assurance that these relations will not deteriorate, which could have adverse consequences for the Group.

Taxation and Fee Regulations

The taxation and fee regulations in Kazakhstan and Macedonia are constantly developing. The interpretation and application of tax laws, fee laws and regulations are evolving, which significantly increases the risks with respect to mining and subsoil use operations, and investments in Kazakhstan and Macedonia in comparison with more developed tax systems.

Tax and fee legislation is subject to different and changing interpretations, as well as inconsistent enforcement. Tax and fee regulation and compliance is subject to review and investigation by the authorities who may impose extremely severe fines, penalties and interest charges.

The fact that the tax authorities have conducted an audit of a particular period does not prevent them from revisiting that period and raising an additional assessment. In addition, both Kazakhstan and Macedonia's tax and fee systems do not recognise the concept of tax and fee authorities giving legally binding rulings on tax and fee issues that are put before them.

Moreover, the new Macedonian government's electoral programme provides for many reforms, including changes in the tax system and minimum salary. Macedonia currently has a flat tax system with a 10 per cent. personal income tax rate and a 10 per cent. corporate income tax rate. The new government plans to introduce a reform of the tax system by introducing a progressive tax rate for personal income tax. The new rates would amount 10 per cent. and 18 per cent. The idea is to keep the existing rate of 10 per cent for the majority of the population, while the 18 per cent. rate will be imposed only on people with a monthly income of over EUR 1,000. Additionally the new government plans remove the maximum upper limit for the payment of salary contributions. The regulations currently in place limit the payment of salary contributions to 12 average monthly salaries (roughly EUR 6,250), whereas all salaries beyond such amount are only taxed in line with the personal income tax rate. By the end of its four year term the new Macedonian government also plans to raise the minimum salary from the currently applicable approximately EUR 160 to approximately EUR 260 per month.

The inconsistent enforcement and the evolution of Kazakh and Macedonian tax and fee laws create a risk of excessive payment of tax or penalties by the subsoil users if they fail to comply with tax and fee legislation. Failure to comply with tax and fee legislation may also result in criminal penalties and/or a termination of the Group's licences and/or concession agreements.

The Lynx Group is currently appealing a tax ruling alleging improper tax practices with respect to historic shareholder loans. Although the Company has been advised that this would be unlikely, there can be no guarantee that the authorities will not initiate a criminal investigation with respect to these allegations, which (if sustained) could have material adverse consequences for the Group's business. Further information on this dispute is set out in paragraph 10.2 of Part XII of this document.

Further, tax stability arrangements for subsoil users in Kazakhstan have been eliminated. In addition, there can be no assurance that the tax planning implemented by the Lynx Group will not be challenged, and any successful challenge could have adverse consequences for the Group. While the Group has received certain limited tax warranties and indemnities, there is no assurance that the Group would be able to recover the losses incurred by it in such circumstances in full, or at all.

Political and Economic Climate in Kazakhstan and Macedonia

The political and economic environments in Kazakhstan and Macedonia present a number of risks, including:

- invalidation or rescission of governmental orders, permits or agreements;
- the effects of local political, labour and economic developments, instability and unrest;
- (in Kazakhstan) currency fluctuations;
- significant or abrupt changes in the applicable regulatory or legal climate, limitations on mineral exports, exchange controls and export or sale restrictions, currency fluctuations and repatriation restrictions; and
- new regulations on taxation, mining, environmental and social issues.

The Group's Kazakh and Macedonian subsidiaries will have entered into contracts with the governments of Kazakhstan and Macedonia or obtained permits or concessions from these governments that enable them to conduct operations or development and exploration activities. Notwithstanding these arrangements, the Group's ability to conduct operations or development and exploration activities is subject to changes in government regulations or shifts in political attitudes over which the Group has no control. Macedonia has experienced

political instability in recent years as detailed above which could continue in the future. Future political instability in the region could affect the political or economic stability of Kazakhstan and Macedonia, and could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Legal Systems and Legislation Risks

The legal systems in Kazakhstan and Macedonia are not fully developed and have inherent uncertainties that could limit the legal protections available to the Group. The following risks relating to the Kazakh and the Macedonian legal systems create uncertainties, many of which do not exist in countries with more developed market economies:

- inconsistencies among, and ambiguities in: (a) laws (including mining laws in Kazakhstan and Macedonia); (b) decrees, orders and regulations issued by the Government and ministries; and (c) local rules and regulations;
- substantial gaps in the regulatory structure due to delay or absence of implementing regulations;
- the relative inexperience of judges and courts in interpreting new principles of legislation, particularly those relating to business, corporate and securities laws;
- some lack of judicial independence from political, social and commercial forces;
- a high degree of discretion on the part of governmental authorities; and
- bankruptcy procedures that are not well developed and are subject to abuse.

In both Kazakhstan and Macedonia, although the judicial systems can be described as independent, judges have little experience in dealing with complex commercial law issues, which leads to unpredictability as to the outcome of any litigation. Further, it may be difficult to obtain swift and equitable enforcement.

Another risk is that the introduction of new laws and regulations, or changes in legislation and the interpretation or application of legislation, in particular changes having retrospective effect, may have an adverse effect on the Group's business, financial condition, results of operations and future prospects. Policy changes reflecting domestic political or social changes may be reflected in changing legislation and regulation, or their application or interpretation, including with respect to the regulation of mining in Kazakhstan and Macedonia.

As the legal systems develop, there can be no assurance that changes in legislation or interpretation thereof will not have a material adverse effect on the Group's business, financial condition, results of operations and future prospects.

Corruption

In Kazakhstan and Macedonia, the bribery of officials remains at a high level relative to more economically developed markets. The Group's business, results of operations and financial condition could be adversely affected by corruption or by claims, even if groundless, implicating the Group in illegal activities. Social instability caused by corruption could increase support for renewed centralised authority, nationalism or violence and thus materially adversely affect the Group's ability to conduct its business effectively, including as a result of restrictions on foreign involvement in the economy of the countries in which the Group operates. Any of these could restrict the Group's operations and lead to a loss of revenue, which could have a materially adverse effect on the Group's business, result of operations and financial condition.

Governmental approvals, permits and licences

The Group's operations in Kazakhstan and Macedonia require various governmental approvals, licences and permits, and delays or a failure to obtain, maintain or comply with the terms of any such property rights, permits and licenses could result in substantial fines and penalties, interruption or closure of operations, exploration or development on the mines, or revocation of concessions.

Many of the mineral rights, concessions, interests and agreements of the Group are subject to government approvals, licences and permits. In particular the Group's mining operations in Kazakhstan and Macedonia are dependent on the continuing grant of rights to explore and mine the relevant locations, and such continuing grant is dependent on continuing compliance with the terms of the applicable licences, concessions and permits. Such licences and permits are subject to change in various circumstances. In addition, the granting, renewal and continued effectiveness of such approvals, licences and permits are, as a practical matter, subject to the discretion of the applicable government and government officials and may require the payment of fees. No

assurance can be given that the Group will be successful in maintaining any or all of the various approvals, agreements, licences and permits in full force and effect without modification or revocation. Any such modification or revocation may have an adverse effect on the Group's business, prospects, results of operations and financial condition. To the extent such approvals are required and not obtained, the Group may incur fines, penalties, be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties, which could have a material adverse effect on the Group's related income, business, result of operations, financial condition and ability to pay a dividend.

The Lynx Group is in the process of constructing a tailings storage facility, and is in the process of applying for the necessary construction permits. There can be no assurance that such permits will be obtained on schedule, or at all, and any resulting delay in construction could have adverse consequences for the Group.

Adverse sovereign action

The Group is exposed to the risk of adverse sovereign action by the Kazakh and Macedonian governments. The mining industry is important to the economies of both Kazakhstan and Macedonia and thus can be expected to be the focus of continuing attention and debate. In similar circumstances in other developing countries, mining companies have faced the risks of expropriation and/or renationalisation, breach or abrogation of project agreements, application to such companies of laws and regulations from which they were intended to be exempt, denials of required permits and approvals, increases in royalty rates and taxes that were intended to be stable, application of exchange or capital controls, and other risks.

Deposits of strategic importance

There can be no assurance that industries deemed of national or strategic importance to Kazakhstan such as mineral production will not be nationalised. Government policy may change to discourage foreign investment, re-nationalisation of mining industries may occur and other government limitations, restrictions or requirements not currently foreseen may be implemented. There can be no assurance that the Group's assets in Kazakhstan will not be subject to nationalisation, requisition or confiscation, whether legitimate or not, by any authority or body. Similarly the Group's operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation, mine safety and annual payments to maintain mineral properties in good standing. There can be no assurance that the laws of Kazakhstan or Macedonia protecting foreign investments will not be amended or abolished or that these existing laws will be enforced or interpreted to provide adequate protection against any or all of the risks detailed above. There can be no assurance that any agreements with the governments of Kazakhstan or Macedonia will prove to be enforceable or provide adequate protection against any or all of the risks described above.

Currency fluctuations

Currency fluctuations may affect the costs that the Group incurs in its operations. A proportion of the Group's capital and operating expenditure is incurred in currencies other than the US Dollar. The Group does not currently hedge its foreign exchange risk and, in future, the opportunities to hedge any foreign exchange exposure in these currencies may be limited and currency fluctuations may result in unrealised foreign exchange gains or losses that materially adversely affect the financial results of the Group. See also *"Fluctuations in the Kazakhstan Tenge"*.

Exchange control risks

The Group will operate in countries that may impose foreign exchange controls, which may prevent local companies from paying dividends or repatriating profits to their foreign shareholders. Additional administrative procedures and requirements, such as the retention of a portion of foreign currency holdings in local banks, may also be imposed on local companies.

GENERAL RISKS RELATING TO THE ORDINARY SHARES

Suitability

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result. A prospective investor should consider with care whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him. Readers are accordingly advised to consult a person authorised under FSMA who specialises in investments of this nature before making any investment decisions.

Emerging markets risk

Investors in emerging markets, such as Kazakhstan and Macedonia, should be aware that these markets are subject to greater risk than more developed markets, including, in some cases, significant legal, fiscal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved in an investment in the Company and must decide for themselves whether, in the light of those risks, their investment is appropriate. Generally, investment in emerging and developing markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved.

Readmission may not occur when expected

As the Acquisition is classified as a reverse takeover under the AIM Rules, it will result in the cancellation of Existing Ordinary Shares from trading on AIM (the "**Cancellation**") and a new application will be made for the Enlarged Share Capital to be admitted to trading on AIM, which is intended to take effect simultaneously with the cancellation becoming effective. There is no assurance that such admission will take place when anticipated.

Share price volatility and liquidity

The share price of quoted companies can be highly volatile and shareholdings can be illiquid. There can be no assurance that an active or liquid trading market for the Ordinary Shares will develop or, if developed, that it will be maintained. The Placing Price may not be indicative of prices that will prevail in the trading market, and investors may not be able to resell the Placing Shares at or above the price they paid for them. The price of the Ordinary Shares may fall in response to market appraisal of the Group's, or, if the Acquisition completes, the Enlarged Group's business, financial condition, operating results and prospects, or in response to regulatory changes affecting its operations. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Group, or, if the Acquisition completes, the Enlarged Group and its operations and others which may affect quoted companies generally. These factors could include the performance of the Group, or, if the Acquisition completes, the Enlarged Group, large purchases or sales of the Ordinary Shares, currency fluctuations, legislative changes and general economic, political, regulatory or social conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends and tax laws. Shareholders should therefore be aware that the value of the Ordinary Shares can go down as well as up. Past performance is not necessarily a guide to the future. The market value of the Ordinary Shares can fluctuate and may not always reflect the underlying net asset value or the prospects of the Group, or, if the Acquisition completes, the Enlarged Group. Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objectives of the Company will be achieved. Investors may not get back the full or any amount initially invested.

Dilution

On the completion of the Acquisition and the Company Placing, the holders of the Existing Ordinary Shares will experience significant dilution in their proportionate ownership and voting interests in the Group, or, if the Acquisition completes, the Enlarged Group. The Company will need to raise further capital in the future to be able to achieve its stated goals which could potentially be through public or private equity financings or by raising debt securities convertible into Ordinary Shares, or rights to acquire these securities. Any such issues may exclude pre-emption rights pertaining to the then outstanding shares. If the Company raises significant amounts of capital by these or other means, it will likely cause dilution for the Company's existing Shareholders. Moreover, the further issue of Ordinary Shares could have a negative impact on the trading price and increase the volatility of the market price of the Ordinary Shares. The Company may also issue further Ordinary Shares, or issue options over Ordinary Shares under the share option plan or any other scheme put in place by the Company, as part of its employee remuneration policy, or issue further Ordinary Shares or warrants over Ordinary Shares to third parties in respect of services provided to the Company, which could in aggregate create a substantial dilution in the value of the Ordinary Shares and the proportion of the Company's share capital in which investors are interested.

Dividends

There can be no assurance as to the level of future dividends, if any. Subject to compliance with the Act and the Articles, the declaration, payment and amount of any future dividends are subject to the discretion of the Directors, and will depend on, *inter alia*, the Company's earnings, financial position, cash requirements,

availability of profits and the Company's ability to access, and repatriate within the Group, or, if the Acquisition completes, the Enlarged Group, cash flow and profits generated outside of the UK. In addition, the Company is reliant on receiving dividends from its subsidiaries in order to generate future distributable reserves and to enable it to pay dividends. In forming their dividend policy, the Directors have taken into account, *inter alia*, the trading outlook for the foreseeable future, recent operating results, budgets for the following financial year, financial gearing, banking covenants and current capital requirements of the Group, or, if the Acquisition completes, the Enlarged Group. Any material change or combination of changes to these factors may require a revision of this policy, including curtailing or cessation of dividends. The Company can give no assurance that it will be able to pay a dividend on its Ordinary Shares in the future.

Expiry of lock-in arrangements

Subject to or following the expiry of any undertakings given pursuant to lock-in agreements or similar arrangements with significant shareholders, such shareholders could sell a substantial number of Ordinary Shares in the public market following Admission. Such sales, or the perception that such sales could occur, may materially adversely affect the market price of the Ordinary Shares. This may make it more difficult for Shareholders to sell the Ordinary Shares at a time and price that they deem appropriate and could also impede the Company's ability to issue equity securities in the future.

PART III

SUMMARY OF THE TERMS OF THE ACQUISITION

Under the terms of the Acquisition Agreement, CAML MK Limited, a wholly owned subsidiary of CAML, (the "**Purchaser**") will purchase 100 per cent. of the issued share capital of Lynx Resources from the Sellers. Lynx Resources owns 100 per cent. of Lynx Mining, which in turn owns 100 per cent. of Lynx Europe, which in turn owns 100 per cent. of Rudnik SASA DOOEL. Rudnik SASA DOOEL is the concessionaire under the SASA Concession Agreement. CAML incorporated CAML MK Limited on 5 September 2017 to act as the purchaser under the Acquisition Agreement. The Company will guarantee the Purchaser's obligations under the Acquisition Agreement and Orion Fund JV Limited shall guarantee the Sellers' obligations under the Acquisition Agreement.

The value attributed to the Lynx Group under the Acquisition Agreement is a total of US$402.5 million on a debt-free cash-free basis. This is comprised of a cash sum of US$340.5 million payable on Completion which is subject to a net debt and net working capital adjustment and US$50 million to be applied by Orion in subscribing for the Consideration Shares on Completion. The Purchaser is also required to pay deferred consideration of US$12 million plus a debt prepayment adjustment (the "**Deferred Consideration**"). The Deferred Consideration is payable by the Purchaser in six equal monthly installments beginning on the first anniversary of Completion. The net debt and net working capital adjustments will be determined by reference to an effective date of 30 September 2017 and, subject to certain exceptions, the Sellers have agreed to indemnify the Company for any distributions to them from 1 October 2017. As a result, the Group will have the benefit of Lynx Group's trading from 1 October 2017. Interest from 1 October 2017 to Completion is payable at a rate of 9 per cent. of the total equity value, estimated to be approximately US$335.5 million as approximately US$67 million of existing Lynx Group net debt is expected to remain in place following Completion.

Completion of the Acquisition is conditional on satisfaction of the following conditions, among others:

(a) certain regulatory approvals, including from the Macedonian Competition Commission;

(b) unless (in the opinion of the Purchaser) no approval is required under the Minerals Law for the Acquisition (and accordingly, no associated fee is payable), the Republic of Macedonia granting an unqualified approval for the transfer of the Sale Shares and the amount of the related transfer fee being agreed;

(c) the Placing Agreement and Debt Financing Agreement having become unconditional in all respects (save for any condition relating to Completion);

(d) the passing of the Resolutions at the Extraordinary General Meeting; and

(e) no authority having jurisdiction over the Company or the Acquisition having commenced any proceedings for the purpose of prohibiting the Acquisition on the terms contemplated.

The Group shall be entitled to take any action relating to the transfer approval referred to above (if any) including but not limited to responding to any assertion that such an approval is required, and agreeing or disputing the terms of any approval or fee.

The Purchaser has agreed to use all reasonable endeavours to procure the satisfaction of conditions (a) to (e). If the conditions to Completion are not satisfied by 15 December 2017 (or such later date as the parties may agree) then the Acquisition Agreement will lapse.

The Sellers have provided certain warranties and indemnities in relation to, *inter alia*, the SASA Mine and the transfer of the shares being sold under the Acquisition Agreement, subject to customary limitations and disclosure. The Acquisition Agreement contains customary warranties relating to the Sellers' ownership and title to their shares, as well as limited business and commercial warranties as well as a tax covenant given by the Sellers in respect of certain tax liabilities, principally in relation to their period of ownership only, and certain specific indemnities from the Sellers. The Acquisition Agreement also contains customary limitations on the Sellers' liability under the Acquisition Agreement, including time and financial limitations. Claims for breach of warranty must be brought within 12 months of Completion, save in respect of tax claims which must be brought within five years of Completion and claims relating to certain fundamental warranties which must be brought prior to expiry of the applicable statute of limitations. The aggregate maximum cap on the Sellers' liability is the final amount of the consideration that they receive under the Acquisition Agreement. Within this overall cap, the Sellers' liability is limited to 10 per cent. for warranty claims, a separate 10 per cent. for tax claims and a separate 10 per cent. for claims for breach of certain operational, interim period covenants.

Pursuant to the Acquisition Agreement, the Sellers have also agreed to enter into certain documents on Completion including, amongst others, deeds of novation in respect of the Third Party Offtake Agreements pursuant to which Lynx Metals will transfer its rights and obligations to Lynx Mining. In the event that such deeds of novation are unlikely to be executed prior to Completion, Lynx Metals will continue to be the counterparty but all payments received by Lynx Metals pursuant to the Third Party Offtake Agreements will be held on trust for the Purchaser and such payment shall be transferred to the Purchaser.

The Acquisition Agreement is governed by the laws of England and Wales.

Orion has also entered into the Shareholder Participation Agreement with the Company pursuant to which it has undertaken, for a period of 12 months from Completion , not to:

- acquire shares in the Company, such that its shareholding amounts to 30 per cent. or more of the Company;
- influence the voting of the Ordinary Shares;
- seek to control or influence the Company's management or obtain representation on the Board; or
- engage in any discussions which may result in Orion gaining control over CAML

Orion has also undertaken until the earlier of (i) 18 months from Readmission, or (ii) the date on which they hold in aggregate less than 4 per cent. of the issued Ordinary Shares to vote, or cause to be voted at all meetings of the Company's shareholders, in a manner consistent with the recommendation made by management of the Company or the Board in relation to a number of matters, including the election or re-election of directors and auditors, the renewal of, or adoption of certain new, share incentive plans, executive remuneration and certain acquisitions.

In addition, subject to certain exceptions, the Shareholder Participation Agreement requires Orion not to sell any Consideration Shares for the first six months following Completion, and not to sell more than 50 per cent. of the Consideration Shares between six months from Completion and the first anniversary of Completion (without the prior consent of the Company). Any Consideration Shares forming part of the 50 per cent. referred to above that are sold in the second six months must be sold via the Joint Bookrunners in order to maintain orderly markets.

In connection with the Acquisition and conditional on Completion, the Company has also entered into a Transitional Services Agreement with Fusion Capital pursuant to which it will have limited access to Chris James, Stefan Peschke, Florian Dax and Patrick Henze for the provision of transitional consultancy services for a period of three months following Completion. Further details are set out in paragraph 9.1 of Part XII (*Additional Information*) of this document.

PART IV

INFORMATION ON CENTRAL ASIA METALS PLC

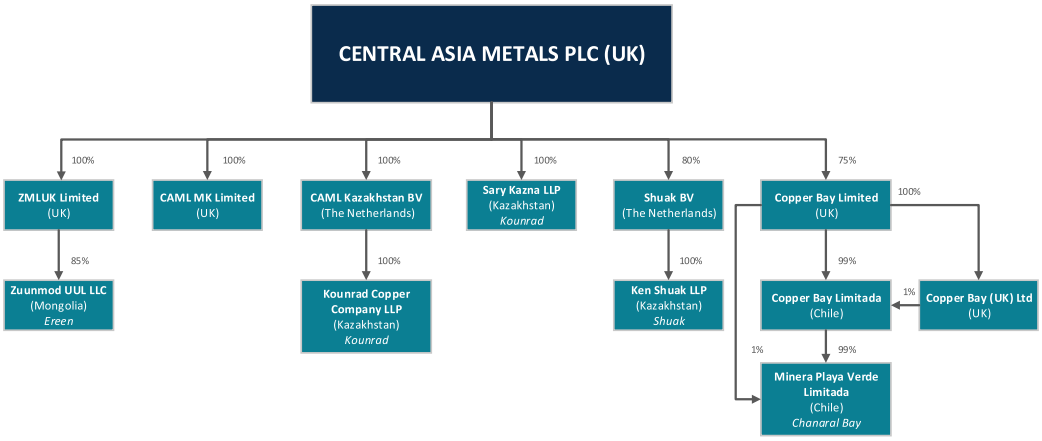
1. INTRODUCTION

CAML is an AIM quoted copper producer which wholly owns the Kounrad copper operation in central Kazakhstan and, together with partners, Aksu-Esil, and has begun to explore the 80 per cent. owned Shuak property in the Akmola region of northern Kazakhstan. The Company also owns a 75 per cent. interest in a private company, Copper Bay Limited, which has a definitive feasibility study stage project in Chañaral Bay, Chile. The Company's remaining Mongolian asset, Ereen, is fully written off and is currently held for sale.

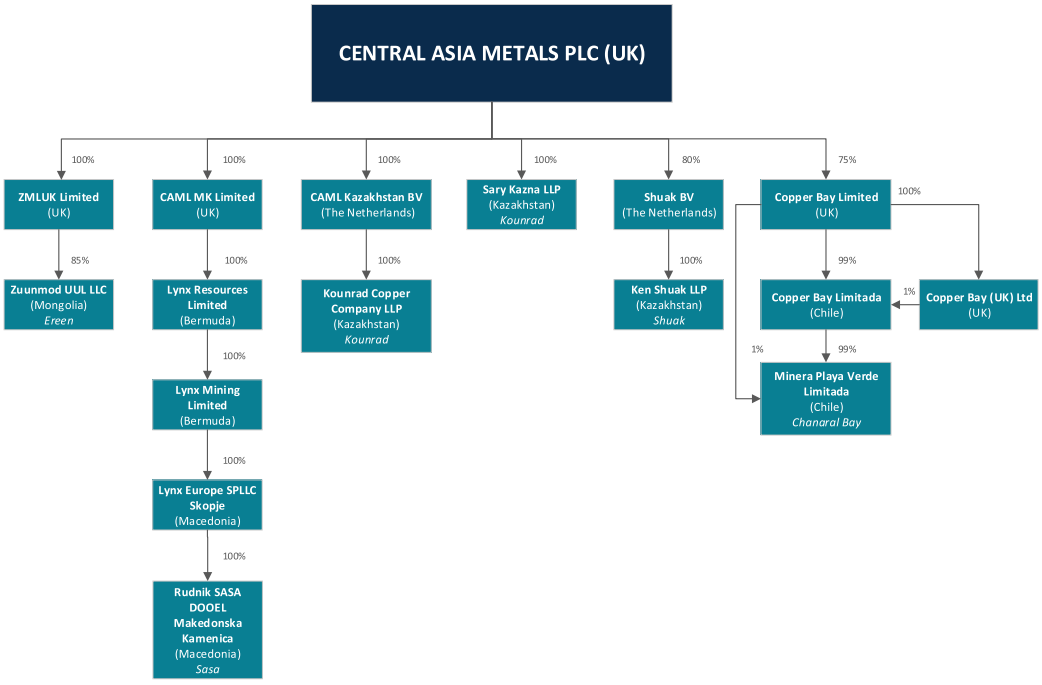
CAML was incorporated in England and Wales on 9 September 2005 and is the UK parent company of the Group.

CAML's senior management team has over 100 years of combined mining experience. The team is supported by non-executive directors who, together, have extensive experience in the natural resources and financial sectors. A detailed resource and reserve statement and related compliance information on CAML is set out in Part A of Part VIII of this document.

Current Group Structure



Enlarged Group Structure



2. HISTORY AND BACKGROUND TO CAML

CAML acquired a 60 per cent. interest in the Kounrad Project in 2007 and in May 2014, the Company completed the acquisition of the remaining 40 per cent. of the project for a total consideration of 20 per cent. of the Company's shares in issue at the time of the acquisition.

The Group employs approximately 356 people on site in Kazakhstan, almost all of whom have been recruited locally. This operational team is supported by the London based headquarters.

In 2010, CAML raised US$60 million at its initial public offering. The proceeds were used to construct a nominal 10,000 tonne per annum SX-EW plant at Kounrad in order to leach copper and produce cathode from the dumps on the eastern and western sides of the historic Kounrad copper mine located near Balkhash, central Kazakhstan. This construction process was completed ahead of schedule and US$8 million below budget, and LME quality copper cathode was first produced in Q2 2012.

The Company has been producing copper from Kounrad for over five years and, to 30 June 2017, has produced over 61,000 tonnes of copper cathode, and paid US$96 million in dividends and share buybacks to shareholders. It has also self-funded two expansions at Kounrad totalling US$26 million, paid US$90 million in taxes in Kazakhstan and funded a number of social causes in the local community.

When the Company's shares were admitted to trading on AIM in 2010, the Company was active in both Kazakhstan and Mongolia. However, in 2013 a strategic decision was taken to exit Mongolia and, to that end, all assets in that jurisdiction have been, or are in the process of being, divested.

In November 2013, CAML invested US$3.2 million to acquire a 50 per cent. interest in private company, Copper Bay Ltd. CAML subsequently invested a further US$3 million to increase its interest in Copper Bay to 75 per cent. in June 2015. The Company worked with the Copper Bay management team to complete a definitive feasibility study on its Chañaral Bay tailings retreatment project in northern Chile in December 2016. While the definitive feasibility study results illustrated a valuable project (with a net present value of US$34 million at a copper price of US$3.00/lb), the Board has now decided to seek to sell the Group's interest in the Copper Bay project.

In November 2016, CAML announced that it had signed a framework agreement to acquire an 80 per cent. interest in the Shuak copper exploration property in northern Kazakhstan, which completed in August 2017.

3. OVERVIEW OF CAML

3.1 Background information on Kounrad

CAML is the sole owner and operator of the SX-EW copper recovery plant at the Kounrad mine site, near the city of Balkhash in central Kazakhstan. The Kounrad SX-EW plant and associated infrastructure was commissioned in April 2012. More detailed information on Kounrad can be found in the Kazakh Competent Person's Report set out in Part VIII of this document.

CAML also owns the subsoil use contract in respect of the waste rock dumps surrounding the Kazakhmys-owned Kounrad open pit, which is now closed. These waste rock dumps were generated through over 70 years of mining activity, predominantly during Soviet times. Over time, waste dumps containing copper oxides and

sulphide minerals formed a significant tonnage deposited at the mine site. Technology has advanced, as has the use of SX-EW chemistry in treating copper ores, and CAML no longer views these dumps as waste.



CAML has two operating subsidiaries in Kazakhstan, Sary Kazna, which is responsible for leaching activities and Kounrad Copper Company, which operates the SX-EW facility and produces copper cathode.

Based on the Company's 2017 Wardell Armstrong JORC resource estimate, CAML now estimates that there remain approximately 194,000 tonnes of copper that should be extracted and produced from Kounrad, which should ensure a life of operation past 2030.

Producing Kounrad's copper

Kounrad's production of copper is far less cost intensive than traditional mining, as there is no need to drill, blast or transport ore–the waste dump rocks can be leached in-situ. This allows the company to produce copper cheaply.

The leaching process consists of delivering the weak sulphuric acid solution (termed "**raffinate**") to the top of the waste dumps and irrigating the surface of the dump, through a pump and pipeline system. The solution is distributed evenly and at a controlled rate via an extensive network of dripper pipes, which are similar to those used by market gardeners for irrigation purposes.

Copper contained in the rock is dissolved by the raffinate that slowly percolates through the dump until it reaches the natural ground level, and then flows out from under the dump, following the natural bedrock gradient, into a plastic lined collector trench which runs along the edge of the dump.

From the collector trench, the solution (termed "**pregnant leach solution**" or "**PLS**") is pumped into storage ponds within the plant's perimeter. These ponds not only act as a large buffer store but also assist with settling out any fine clay or rock particles, which can adversely affect the solvent extraction phase ("**SX**") process if not removed.

From the ponds, the copper-bearing PLS is pumped through the SX stage of the process, where it is mixed with an organic reagent to strip the copper from solution, into a copper-rich organic phase and a low-grade acidic

aqueous phase. The aqueous solution, or raffinate is then recycled back to the dumps to dissolve more copper, whilst the organic reagent is treated further to increase the copper content in a high-strength acid solution.

This copper-rich organic phase, known as rich electrolyte, is then pumped to the nearby electro winning (EW) building where it is plated by electrolysis in cells that are similar in appearance to a large car battery. Placed inside these cells are lead anode plates and stainless steel cathode sheets.

As the electric current runs through the electrolyte the copper molecules attach themselves to the cathodes and sheets of at least 99.99 per cent. purity copper are formed. Every three days on a planned schedule a third of the stainless steel cathodes are lifted from the cells and the copper is removed (stripped) from them. Once the copper is removed, the cathodes are returned to the cells and the cycle is repeated.

The leaching, SX and EW processes run simultaneously and continuously and the copper cathode plates that are harvested are stored in a secure area, prior to being delivered from the Kounrad site by rail and sea to end consumers, predominantly in Turkey. The Company has an offtake agreement with metal trader, Traxys, which will purchase a minimum of 90 per cent. of the copper cathode from Kounrad through an agreement with CAML that is in place until the end of 2018. This has been extended to 2022 pursuant to the Debt Financing Agreement.

Operations commenced on the Eastern Dumps in 2012 and, to date, CAML has produced over 60,000 tonnes of copper cathode from that area.

Year	2012	2013	2014	2015	2016	H1 2017
Copper production	6,586	10,509	11,136	12,071	14,020	7,027

Stage 1 and Stage 2 Expansion

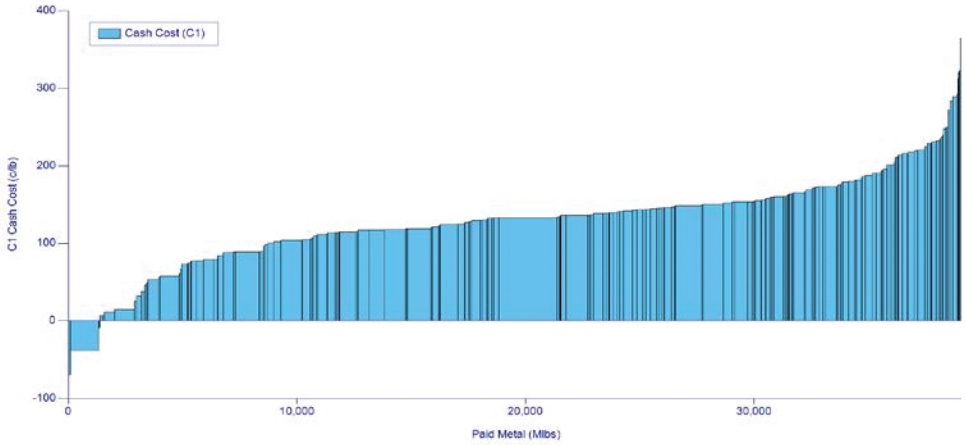
Since the initial construction of the copper production facilities on site, CAML has undertaken two self-funded expansions. The Stage 1 Expansion was completed on schedule and under budget in Q2 2015, and involved enhancing the throughput and copper plating capacity of the processing plant so as to be able to increase copper output to 50 tonnes of copper cathode per day.

In 2016, the Company undertook the Stage 2 Expansion, which has extended the site infrastructure to the Western Dumps so as to enable the leaching of copper from this larger resource area and, in doing so, has extended the life of the operation to beyond 2030. CAML commenced irrigation of the Western Dumps in April 2017 and PLS has subsequently flowed out of the dumps and into the collector trenches, and copper cathode has been produced from this area of the site.

Kounrad C1 cash costs

Kounrad's copper is produced at industry leading costs. The global copper industry measures 'C1 costs' graphically on a cash cost of operations curve and, at US$0.45 per pound for H1 2017, Kounrad's costs are firmly within the lowest cost quartile as indicated by the C1 cost curve for Q2 2017 below. This enhances Kounrad's ability to remain in production even at depressed copper prices. Costs are aided by the particular geological characteristics of the Kounrad dumps, as the largely impermeable bedrock has meant that rock does not have to be moved in order to extract the copper and that the material itself is amenable to being irrigated and leached.

2017 Copper Mine, Composite, C1 Cash Cost Breakdown
Grouped By Mine and Ranked By Cash Cost (C1)



Source: Wood Mackenzie Ltd, Dataset: 2017 Q2

Costs have also been aided in the last 18 months by a marked devaluation of the local currency, the Kazakh Tenge (KZT). In H2 2015, the KZT was allowed to float and devalued against the US Dollar by 85 per cent. Approximately 60 per cent. of CAML's local costs are KZT denominated, so this devaluation had a marked reduction in the Company's in-country cost base. The average C1 cash cost of production since production commenced in 2012 is US$0.57 per pound which is in the lowest quartile of industry costs (*source: Wood Mackenzie*).

3.2 Kounrad Mineral Resource

Kounrad's JORC (2012) compliant resources, as estimated by Wardell Armstrong in 2017, and derived from the Competent Person's Report set out in Part VIII of this document are as follows:

Kounrad Dump Mineral Resource (Global Estimate), (WAI, 30 June 2017)

In accordance with the Guidelines of the JORC Code (2012)

Classification	Dump	Tonnage (kt)	Cu_{total} (%)	Cu_{acid} (%)	Cu_{total} (t)	Cu Production 2012-2017 (t)	Remaining Cu (t)
				Eastern Dumps			
	2	21,470	0.07	0.04	15,641	—	
	3	—	—	—	—		
	5	33,896	0.08	0.04	27,246		
Indicated	6	11,404	0.09	0.04	10,086		
	7	12,328	0.10	0.04	11,938		
	9 &10	10,555	0.20	0.07	20,890		
	Total	**89,653**	**0.10**	**0.04**	**85,799**		
	2	13,775	0.07	0.04	9,659		
	3	1,033	0.22	—	2,285		
	5	35,058	0.1	0.05	33,528		
Inferred	6	3,442	0.11	0.04	3,641		
	7	22,989	0.11	0.04	25,501		
	9 &10	3,350	0.21	0.09	7,126		
	Total	**79,646**	**0.1**	**0.05**	**81,740**		
Indicated + Inferred	**Total**	**169,299**	**0.10**	**0.04**	**167,539**	**60,048**	**107,491**
				Western Dumps			
	1	36,942	0.18	0.1	65,193		
	1a	—	—	—	—		
	15 & 16	189,953	0.08	0.04	152,687		
	21	10,398	0.2	0.1	20,788		
Indicated	21a	858	0.17	—	1,433		
	22	37,276	0.1	0.05	36,057		
	13	6,472	0.03	0.01	1,750		
	20	14,452	0.03	0.01	4,478		
	Total	**296,351**	**0.10**	**0.05**	**282,386**		
	1	19,751	0.14	0.07	26,958		
	1a	1,467	0.04	0.02	651		
	15 & 16	114,701	0.08	0.04	94,670		
	21	6,870	0.18	0.08	12,321		
Inferred	21a	4,452	0.17	—	7,559		
	22	22,167	0.08	0.04	18,108		
	13	4,705	0.03	0.01	1,534		
	20	7,408	0.03	0.02	2,488		
	Total	**181,521**	**0.09**	**0.04**	**164,289**		
Indicated + Inferred	**Total**	**477,872**	**0.09**	**0.04**	**446,675**	**1,300**	**445,375**
				Northern Dumps			
Indicated	Northern	2,973	0.04	0.01	1,277		
Inferred	Northern	2,856	0.05	0.02	1,455		
Indicated + Inferred	**Total**	**5,829**	**0.05**	**0.01**	**2,732**	**0**	**2732**

3.3 Future Development Strategy of Kounrad

Almost US$74 million has been invested at Kounrad in initial capital, expansionary capital (for the Stage 1 and Stage 2 Expansions) and sustaining capital. Aside from an estimated US$2 million sustaining capital annually, CAML is now fully invested at Kounrad. The result of this is that the future annual production is not expected to increase. 2017 copper production guidance is for between 13,000 tonnes and 14,000 tonnes production.

3.4 Copper Bay

The Copper Bay project is a site of historic tailings disposal on the beach at Chañaral Bay. This resulted from the Potrerillos and El Salvador copper mines releasing tailings residues from their respective mineral processing operations into the Rio Salado, which outflows into Chañaral Bay. Between 1938 and 1975, it is believed that some 250 million tonnes of tailings were discharged and now sit in the beach, surf and bay zones.

The Group holds eight exploitation licences in relation to the Copper Bay Project, all of which run indefinitely and together cover a total area of 15.25 square kilometres.

Following the completion of the pre-feasibility study in 2015, CAML undertook a definitive feasibility study on its 75 per cent. owned Copper Bay tailings project in the Atacama Region of northern Chile.

However, the Board has now decided to seek to sell the Group's interest in the Copper Bay project.

3.5 Shuak

In November 2016, CAML signed a framework agreement to acquire an 80 per cent. effective interest in an early stage exploration project called Shuak in the Akmola Oblast region of northern Kazakhstan. The acquisition completed in August 2017. The consideration for the Shuak acquisition was an investment in exploration activities of US$2 million over five years, subject to continued positive results from exploration activities and the general economic outlook for commodity prices. The project is approximately 300 kilometres north of the capital city, Astana, and 40 kilometres north east of the regional centre, Stepnogorsk.

The licence area is 197km^2 and the area hosts two mineralisation styles that are of particular interest to CAML. These are:

- saprolite hosted oxide and enriched copper, gold and molybdenum mineralisation that may be amenable to copper production by SX-EW processing, and;
- copper, molybdenum and gold bearing dissemination and stockwork mineralisation of a porphyry nature.

In addition, there are widespread copper, gold, silver and molybdenum geochemical anomalies within the licence area.

The Shuak property was explored between 1973 and 1991, with historic work including geochemistry, geophysics, trenching and drilling at the site. During this time, over 45,000 metres were drilled and resource estimation to historic Soviet standards was undertaken.

Around 8km^2 of metalliferous saprolite has been identified within the licence area, with thicknesses varying from minimal to potentially in excess of 60 metres in depth. Most recently, former owners of the property undertook small scale mining at Mongol V and sampling of the stockpile generated from these mining activities demonstrated copper oxide grades in excess of 2 per cent. in several cases. Column leach testing of this saprolitic material at CAML's Kounrad facility has shown it to be amenable to processing by leaching with dilute sulphuric acid, with copper recoveries of over 90 per cent.

Together with partners, Aksu-Esil, CAML has been undertaking geological mapping and is nearing completion of a TEM-FAST geophysics programme, which has been designed primarily to ascertain the depth and extent of the saprolite weathering horizon. The 2017 diamond drilling programme of approximately 4,700 metres has recently commenced, together with an initial 7,000 metre core hydrotransport (CHT) drilling campaign. In total, 22,000 metres of drilling are planned for 2017 and the total exploration budget for Shuak is approximately US$1.8 million which the Company intends to fund from existing cash resources.

4. CAML COMPETENT PERSON'S REPORT

The Mineral Resource estimate for Kounrad was prepared by Mr. Phil Newell of WAI. Mr. Newell is a managing director of WAI with 30 years' experience in the mining industry and sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to quality as "Competent Person" as defined by the JORC Code (2012). Mr. Newell consents to the inclusion in this document of this information in the form and context in which it appear.

5. KAZAKH LICENCE TABLE

Company	Asset	Holder Interest %	Licence Expiry Date	Licence Area Sq. kilometers	Status (Exploration or Development) & Comment
Sary Kazna LLP	Kounrad	100	20 August 2034	22.5	Exploration and processing
Ken Shuak LLP	Shuak	80 (effective)	8 May 2019	197	Exploration

PART V

INFORMATION ON THE LYNX GROUP

1. INTRODUCTION

Lynx Resources Limited holds, via its wholly owned subsidiary Lynx Mining, 100 per cent. of Lynx Europe, which in turn holds 100 per cent. of Rudnik SASA DOOEL, through which the relevant mining licences in respect of the SASA Project are held. Pursuant to the Acquisition Agreement, the Company is proposing to acquire the entire issued share capital of Lynx Resources Limited, and thereby the SASA Project, from the Sellers for a total consideration of US$402.5 million. Rudnik SASA DOOEL has Ore Reserves and Mineral Resources established in accordance with the guidelines as embodied in the JORC Code (2012).

Further information on the Acquisition Agreement is disclosed in Part III *(Summary of the Terms of the Acquisition)* and further information on the SASA Mine is set out in paragraphs 3.1 to 3.3 of this Part V.

Refer to Part B of Part VIII for a detailed resource and reserve statement and related compliance information for the Lynx Group.

2. HISTORY AND BACKGROUND TO LYNX GROUP

Lynx Resources is a Bermudan holding company that was formed on 19 June 2015. In November 2015, Lynx Europe acquired the entire share capital of Rudnik SASA DOOEL from Solway Industries Ltd and Solway Industries Eesti AS.

Rudnik SASA DOOEL was incorporated for the purpose of taking over the business activities of mining and processing of lead and zinc exploited from the SASA Mine. This mine was operated by the state-owned company SASA JSC, incorporated in Macedonia, until 2005 when it was declared bankrupt and the assets of the bankrupt JSC were sold pursuant to a tender. Following completion of the tender procedure, all assets of "SASA JSC in bankruptcy" were transferred to Rudnik SASA DOOEL.

3. OVERVIEW OF THE SASA MINE

3.1 Background Information on the SASA Mine

The SASA deposit was discovered during a period of exploration between 1954 and 1960. Trial mining commenced in 1965 and, in 1966, the mine commenced commercial production as a state-owned entity. The mine closed in 2002 and was subsequently placed into bankruptcy due to lack of operating capital from the Macedonian government which owned the mine. The Solway Sellers subsequently purchased the mine, invested in new equipment and operations resumed in 2006. The Solway Sellers later sold the mine to Fusion Capital and Orion in 2015.

The SASA Mine is located in north eastern Macedonia, approximately 150km east of the capital city, Skopje, and 10km north of local town, Makedonska Kamenica. Geographically, the mine is located within the Osogovo

Mountains, at an altitude of between 975 metres and 1,600 metres above sea level, experiencing average annual precipitation of approximately 600mm, some of which is in the form of snow.



The assets comprise an operating underground lead, zinc and silver mine. The current underground mine is a sub-level caving operation, which utilises the geotechnical characteristics of the weak hanging wall to allow the rock to cave naturally into the void remaining after ore has been blasted. Mined ore is either transported to ore passes and hoisted out of the Golema Reka mineshaft or loaded directly onto underground trucks, where it is driven up the decline.

The mine produces approximately 780,000 tonnes of ore each year, feeding a processing plant with crushing capacity of 1 million tonnes of ore each year. The processing plant uses froth flotation technology to produce a zinc concentrate and a lead concentrate, which can be trucked to smelters in the surrounding region.

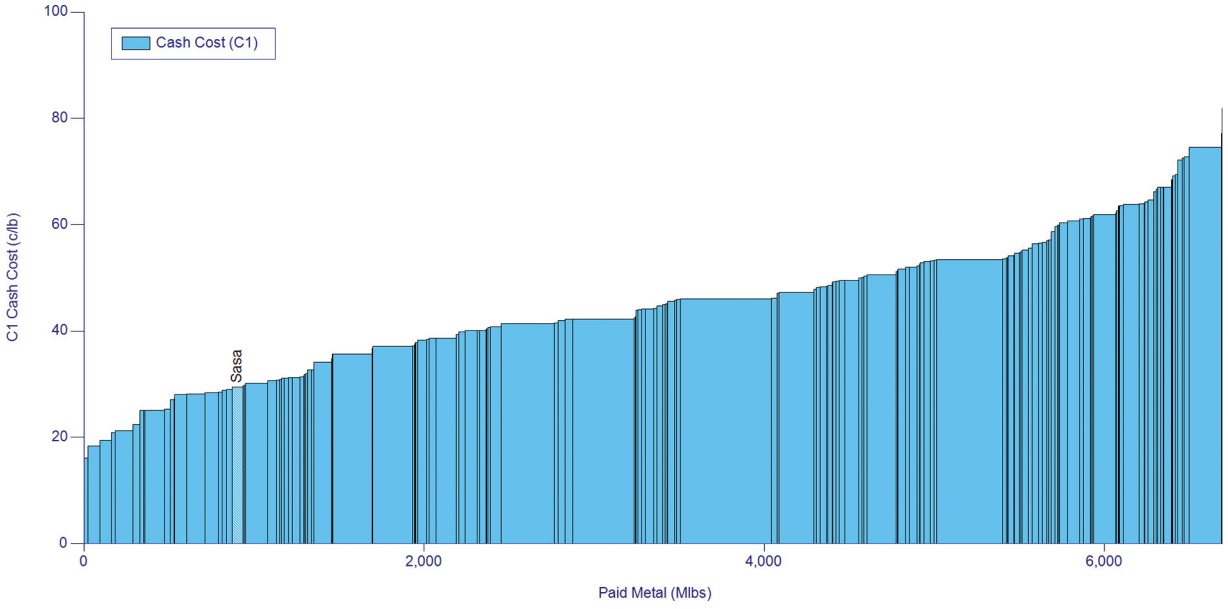
Historic Production

The following table shows recent mined and concentrate production for the past nine years from the SASA Mine.

Year	Units	2008	2009	2010	2011	2012	2013	2014	2015	2016
Plant Feed										
Feed tonnes	Dmt	854,319	864,592	811,383	758,252	754,153	774,007	780,285	777,121	779,231
Ore moisture	%	3.34	3.36	3.39	3.66	3.98	3.71	3.56	3.26	3.00
Pb - mill head grade	%	4.68	4.43	4.05	3.83	3.93	4.13	4.16	4.04	3.95
Zn - mill head grade	%	4.08	4.14	3.81	3.43	3.35	3.47	3.48	3.52	3.41
Tonnes Pb in feed	t Pb	39,983	38,276	32,878	29,036	29,658	31,982	32,475	31,375	30,761
Tonnes Zn in feed	t Zn	34,896	35,820	30,905	26,009	25,280	26,858	27,192	27,370	26,599
Lead Concentrate										
Pb concentrate production	Dmt	49,146	47,634	41,298	37,148	38,025	40,996	41,631	40,162	39,507
Pb recovery to Pb conc	%	91.60	94.20	94.39	95.07	94.42	94.37	94.51	94.10	94.13
Zn recovery to Pb conc	%	4.15	3.81	3.77	3.79	3.65	3.95	3.96	4.20	4.02
Pb concentrate, Pb grade	%	74.53	75.70	75.15	74.31	73.64	73.62	73.73	73.51	73.29
Pb concentrate, Zn grade	%	2.94	2.86	2.82	2.66	2.43	2.59	2.59	2.86	2.70
Pb in Pb conc	t	36,627	36,058	31,034	27,604	28,003	30,181	30,693	29,524	28,955
Pb concentrate, moisture	%	6.09	5.46	5.47	5.77	6.01	5.94	5.77	5.50	5.80
Zinc concentrate										
Zn concentrate production	Dmt	57,950	61,030	52,783	44,550	43,140	46,228	46,920	47,159	45,548
Pb recovery to Zn conc	%	1.99	2.04	1.82	1.61	1.57	1.53	1.92	2.47	1.97
Zn recovery to Zn conc	%	82.25	85.45	86.01	86.60	86.20	86.31	86.50	85.77	84.64
Zn conc, Pb grade	%	1.37	1.28	1.13	1.05	1.08	1.06	1.33	1.64	1.33
Zn conc, Zn grade	%	49.53	50.16	50.36	50.56	50.51	50.15	50.13	49.78	49.43
Zn in Zn conc	T	28,706	30,610	26,583	22,524	21,789	23,182	23,522	23,476	22,515
Zn concentrate, moisture	%	9.24	8.77	8.89	8.69	8.74	8.51	8.37	8.51	8.43

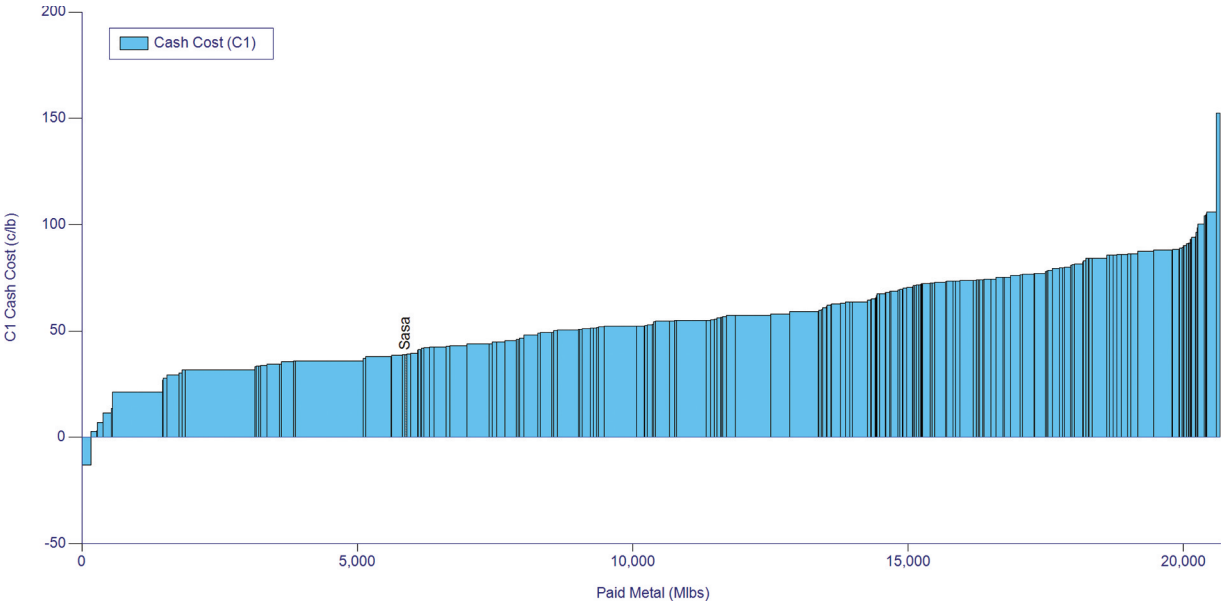
For 2016, the mining cost was US$17.1/t of ore and processing cost was US$10.5/t of ore. Recoveries of 84.6 per cent. for zinc and 94.1 per cent. for lead were achieved. The C1 cash cost at the SASA Mine is estimated to be US$0.39 per pound for zinc and US$0.29 per pound for lead. As indicated by the Wood Mackenzie cost curves below, this is in the lower end of the second quartile of global producers for zinc and the lowest quartile of global producers for lead.

2017 Lead Mine, Composite, C1 Cash Cost
Grouped By Mine and Ranked By Cash Cost (C1)



Source: Wood Mackenzie Ltd, Dataset: 2017 Q2

2017 Zinc Mine, Composite, C1 Cash Cost
Grouped By Mine and Ranked By Cash Cost (C1)



Source: Wood Mackenzie Ltd, Dataset: 2017 Q2

The SASA Mine run of mine production guidance for 2017 is over 770,000t. The lead grade range is between 3.37 per cent. and 4.03 per cent. whilst the zinc grade range is between 2.65 per cent. and 3.27 per cent.

3.2 Regional and Local Geology

The SASA Mine lies within the Serbo-Macedonian Massif, which hosts a large number of lead and zinc deposits and extends through Serbia, Macedonia, Bulgaria, eastern Greece and into Turkey.

The SASA Mine Svinja Reka and Golema Reka deposits are located on the eastern flank of a copper molybdenum porphyry deposit at Osogovo.

The SASA Mine lead zinc silver mineralisation occurs as stratiform deposits hosted predominantly by quartz-graphite schist and marbles of Lower Palaeozoic age at Svinja Reka and by gneisses at Golema Reka. Hydrothermal and bedding parallel faulting are responsible for the metasomatism of the host sediments that produce skarn and base metal mineralisation of the Svinja Reka and Golema Reka deposits.

The deposits are well defined lenses of lead zinc silver mineralisation, which dip at about 35 degrees to the south west and range in true thickness from 2 metres to 30 metres.

3.3 The SASA Mine Mineral Resource

SRK has estimated the Mineral Resource as at 1 July 2017 in line with the JORC Code (2012) and included it in the most recent Competent Person's report in Part B of Part VIII of this document. The Mineral Resource is shown below inclusive of reserves.

Mineral resource classification	Tonnage	Metal grade			Metal content		
	Mt	% Pb	% Zn	g/t Ag	kt Pb	kt Zn	t Ag
Indicated	13.3	4.59	3.68	22.0	611	490	9,403
Inferred	10.1	3.55	1.67	18.1	357	168	5,849
Total	23.4	4.14	2.81	20.3	968	658	15,252

Ore Reserves are as stated on 1 July 2017, in line with the JORC Code (2012). Ore Reserves have been classified as Probable Ore Reserves, on the basis that the relevant Mineral Resources are in the Indicated Mineral Resource category.

Ore reserve classification	Tonnage	Metal grade			Metal content		
	Mt	% Pb	% Zn	g/t Ag	kt Pb	kt Zn	t Ag
Probable	10.9	3.85	3.08	18.4	421	337	6,447
Total	10.9	3.85	3.08	18.4	421	337	6,447

Future Development Strategy of the SASA Project

Future mine development

On the basis of the mine's current Probable Reserves, production can be sustained at the SASA Mine until at least 2032. However, the mine has additional Inferred Mineral Resources at both Svinja Reka and Golema Reka which are expected to increase the life of the operation to 2038.

There is additional resource potential in the mine and licence area, and particularly in the Kozja Reka deposit area, which was previously mined from between 1966-1989. There are no current mineral resources for this deposit, which is located between Svinja Reka and Golema Reka, but a diamond drilling programme is currently underway there.

A new chief geologist has recently been hired with more than 15 years' experience, who is responsible for growing the resource base and increasing the confidence category of Inferred Mineral Resources into Indicated Mineral Resource around the SASA Mine. In particular, areas of geological prospectivity are Svinja Reka North from level 990, Svinja Reka from level 830-750, Kozja Reka and the upper section of Golema Reka.

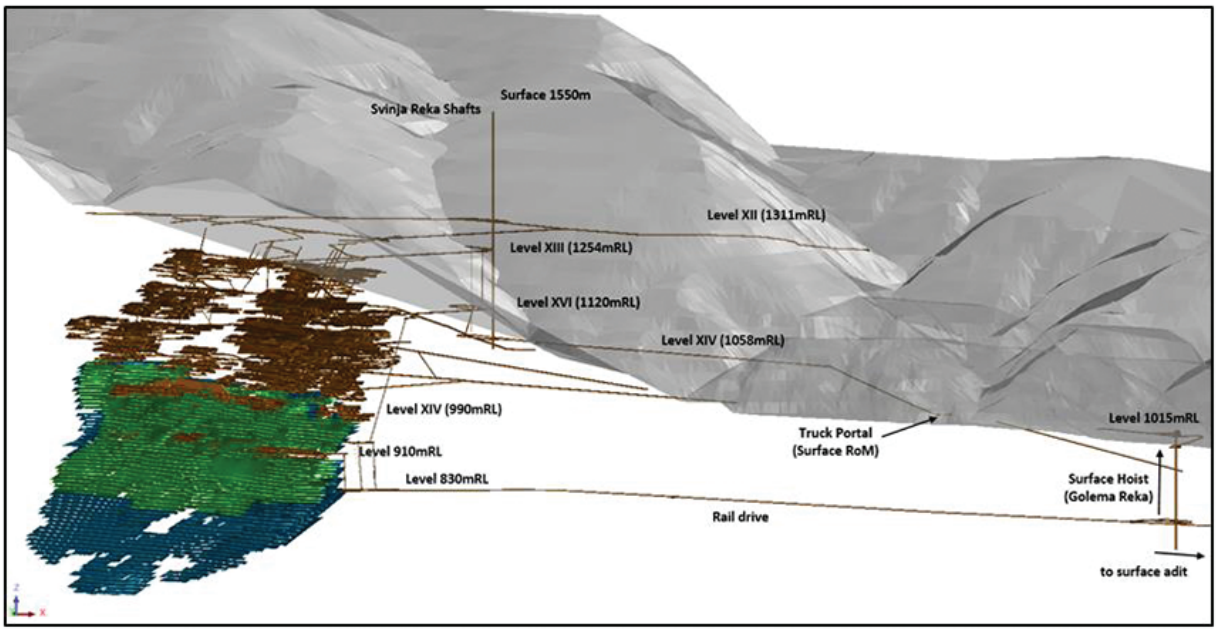
Tailings Storage

The Company is currently obtaining the necessary permits and is constructing TSF 4 which is expected to be completed in Q2 2018 and which will be required for mining activities once the existing tailings facility reaches the maximum storage capacity, which is expected to occur in Q4 2018.

Water Quality

Further to a recent inspection, the permitting is in process for construction of a settlement pond to improve water quality for Horizon 830. The Company is also seeking an amendment to its A-Permit. Further details of which are set out in paragraph 9.4.1 of Part B of Part VIII (Macedonian Competent Person's Report).

The SASA Mine Exploration Map–(oblique view showing existing development and mine stopes (brown) and planned stopes using indicated (green) and inferred (blue) resources)



4. LYNX GROUP COMPETENT PERSON'S REPORT

The Mineral Resource estimate for the SASA Mine was prepared by Mr Guy Dishaw of SRK. Mr Dishaw has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a "Competent Person" as defined by the JORC Code 2012. Mr Dishaw consents to the inclusion in this document of this information in the form and context in which it appears.

The Competent Person who has reviewed the Ore Reserves and the Life of Mine Plan ("LoMp") as reported by Lynx Resources is Mr Chris Bray of SRK. Mr Bray is a Mining Engineer with 20 years' experience in the mining and metals industry, including operational experience in underground lead-zinc mines, and as such qualifies as a Competent Person as defined in the JORC Code (2012). Mr Bray consents to the inclusion in this document of this information in the form and context in which it appears.

5. LICENCE TABLE

Company	Asset	Holder Interest %	Licence Expiry Date	Licence Area Sq. kilometers	Status (Exploration or Development) & Comment
Rudnik SASA DOOEL	SASA Mine	100	28 September 2030 (for exploitation)	4.22 (exploitation)	Current annual run of mine production is 780 kt, producing lead and zinc concentrates
Rudnik SASA DOOEL	SASA Mine	100	13 December 2017	1.42 (exploration)	Application for renewal of the licence is already in progress

PART VI

INFORMATION ON KAZAKHSTAN AND KAZAKH MINERAL POLICY & LAW

1. OVERVIEW OF KAZAKHSTAN

1.1 Geography and Population

Kazakhstan is the ninth largest country in the world by land area. It is located in Central Asia and is bordered by Russia to the north and west, China's Xinjiang-Uigur Autonomous Region to the east, Kyrgyzstan, Uzbekistan and Turkmenistan to the south and the Caspian Sea to the west. The country covers an area of approximately 2.7 million square kilometres (approximately the same size as Western Europe) and spans two time zones from the Caspian Sea in the west to the Altai Mountains in the east. In December 1997, the capital moved from Almaty to Astana, which is located in central Kazakhstan, and most of the state bodies have relocated to Astana. However, Almaty remains the financial capital and the largest city in Kazakhstan. As at 8 January 2017, the population of Kazakhstan was approximately 18 million people, which makes it a very sparsely populated country with an average population density of 6.49 people per square kilometre.



1.2 Government

Kazakhstan is a constitutional republic with a presidential form of governance. The president is both the head of state and commander-in-chief of the armed forces. President Nursultan Nazarbayev, who has been in office since Kazakhstan became independent in December 1991, was re-elected in April 2015 with an overall voting majority of almost 98 per cent. The Kazakhstan constitution provides for separation of powers, but the president wields considerable control over all three branches of government and determines national policy priorities. He may also veto legislation that has been passed by the Parliament. In March 2017, the constitution of Kazakhstan (the "**Constitution**") was amended to pass certain authorities from the president to the government and the Parliament and restrict the power of the president with respect to certain issues, but, in practice, the amendments did not significantly reduce the president's power.

Bakhytzhan Sagintayev, who has been prime minister since 8 September 2016, was appointed by the president and approved by the Parliament and is Kazakhstan's head of government. There are two deputy prime ministers and 16 ministers in the government.

Kazakhstan has had two different parliamentary structures since the end of the Soviet era. The current structure has a bicameral Parliament, with the Mazhilis (the lower house) comprised of 107 members and the Senate comprised of 47 members. In the Mazhilis, 98 members are elected by direct party-list vote and nine members

are appointed by the Assembly of Nations of Kazakhstan. Two senators are selected by each of the elected assemblies (maslikhats) of Kazakhstan's sixteen principal administrative divisions (fourteen regions plus the cities of Astana and Almaty). Half of the senators are re-elected every three years. Mazhilis deputies and the government both have the right to initiate legislation, though the government proposes most legislation considered by the Parliament.

1.3 Economic overview

Kazakhstan is an industrial country, with mining and oil and gas operations as its main prospects for economic growth. Over the past two years, Kazakhstan has faced a decline in trade due to a fall in oil prices, a recession in neighbouring Russia and a slowdown in Chinese growth. In order to address the worsening economic situation, the government of Kazakhstan has responded with a number of initiatives to try to stimulate the economy.

These range from a widespread planned privatisation programme to some fundamental proposals for changes in the law aimed at attracting increased foreign investment into the country. Currently, it is estimated that the Kazakhstan state owns approximately 70 per cent. of businesses and the country targets reducing this to 15 per cent. by 2021 through the privatisation programme. One such proposal to increase foreign direct investment in Kazakhstan is to introduce a new mining code that looks set to replace the existing subsoil use law. It is anticipated that the new mining code expected to be enacted in 2018 will be based on the existing regulatory approach in the mining sectors in Western Australia and will simplify regulation and improve the investment climate.

Following an 85 per cent. devaluation of Kazakhstan's currency, the Tenge, against the US Dollar in 2015, the Tenge remained broadly stable throughout 2016, showing a slight appreciation to 333 KZT/USD (31 December 2015: 340 KZT/USD) towards the end of the year. This appears to have been largely related to the recovery in oil prices to US$55 per barrel following OPEC's agreement in November 2016 to cut output to 32.5 million barrels a day in order to improve supply-demand fundamentals.

The 2016 official rate of inflation in Kazakhstan was 8.5 per cent. (2015: 13.6 per cent.) which, although at the top end of the forecast range for the year, appears to be a solid achievement in monetary control given such a marked devaluation in the currency in the previous year. During 2017, the Directors' believe that the stability of Kazakhstan's economy and the local currency is likely to continue to be dependent on the strength of oil prices.

Looking to the medium term, the Directors' believe that Kazakhstan is well placed to benefit from China's initiative to revive the ancient "Silk Road" with economic corridors to Europe. Kazakhstan expects China to invest US$26 billion between 2016 and 2021 in the country, both in infrastructure and industry, in conjunction with liberalising bilateral trade. In addition, during 2016, Exxon Mobil, Chevron and Lukoil agreed to a US$37 billion investment in the Tengiz oil field to increase output by almost 50 per cent. by 2022 and the Kashagan oil fields, the largest in Kazakhstan, commenced production of oil in November 2016.

The legacy of the Soviet Union resulted in the model of a highly state regulated economy in Kazakhstan including price control for many state-owned monopolies. In 2017, the government has committed to reviewing some of these price controls. While the removal of these controls may result in near term higher prices for consumers, the proposed changes are expected to improve competition and increase the interest of foreign investors in those industries.

The eventual replacement of long serving president, Nursultan Nazarbayev, is arguably one of the biggest uncertainties facing the Kazakhstan economy in the longer term. In order to plan for this, Nazarbayev launched his "100 concrete steps" initiative in May 2015, listing 100 measures aimed at making improvements to the legal system, improving the civil service, ensuring economic growth, boosting national unity and making the state more accountable.

2. MINERAL POLICY AND LAW IN KAZAKHSTAN

General

Regulation of the mining sector can be divided into three broad areas:

- regulation in relation to subsoil use rights and operations, including local content;
- regulation in relation to environmental matters; and
- anti-monopoly regulation.

2.1 Subsoil use regulation

In Kazakhstan, the subsoil and minerals contained in the country are owned by the state in accordance with the Constitution. The state ensures access to the subsoil mostly by entering into subsoil use contracts for exploration or mining (or a combination of the two) on terms and conditions and within the limits provided for by Kazakhstan law. Unless otherwise stipulated by Kazakhstan laws and subsoil use contracts, mineral raw materials must be owned by a subsoil user. Most types of subsoil use operations must be carried out on a temporary and payable basis. Subsoil use rights are normally granted as a result of competitive procedures in the form of a tender or auction or, by way of exception, as a result of direct negotiations between a proponent and the competent body.

The Ministry for Investments and Development of the Republic of Kazakhstan has been assigned by the government of Kazakhstan to exercise the function of the competent body (the "**Competent Body**") in the mining sector and grants exploration and mining contracts for all minerals except for uranium and coal on behalf of the state. Subsoil use contracts are granted for a specific period but may be extended before the date of expiration subject to certain limitations and conditions. Subsoil use contracts may be unilaterally terminated by the Competent Body if, amongst other things, subsoil users do not satisfy their contractual obligations, which may include operational obligations (exploration drilling, mining and/or processing of certain amount of minerals), minimal expenditure obligations set out in a contract, payment of taxes and satisfaction of other exploration and mining, environmental, and health and safety requirements.

The Kounrad Contract was concluded pursuant to the Law No. 2828 "On Subsoil and Subsoil Use" of 27 January 1996 (the "**Previous Subsoil Law**") that was superseded by the new Law No. 291-IV "On Subsoil and Subsoil Use" dated 24 June 2010 (the "**Subsoil Law**").

The following important provisions were retained in the Subsoil Law from the Previous Subsoil Law:

Issuance of new shares

Under the Subsoil Law, the consent of the Competent Body is required for the issuance of new shares by a subsoil user or its parent company.

Priority Right to Acquire Minerals

The state shall have a priority right to acquire a subsoil user's minerals, at prices not exceeding those applied by the subsoil user to third parties that prevail on the date of the relevant transaction, minus transportation and selling costs.

Right to Requisition Minerals

In the event of martial law or a state of emergency, the Kazakhstan government may requisition some or all of the minerals owned by a subsoil user. Requisition may be in any amount necessary to cover the needs of the state during the entire period of martial law or the state of emergency. Minerals may be requisitioned from any subsoil user regardless of the form of ownership. The state shall guarantee compensation for requisitioned minerals either by payment in kind, or by paying their monetary value to a foreign subsoil user in freely convertible currency and to a domestic subsoil user in the national currency at prices not exceeding those applied by subsoil users in transactions related to the relevant minerals that prevail on the date of requisition, minus transportation and selling costs.

The State's Pre-Emptive Right

The Subsoil Law differentiates between subsoil use rights and the objects related to the subsoil use rights (the "**Objects**"). Objects are participatory interests (shares, securities confirming title to shares and securities convertible into shares) in a legal entity holding the subsoil use right, as well as a legal entity which may directly and/or indirectly determine and/or influence decisions adopted by a subsoil user, if the principal activity of such entity is related to subsoil use in the Republic of Kazakhstan (the "**Controlling Legal Entity**").

The concept of the state's pre-emptive right, being the right of the Republic of Kazakhstan to acquire any subsoil use right (or its part) or shares in a subsoil user company or its Controlling Legal Entity which are being alienated (the "**State's Pre-Emptive Right**"), was first introduced in the Previous Subsoil Law in 2004 and was transferred to the Subsoil Law in respect of both the subsoil use rights and the Objects. Although the State's Pre-Emptive Right does not currently apply to the Company, this right gives the state a right of first refusal in respect of any such transfers on terms "no worse than those offered by other prospective purchasers" and the Company may become subject to it in the future.

Prior to the amendments to the Subsoil Law introduced on 29 December 2014 (enacted 11 January 2015), the State's Pre-Emptive Right applied retroactively to all existing contracts, as well as prospectively to future contracts. Following the above-mentioned amendments, the State's Pre-Emptive Right now applies to those contracts (whether existing or future) related to the deposits and subsoil use plots of strategic importance. With certain limited exemptions, the State's waiver of its pre-emptive rights would need to be obtained for any transfer of the subsoil use rights or the Objects related to those deposits and subsoil use plots, including any initial and secondary public offerings of shares on organised securities markets. The deposits and subsoil use plots of strategic importance are designated by the Kazakhstan government and the current list includes 361 hydrocarbon, minerals and underground water deposits categorised as strategic. While the Kounrad mine in Kazakhstan is not currently included on the list, the Kazakhstan government is entitled to amend this list at their discretion.

For a copper deposit to be designated as a strategic deposit, one of the following criteria must be satisfied:

(A) the deposit is part of a group of deposits which are developed by one person or a group of affiliated persons under one or several subsoil use contracts, the aggregate amount of recoverable resources of which exceed 5 million tonnes; or

(B) the deposit is important from the state's national security and defence perspective and development of which:

  (a) could pose or poses a threat to the economic interest of Kazakhstan;

  (b) leads to decrease of the defence capacity of the state or a threat of state borders a inviolability; or

  (c) leads to sharp deterioration of ecological situation, including the quality of potable water, natural disasters and other force-majeure circumstances of natural and technogeneous nature and/or epidemic.

The Consent for Transfers of Subsoil Use Rights and Objects

Subsoil use rights (or a share therein) and the related Objects can only be transferred, including in cases of foreclosure (including a pledge), with the consent of the Competent Body in accordance with the procedure established by Article 37 of the Subsoil Law.

A credit facility secured by a pledge of the subsoil use right shall only be allowed for the purposes of furthering is subsoil use, or for further processing, provided that such processing is stipulated in the relevant subsoil use contract and is carried out within the territory of Kazakhstan by the subsoil user itself or by a wholly-owned subsidiary.

The admission to trading of any Objects which are shares or other securities confirming title to shares or convertible securities on an organised securities market, including through an initial public offering or an additional placement of such Objects, requires prior consent of the Competent Body.

The Subsoil Law, however, provides that the Competent Body's consent shall not be required in the following instances:

(A) transactions for alienation of shares or other securities confirming title to shares, or securities convertible into shares which are traded on an organised securities market and are issued by a subsoil user legal entity or a Controlling Legal Entity;

(B) the transfer, in full or in part, of the subsoil use right and/or an Object:

  (a) to a subsidiary in which at least a 99 per cent. participatory interest (shareholding) is held directly or indirectly by the subsoil user, provided that such subsidiary is not registered in a jurisdiction with a preferential tax treatment (the so-called "black listed offshore jurisdictions"); and

  (b) between legal entities in each of which at least a 99 per cent. participatory interest (shareholding) is held directly or indirectly by one and the same person, provided that the acquirer of all or part of the subsoil use right and/or the Objects is not registered in a jurisdiction with a preferential tax treatment; or

(C) the transfer of shares in a subsoil user legal entity if, as the result of such a transfer, an entity acquires the right to directly or indirectly dispose less than 0.1 per cent. of the participatory interests in the charter capital of the subsoil user or the Controlling Legal Entity.

In these instances, the state's waiver of its pre-emptive rights (if applicable) shall not be required either.

Any transactions or other related actions effected without the required consent of the Competent Body are null and void.

Termination of Subsoil Use Contracts

According to Article 72.3 of the Subsoil Law, the Competent Body may prematurely and unilaterally terminate a subsoil use contract:

(A) if the subsoil user fails to eliminate more than two violations of obligations under its subsoil use contract within the time set in the Competent Body's notice;

(B) in the event of a transfer of a subsoil use right and/or of an Object by the subsoil user without the Competent Body's prior consent when such consent is required; and

(C) if the subsoil user performs less than 30 per cent. of its financial obligations under the contract during two consecutive years.

Treatment of Subsoil Use Contracts in Relation to Deposits and Subsoil Use Plots of Strategic Importance

The Competent Body has the right to initiate reviews of the terms a subsoil use contract related to deposits and subsoil use plots of strategic importance and to require amendments and/or additions to such contracts in circumstances where the activities of the subsoil user in the contract area lead to material changes in the economic interests of the state which create a threat to national security. In this regard the Subsoil Law entitles the Competent Body to unilaterally terminate the subsoil use contract related to a strategic deposit if: (i) within two months from the date of the Competent Body notification, the subsoil user does not provide its written consent, or refuses, to negotiate the amendments and/or additions to the subsoil use contract; (ii) within four months from the date when the subsoil user provided its consent to start negotiations, the parties fails to reach an agreement on the subsoil use contract amendment; or (iii) the parties fail to execute the respective amendments and/or additions to the subsoil use contract within six months from the date when an agreement was reached with the Competent Body to restore the state's economic interests. Since the enactment of the Subsoil Law, according to publicly available information, the Kazakhstan government has never officially invoked this provision with respect to any of the strategic deposits. In any event, Kounrad is currently not listed as a strategic deposit.

Procurement Rules

The Subsoil Law generally requires subsoil users to comply with certain local content requirements to procure Kazakhstan produced goods, works and services from local suppliers, as well as employ Kazakhstan citizens. The share of local content is detailed in subsoil use contracts, including those executed prior to the enactment of the Subsoil Law.

In connection with Kazakhstan's accession to the World Trade Organization a number of amendments to Kazakhstan legislation, including the Subsoil Law, were introduced modifying, *inter alia*, the procurement and local content regulation regime. For instance, according to the said amendments, subsoil users party to contracts executed prior to 1 January 2015, are obliged to procure Kazakhstan produced goods until the earlier of:

(A) 1 January 2021; or

(B) expiration of the subsoil use contract,

provided, however, that if the subsoil use contract's duration term is modified, the local content obligations in respect of procurement of locally produced goods shall be excluded from the contract.

2.2 Environmental regulation

The mining sector is heavily regulated from an environmental perspective and the conduct of mining operations requires a number of permits and approvals. An environmental permit ("**EP**") is a special permit that grants a subsoil user a temporary right to emit or disburse emissions into the atmosphere and discharge waste substances into surface and underground waters. EPs contain the conditions governing the subsoil user's impact on the environment. Companies which have an impact on the environment (through pollution, discharging waste, etc.) are required to obtain an EP. An EP is normally issued for up to ten years or until there is a change in either the technology used by the EP holder or the terms and conditions set forth in the EP. Environmental compliance is monitored either by regional executive authorities or by the Ministry of Energy of the Republic of Kazakhstan, whose Committee of Environmental Regulation and Control is in charge of enforcing environmental legislation. Fees for pollution of the environment are established by the tax code and may be

increased (within certain limits) by local representative bodies (maslikhat). The holding of an EP does not exempt a subsoil user from liability to pay compensation for damage to the environment caused by its activities, or from any administrative or criminal liability. Annual renewal is subject to compliance with the permit's terms and conditions, and applicable environmental laws.

In February 2009, Kazakhstan ratified the Kyoto Protocol to the United Nations Framework Convention on Climate Change. Ratification of the Kyoto Protocol, which is intended to limit or discourage emissions of greenhouse gases such as carbon dioxide, had an impact on environmental regulations in Kazakhstan.

Following the ratification, the Kazakhstan Environmental Code (dated 9 January 2007, as amended) (the "**Environmental Code**") was amended to set out a framework for climate change control in Kazakhstan, which came into force on 1 January 2013, including in relation to obtaining quotas for greenhouse gas emissions by legal entities emitting more than 20,000 tonnes of carbon dioxide in a year, quota trading and development of the national quota allocation plan. However, in response to industry complaints on the imperfections of the legal mechanism put in place for the allocation of quotas and trading, and difficulties with adherence to the same, in April 2016 Kazakhstan suspended the application of a number of provisions of the Environmental Code related to greenhouse gas emissions until 1 January 2018. The application of the national allocation plan for 2016 to 2020 and the quotas distributed among the companies were also suspended until 1 January 2018. The Ministry of Energy is currently reconsidering the mechanisms in place under the greenhouse gas emissions regulation.

In November 2016 Kazakhstan ratified the Paris Agreement under the United Nations Framework Convention on Climate Change. The impact of the ratification remains to be seen.

Water use permits

The Water Code, dated 9 July 2003, No. 481 (the "**Water Code**") aims at implementing governmental policy in relation to the utilisation and protection of water resources. The Water Code sets out obligations for the use of water and discharge of certain materials into the water, on the basis of water use permits ("**WUP**"). A WUP can be suspended if the terms specified in the relevant WUP are breached, and may be withdrawn if the violations are not cured. Such terms include monitoring the quality of underground water, submitting statistical reports and monitoring reports, complying with requirements relating to water protection during mining operations and regular checking of equipment.

Enforcement

Enforcement of environmental requirements is effected by various officials of the Ministry of Energy and its territorial divisions who have the authority to supervise environmental compliance and initiate judicial proceedings. Pursuant to the Environmental Code, state officials, in their enforcement of environmental protection measures, are entitled to, *inter alia*:

- inspect facilities and take measurements and/or samples for analysis;
- request and receive documentation, results of analysis and other materials;
- initiate procedures relating to the: (i) recalling of licences; (ii) termination of contracts for the use and taking of natural resources; and (iii) suspension and annulment of environmental and other permits in the event of violation of the terms of such permits;
- issue orders to individuals and legal entities on elimination of violations of environmental laws;
- file claims to courts with respect to violations of Kazakhstan laws; and
- propose to the Competent Body to suspend or terminate a subsoil use contract in certain circumstances.

2.3 Anti-monopoly regulation

Anti-monopoly regulation in Kazakhstan is evolving and has undergone significant changes in the recent years shifting from strict and heavy pricing and tariffs regulation to being more focused on the supervision and monitoring of fair competition.

Certain transactions that qualify as economic concentration are subject to the prior notification to or approval by the Committee for Regulation of Natural Monopolies, Competition Protection and Consumers' Rights

Protection of the Ministry of National Economy (the "**Anti-Monopoly Committee**"). The following transactions qualify as economic concentration:

(A) company reorganisation through merger or consolidation;

(B) acquisition by a person of voting shares (or participation interests in charter capital or participatory shares) of a company where such person gains the right to dispose of more than 50 per cent. of such shares if prior to the acquisition such person did not possess shares in the company or possessed 50 per cent. of the voting shares or less. This, however, does not apply to the formation of a new company;

(C) acquisition by a person of another company's fixed production assets and/or intangible assets into ownership, possession and use, including in payment of charter capital, if the book value of the property in question exceeds 10 per cent. of the book value of the fixed production assets and intangible assets of the company alienating or transferring the property;

(D) acquisition by a person (including on the basis of a trust management agreement, joint operation agreement or agency agreement) of rights which allow such person to issue binding instructions to the other person for the conduct of its business activities or to perform the functions of its executive body; or

(E) participation of the same individuals in the executive bodies, boards of directors, supervisory boards or other management bodies of two or more companies, provided that such individuals determine the terms of business activities conducted by such companies.

Approval or the notification of the Anti-Monopoly Committee is required when the aggregate book value of assets or goods turnover for the previous year of companies involved in the transaction exceed ten times the monthly calculation index (which is currently approximately US $70 million). Either of the above transactions being effected within one group of entities does not require approval or notification to the Anti-Monopoly Committee. Transactions conducted in the absence of the Anti-Monopoly Committee's consent, where such was required, and which result in the creation or enhancement of a dominant or monopolistic position of a market participant and/or the restriction of competition may be invalidated by the court on the basis of an action brought by the Anti-Monopoly Committee.

A company is deemed to occupy a dominant position if its market share is equal to or exceeds a threshold of 35 per cent., provided that all of the following circumstances are true in respect of such entity: (i) possibility of unilaterally determining the prices and having a decisive influence on the general conditions of a product's sale in the market; (ii) the lasting duration of the entity's ability to have a decisive influence on the general conditions of a product's sale in the market; and (iii) if there are economic, technological, administrative or any other restrictions to access the market. Notwithstanding the above-mentioned circumstances, an entity would be considered to occupy a dominant position if its market share is 50 per cent. or more.

In addition, if three or fewer entities in a relevant market hold an aggregate market share of 50 per cent. or more, or if four or fewer entities in a relevant market hold an aggregate market share of 70 per cent. or more, each is deemed to hold a dominant market position, provided that such entities meet all of the following criteria: (i) the market share remains the same for a year or longer (or for the term of a certain market's existence); (ii) the product sold or purchased by such entity cannot be replaced with another product; and (iii) the pricing information for such product or the conditions of its sale are available to the general public. If an entity holds a market share not exceeding 15 per cent. of the relevant market, such entity shall not be deemed to hold a dominant market position.

3. SUMMARY OF KEY AGREEMENTS

3.1 The Kounrad Contract

The Kounrad Contract was entered into by and between MEMR and Saryarka on 20 August 2007 and governs the subsoil use terms in respect of the Kounrad asset. The Kounrad Contract was duly approved by the necessary competent authorities and registered with MEMR under registration number 2447.

On 6 September 2007, Sary Kazna Limited Liability Partnership ("**Sary Kazna**") and Saryarka entered into: (i) a joint operating agreement, which was replaced by a joint operating agreement dated 16 August 2010 (the "**Kounrad JOA**") and (ii) the agreement for transfer of the subsoil use rights. Those two agreements provided for the transfer of 60 per cent. of the subsoil use rights under the Kounrad Contract to Sary Kazna.

On 23 May 2014, another agreement for transfer of the subsoil use rights was entered into between Sary Kazna and Saryarka whereby Sary Kazna acquired the remaining 40 per cent. of the subsoil use rights under the Kounrad Contract.

The initial term of the Kounrad Contract is 27 years from the date of its registration, i.e. until 20 August 2034. This term comprised two years of exploration and 25 years of production.

3.2 Amendments to the Kounrad Contract

As at the date of this document the Kounrad Contract includes nine amendments. Amendment No. 1 dated 15 November 2007 formalised the transfer of 60 per cent. of the subsoil use right under the Kounrad Contract from Saryarka to Sary Kazna.

Amendment No. 2 dated 14 April 2009 was concluded in connection with the adoption of the new Tax Code on 10 December 2008 which introduced a new tax regime and taxes applicable to subsoil users, including Sary Kazna and Saryarka under the Kounrad Contract.

Amendment No. 3, executed on 2 September 2010, extended the exploration period for a further two years to expire on 20 August 2011 while reducing the production period from 25 to 23 years. In addition, amendments in respect of new reporting procedures in relation to local content in goods, works and services and Kazakhstan personnel were introduced. Amendment No. 3 also formalised that the Ministry of Industry and New Technologies became the successor of MEMR in respect of the mineral sector.

On 08 November 2013 Amendments No. 4, No. 5 and No. 6 were concluded relating to: (i) commercial discovery; (ii) extension of the exploration period; and (ii) partial assignment of the Kounrad Contract in connection with transfer of 40 per cent. stake in the project from Saryarka to Central Asia Investment Consulting Company LLP, respectively. In accordance with these amendments, it was agreed to:

(1) subject the Kounrad Contract to the effect of, at that time, the newly introduced Subsoil Law;

(2) approve a new work programme for the first five years of the production period;

(3) extend the exploration period for two years to 20 August 2013 and approve a new work program for the extended exploration period; and

(4) introduce a new requirement to finance research and development works by Kazakhstan producers in the amount of not less than 1 per cent. of the aggregate annual income derived from operations under the Kounrad Contract.

Amendment No. 7 made on 20 March 2014 reflected the partial assignment of the Kounrad Contract in connection with the transfer of 40 per cent. in the Kounrad Contract from Central Asia Investment Consulting Company LLP to Mr Kenges Rakishev.

Amendment No. 8 dated 6 May 2014 reflected further sale of the 40 per cent. stake in the Kounrad Contract from Mr Rakishev to Sary Kazna, thus Sary Kazna became the sole holder of the Kounrad Contract.

Amendment No. 9 executed on 28 November 2015 reflected the approval of full reserves of the Kounrad mine and full transition to the production stage with the new work program. In addition, amendments were made to reflect that the Ministry for Investments and Development became the successor of the Ministry of Industry and New Technologies.

3.3 Financial obligations

The main financial obligations under the Kounrad Contract are as follows:

(A) Sary Kazna is required to invest not less than approximately USD195,576,220 during the production period, starting from 2015;

(B) Sary Kazna is required to allocate not less than 1 per cent. of the total expenditures during the production period to professional training of local personnel involved in the works under the Kounrad Contract. In the event the amounts to be spent exceed the actual demands for the professional training of local personnel, Sary Kazna is required to use the remaining amount to finance the priority objectives of the secondary education system of Kazakhstan;

(C) Sary Kazna is required to participate in the Karaganda region's social infrastructure development by contributing US$30,000 each year during the exploration period and US$40,000 each year during the production period;

(D) Sary Kazna is required to finance research and development works by Kazakhstan producers in the amount of no less than 1 per cent. of the aggregate annual income derived from operations under the Kounrad Contract; and

(E) Sary Kazna is required to form, and make deductions to, a relinquishment fund the aim of which is to finance the restoration of the land which is the subject of subsoil use operations under the Kounrad Contract. The relinquishment fund is formed by means of opening a deposit account in a commercial bank, and the annual deductions shall be equal to 1 per cent. of the amount of investments during the exploration period and 1 per cent. of operational costs during the production period.

3.4 Tax obligations

Pursuant to the Kounrad Contract (as amended), Sary Kazna is required to pay taxes and other obligatory payments to the budget in accordance with the laws in force as at the time the tax obligations arise. The current tax laws provide for, *inter alia*, the following specific taxes related to subsoil use:

(A) a commercial discovery bonus at the rate of 0.1 per cent. is required to be paid on the value of the recoverable reserves determined by the Competent Body. Such value will be determined on the world prices in the Metal Bulletin published by Metal Bulletin Journals Limited, or the Metal-pages published by Metal-pages Limited;

(B) an excess profits tax is payable on a scale ranging from 10 per cent. to 60 per cent. depending on the ratio between net income and applicable deductions during a tax year. Excess profit tax is payable if the net profit exceeds 25 per cent. of applicable deductions in a reporting period;

(C) a mineral extraction tax will be payable at the rate of 5.7 per cent. of the market value of copper existing in the mined minerals. Such value will be based on the world prices in the Metal Bulletin published by Metal Bulletin Journals Limited, or the Metal-pages published by Metal-pages Limited; and

(D) historical expenses are payable in accordance with the tax laws of Kazakhstan. In accordance with the Agreement on Acquisition of Information concluded between the Geological and Subsoil Use Committee of MEMR and Saryarka on 18 June 2007, no historical costs will be charged for the state geological information

3.5 Other material provisions of the Kounrad Contract

The Kounrad Contract relates to the exploration and production of the mineral copper. Sary Kazna is obliged to use new technologies in exploration and mining in accordance with best international mining practice. After completion of the exploration, the contract area was required to be returned to the state except for the areas where commercial discovery has been made. Following completion of the exploration period, Sary Kazna was required to arrange for the explored copper resources to be approved by the State Committee for Reserves, GKZ (Republic of Kazakhstan) and this approval was obtained.

The state has a pre-emption right to acquire copper from Sary Kazna. The terms, volume and price of the acquired copper will be determined by a separate agreement between the parties. Sary Kazna may not assign its rights and obligations under the Kounrad Contract to a third party without the prior approval of the Competent Body.

Sary Kazna is required to comply with certain local content requirements in respect of the purchase of goods and engagement of personal.

Sary Kazna must evaluate the long term ecological effect of its subsoil use activity.

3.6 Land lease under the Kounrad Contract

Pursuant to the Decision of the Karaganda Region Akimat No. 08/05 of 6 April 2009 (as amended on 11 July 2011), Sary Kazna was granted a temporary land use right for a land plot of 1,865.58 hectares for a fee until 20 August 2034. The purpose of this land lease is to explore and produce copper at the Kounrad mine. On 27 April 2009, Sary Kazna entered into Land Plot Lease Agreement No. 82-08/05 (as amended on 20 July 2011) with the Land Relations Department of Karaganda Region. The agreement has been registered with the relevant justice authorities.

3.7 Shuak Framework Agreement

On 22 November 2016, CAML signed a framework agreement to acquire an 80 per cent. effective interest in the subsoil use contract for the Shuak exploration property in northern Kazakhstan. Under the terms of the framework agreement, on 22 February 2017, CAML reduced its interest in Shuak BV to 80 per cent., with 20 per cent. effectively being held by local partners. The transfer of the subsoil use contract to an entity wholly held by Shuak BV completed in August 2017. The consideration for this acquisition is an investment in

exploration activities of US$2 million over five years, subject to continued positive results from exploration activities and the general economic outlook for commodity prices.

3.8 Traxys Offtake Agreement

On 21 October 2016 KCC LLP (as seller) entered into an offtake agreement with Traxys (as buyer). Pursuant to this agreement, the seller gave the buyer the right to buy copper cathode from its Kazakh plant. The buyer is entitled to a minimum of 90 per cent. of production from 1 November 2016 to 31 December 2018.

The price payable for the offtake is calculated by reference to market prices or three month seller quotations, less a discount. A quality discount may also be applicable depending on the copper content in the cathode.

Pursuant to, and as a condition of, the Debt Financing, with effect from Completion, the term of this agreement will be extended to five years from Completion and the buyer will be entitled to approximately 95 per cent. of annual production.

PART VII

INFORMATION ON MACEDONIA AND MACEDONIAN MINERAL POLICY & LAW

1. OVERVIEW OF MACEDONIA

1.1 Geography and Population

Macedonia is located in the central part of the Balkan Peninsula and shares common borders with Albania to the west, Bulgaria to the East, Greece to the South and Serbia and Kosovo to the North. The country's total area is 25,713 square kilometres and, in January 2017, it had a population of approximately 2.08 million people. The capital, Skopje, is the largest urban centre with over 500,000 inhabitants.

1.2 Government

Macedonia is a republic and its current constitution was adopted on 17 November 1991. The president is the head of state and commander-in-chief of the army. The President is directly-elected, by secret ballot, for a maximum of two five-year terms. The current President, Mr Gjorge Ivanov, is within his second term, which began in May 2014. The national legislative body is the Parliament of Macedonia and is comprised of up to 123 members elected by popular vote who serve a four-year term. The most recent parliamentary elections were held in December 2016.

Executive power rests with the government. The government is headed by a Prime Minister, who is appointed by the parliamentary majority. The current prime minister is Mr Zoran Zaev who has served since May 2017.

Macedonia has 80 municipalities headed by mayors elected every four years, 10 of which constitute the city of Skopje, a distinct unit of local self-government. Municipal councils, the local legislative bodies, determine the mayors' executive functions.

Macedonia has been in political turmoil in recent years, fuelled by tension between the two major political parties, the conservative, Christian democratic VRMO-DPMNE party (the major party in the coalition government from 2006-2016), and the Social Democratic Union of Macedonia (SDSM). Following a snap election in December 2016 and a protracted period of political uncertainty, on 31 May 2017, the leader of the Social Democrat party, Mr Zoran Zaev, formed a coalition between his own party, the Democratic Union for Integration and the "Alliance for the Albanians" coalition in order to serve as the official government. The election of the new government has brought stability to the political situation in the country, and the policy focus of the new coalition government includes progressing Macedonia's EU and NATO accession processes, encouraging economic development, and raising living standards.

1.3 Economic Overview

The real GDP growth in 2015 was 3.8 per cent. compared to 3.5 per cent. in 2014. The real GDP growth for 2016 and 2017 is estimated to be 3.2 per cent. per year, putting the country in the top five in Europe in terms of economic growth. In 2016, the average inflation rate was –0.2 per cent. The current account deficit in 2016 was 3.1 per cent. of the GDP, compared to 2 per cent. in 2014, caused by the widening primary income deficit.

The historically high official unemployment rate has slightly decreased to 22.9 per cent. in 2017 from 24 per cent. in 2016, 26.8 per cent. in 2015 and 28 per cent. in 2014 (although it is widely assumed that the actual unemployment is lower due to the importance of the informal economy).

Despite a series of political challenges during the past two years, the economy grew and benefitted from accommodative policies, low commodity prices, sustained foreign investment and improving labour market conditions. An extended period of accommodative fiscal policy has helped support domestic demand, but has also depleted policy space to counter further shocks.

2. MINERAL POLICY AND LAW IN MACEDONIA

2.1 General

The mining sector and activities in the Republic of Macedonia are mainly regulated by the Minerals Law. The Minerals Law serves as the overriding law with respect to mining related legal issues.

Apart from the Minerals Law and its bylaws, the following laws and their corresponding bylaws amongst others also regulate certain aspects of the mining sector in Macedonia:

(A) the Law on Concessions and Public Private Partnerships ("**Concessions Law**");

(B) the Law on Trade Companies;

(C) the Law on General Administrative Procedure;

(D) the Law on Safety and Health at Work; and

(E) the Law on the Environment.

2.2 Minerals Law

The Minerals Law differentiates three general phases for the purposes of mining regulation:

(A) the surveying geological explorations phase;

(B) the exploration phase;

(C) the exploitation phase.

The first two phases have been completed at the SASA Mine and the operations have been in the exploitation phase for some time now. Any company that intends to perform exploitation of mineral resources within the Republic of Macedonia must first obtain an exploitation concession. The term as well as the surface area of such exploitation concessions vary depending on the type of mineral resource in question. Exploitation concessions for metal minerals can be given for a period of up to 30 years, with a possible extension period of another 30 years. The surface area covered by exploitation concessions for metal minerals may be up to 30 square kilometres.

The exploitation concession allows the entity that has been awarded such concession and has concluded an exploitation concession agreement with the Ministry of Economy ("**MoE**") to exploit the mineral resources (that are otherwise owned by the government of the Republic of Macedonia) within a certain surface area for a specified period of time at the expense and risk of the concessionaire. The MoE can award exploitation concessions at the request of an interested party (i.e. the owner of the results contained in an exploration report from a completed exploration) or after publishing a public call and holding an electronic auction.

The concessionaire needs to initiate the procedure and obtain the following property rights, depending on the owner of the land for which the concession was awarded:

(A) for land owned by legal entities and individuals, the concessionaire needs to initiate an expropriation procedure and obtain ownership of such land; and

(B) for land that is owned by the Republic of Macedonia, the concessionaire must request and obtain a right of use.

Concessionaires also have various obligations with respect to labour and health and safety at work matters as well as environmental issues.

Once an entity obtains a concession, it must also obtain an exploitation licence from the MoE before commencing any exploitation activities. The concessionaire must apply for an exploitation licence within four years after the conclusion of the exploitation concession agreement. The concessionaire is obliged to begin the exploitation activities within three years as of the issuance of the exploitation licence. If a concessionaire intends to further explore a certain surface area in order to broaden the concession area with an area neighbouring the original concession area, it can request that the MoE issues a license for geological exploration.

Lastly, a concessionaire can perform the following activities only after obtaining an additional mining project licence issued by the MoE:

(A) mining activities on new horizons or ponds;

(B) construction of new export, ventilation and researching shafts;

(C) significantly changing the method of excavation;

(D) reconstruction of mines and new dumpsites;

(E) reconstruction of large landslides; or

(F) changes in terms of land reclamation.

An annual fee is payable for use of the location or the surface amounting MKD 180,000 per square kilometre (approximately EUR 3,000 per square kilometre) for surface and/or underground exploitation of metallic minerals. Furthermore, a royalty amounting 2 per cent. of the market value of the metal per tonne for each tonne of metal concentrate exploited must also be paid.

The Minerals Law prescribes an obligation to obtain a prior approval and payment of a fee in the case of a transfer of an exploitation concession or a change of ownership in the exploitation concessionaire's shares. The fee payable in connection with obtaining approval for the concession transfer fee and/or the share transfer is equal to 7 per cent. of the value of the exploitation concession. The basis on which the value of the exploitation concession is determined is not prescribed in detail in the Minerals Law.

2.3 Environmental regulation

Given the environmental impact of mining activities, they are subject to strict regulation and inspection in Macedonia. The basic law which applies to environmental issues is the Macedonian Law on the Environment ("**Environment Law**"). It regulates the rights and duties of the Republic of Macedonia ("**RoM**"), the municipalities, the City of Skopje and the municipalities in the city of Skopje, as well as the rights and duties of the legal entities and natural persons in providing conditions for protection and improvement of the environment. The Environment Law prescribes that if a proposed project might have a significant impact on the environment, then an Environmental Impact Assessment Study ("**EIAS**") must be prepared and submitted it to the Ministry of Environment and Physical Planning ("**Ministry of Environment**"). The Ministry of Environment ultimately needs to approve any such project after a report and public hearing in relation to the relevant EIAS.

Certain activities can be performed only if the installation obtains an integrated environmental permit. This permit can be either (i) an A-Integrated Environmental Permit ("**A-Permit**"); or (ii) B-Integrated Environmental Permit ("**B-Permit**"). The A-Permit is issued by the Ministry of Environment and the B-Permit is issued by the relevant municipality, the city of Skopje or the Ministry of Environment. Mining activities can be performed only after an A-Permit has been obtained for the operation of an installation performing one or more activities stated in the Environmental Permit Decree and only up to the level approved in the A-Permit. The A-Permit contains data for the operator and the installation, as well as mandatory conditions related to emission levels, protection measures of individual media and areas of the environment, and the manner of performing monitoring by the operator of the installation.

The emissions of the installation specified in the A-Permit must not exceed the prescribed emission levels. During the validity of the A-Permit and for five years after its expiration, the operator must keep all documents and data related to the request, issuance and monitoring provided by the mandatory conditions in the A-Permit and make them available at the request of the Ministry of Environment and the State Environmental Inspectorate. Also, the operator must regularly notify and report to the Ministry of Environment. An A-Permit may be modified *ex officio* or at the request of the operator or may be transferred fully or in part under certain conditions. The A-Permit can be revoked if the operator (i) breaches more than three times the mandatory requirements contained in the A-Permit, as determined by the State Environmental Inspectorate; (ii) has made changes to the installation without obtaining permission from the competent body; or (iii) it does not perform the activity to the extent and at the time specified in the A-Permit. The holder of the permit must pay yearly fees in respect of the permit.

Moreover, if certain activities are performed in a system in which hazardous substances are present in quantities greater than or equal to the prescribed levels, the operator must take all measures necessary to prevent accidents and to limit their consequences on the environment and on human life and health, and prepare a Plan for the prevention of major accidents.

In 2004 RoM ratified the Kyoto Protocol to the United Nations Framework Convention on Climate Change which sets internationally binding emission reduction targets. In order to implement the National Climate Change Mitigation Plan ("**National Plan**"), and involve RoM in global efforts to reduce climate change and implement the commitments under the Kyoto Protocol, the Ministry of Environment evaluates and approves projects under the clean development mechanism established in the KP.

Water use permits

The Macedonian Law on Waters ("**Waters Law**") regulates the issues pertaining to surface waters, lakes, accumulations and springs, groundwaters, waterside land and water habitats and their management, water resources management facilities and services; organisational set up and financing of water resources management, as well as the conditions and the procedures under which the waters can be used and discharged.

For the purpose of achieving the public interest in water use, as well as for the purpose of exercising the rights and obligations of the legal entities and natural persons to use or discharge waters, the right of water use from bodies of waters and the right to discharge into the bodies of waters, a water right is granted to the legal entities and natural persons. The holder of water right shall have the right to freely and fully use and dispose with the water over which it has acquired the water right. This water right is acquired on the basis of a water use permit and water discharge permit which is issued for a period not longer than 10 years, unless provided otherwise. The water right that derives from and is exercised under the conditions and in the manner determined in the permit can be temporarily restricted if it (i) endangers human health; (ii) endangers the natural balance of the aquatic ecosystems and the water dependent ecosystems; (iii) restricts the general water use; and (iv) has a harmful impact on the protected areas determined by the regulations on protection of nature.

The operators who discharge wastewater are obliged to install instruments for measuring the discharged quantities of water and analysing their quality and to maintain the instruments in proper condition, to keep records of the performed measurements and to submit these data to the Ministry of Environment.

Water consents are issued for construction of new, or reconstruction or extension of existing, facilities that are located in or beside the surface waters, facilities that cross above or under the surface waters or facilities that are located in vicinity of surface waters or waterside lands and which may affect the water regime. They determine the water management conditions that must be realised during the construction. Only after obtaining this consent, the competent authorities may issue a construction permit for the concerned facility.

Supervision

The competent environmental supervision authority in RoM is the Ministry of Environment, while the inspection supervision is conducted by the State Environmental Inspectorate. Among other matters, the state inspector has the following responsibilities:

(A) to determine whether installations that meet the prescribed norms and standards from the environmental protection system are being constructed or reconstructed;

(B) to determine whether pollutants and substances in the environment that exceed the prescribed norms are produced and released, as well as whether they are handled in the prescribed manner and order their withdrawal from the market;

(C) to determine whether monitoring of the sources of emission and the technological process that pollutes one or more environmental media, emissions, or the utilisation of natural resources;

(D) to determine whether monitoring is carried out in accordance with the A-Permit;

(E) to determine whether the emissions of the substances specified in the A-Permit are discharged according to the specified limit values; etc.

If the environmental inspector finds that an operator has breached its environmental obligations, it can issue a decision prescribing measures to eliminate the causes of such environmental pollution and establishing certain obligations for the operator. For some misdemeanours, an applicable misdemeanour procedure is conducted and a misdemeanour fine and/or sanction is issued by the Ministry of Environment. If an operator's actions cause ecological damage, the operator may face claims in civil proceedings. Finally, if there is significant environmental damage, the operator could face criminal charges.

3. SUMMARY OF KEY AGREEMENTS—THE SASA MINE

3.1 Concession Agreement

A concession agreement was entered into between Rudnik SASA DOOEL and the Republic of Macedonia on 12 December 2014 (the "**SASA Concession Agreement**"). The SASA Concession Agreement regulates the rights and obligations of Rudnik SASA DOOEL and the Macedonian government arising from the award of the concession to exploit lead and zinc ore mineral resources at the SASA Mine near the town of Makedonska Kamenica. The concession is valid until 28 September 2030, with a possibility to be extended for a further 30 years.

Pursuant to the terms of the SASA Concession Agreement, Rudnik SASA DOOEL was obliged to resolve certain issues pertaining to the use of the land on which the mineral resources were located, such obligations now having been fulfilled. The SASA Concession Agreement also imposes a number of ongoing environmental and health and safety obligations on Rudnik SASA DOOEL.

Rudnik SASA DOOEL is required to pay approximately MKD 758,800 in fees per annum (payable on a quarterly basis) for the use and exploitation of the concession area, plus an additional exploitation fee of 2 per cent. of the market value of lead/zinc per tonne of metal concentrate produced.

The Republic of Macedonia performs continuous and regular supervision of Rudnik SASA DOOEL's concession activity and its compliance with its legal and contractual obligation. The Rudnik SASA Concession Agreement automatically becomes invalid upon expiry of the concession term, bankruptcy or liquidation of Rudnik SASA DOOEL, unilateral termination by either party or otherwise in accordance with the law.

A concession agreement is terminable by the Republic of Macedonia following the occurrence of certain events, including where: (i) prior approval from the Government of Macedonia is not granted, or the payment of the related applicable fee is not made, upon a transfer of the exploitation concession granted to the concessionaire or a change of ownership in the concessionaire's shares; (ii) the concessionaire loses the economical, technical or operative capacities necessary to operation the concession in accordance with law; (iii) the applicable environmental permits are withdrawn or terminated; or (iv) there has been an interruption of mining activities for a period exceeding one year.

The concession agreement is also terminable by the Republic of Macedonia following the occurrence of the following events: (i) the activity is carried out in an inappropriate or low quality manner; (ii) the concessionaire has committed a material violation of the provisions of the contract or of the laws and regulations applicable to the contract; (iii) the concessionaire has terminated or has caused the termination of the performance of the activity; (iv) the concessionaire undergoes a merger, acquisition and division without a written consent of the Government of Macedonia; (v) the concessionaire gives the subject of the concession under lease; (vi) the concessionaire starts the exploitation of minerals before a permit for exploitation is granted; (vii) the concessionaire does not act upon the measures imposed in the procedure for supervision under the law; (viii) the concessionaire does not submit a request for issuance of an exploitation permit within the period prescribed by law; (ix) the concessionaire does not start the exploitation of minerals within the period set out in the law (unless due to *force majeure* event); (x) the concessionaire has not made a geodetic survey and has not prepared a geodetic survey report with calculation of the dug quantities of minerals or has not submitted the geodetic survey report to the relevant state administrative body for two consecutive years; (xi) the concessionaire does not submit a report on the conducted testing of the exploitation facilities for exploitation of the minerals for two consecutive years; (xii) the concessionaire does not deliver authentic data on the contents of the minerals in the concentrates, i.e. the metals that are received in the processing process; or (xiii) the concessionaire does not comply with the decision and the measures in relation to environmental protection set out in the environmental regulations.

3.2 Offtake Agreements

Lead and Silver Offtake Agreement

Lynx Metals entered into a lead concentrate sales agreement which was executed on 19 December 2016 in its capacity as seller of lead concentrates at the SASA Mine. This agreement provides for the sale of an approximate total quantity of 44,000 wet metric tons (plus or minus 10 per cent. at Lynx Metals' option) of lead concentrate. This amount equates to approximately 3,666 wet metric tons per month, plus or minus Lynx Metals' option.

Under the agreement, the buyer has an obligation to make a 90 per cent. provisional payment against Lynx Metals' provisional invoice value on a bi-monthly basis, with final settlement within three business days of presentation of the final invoice by Lynx Metals.

Under the agreement, the buyer pays for a percentage of the payable metals (being lead and silver) minus the charge for the treatment of the lead and a charge for refining the Silver.

Pursuant to the Acquisition Agreement, the Sellers have also agreed to enter into certain documents on Completion including, amongst others, a deed of novation in respect of this agreement pursuant to which Lynx Metals will transfer its rights and obligations to Lynx Mining. In the event that such deed of novation is unlikely to be executed prior to Completion, Lynx Metals will continue to be the counterparty but all payments received by Lynx Metals pursuant to this agreement will be held on trust for the Purchaser and such payment shall be transferred to the Purchaser.

First Zinc Offtake Agreement

Lynx Metals entered into a zinc concentrate sales agreement in its capacity as seller of zinc concentrate at the SASA Mine. This agreement provides for the sale of an approximate total quantity of 33,000 wet metric tons (plus or minus 10 per cent. at Lynx Metals' option) of zinc concentrate. This amount equates to approximately 2,750 wet metric tons per month, plus or minus Lynx Metal's option.

Under the agreement, the buyer has an obligation to make a 90 per cent. provisional payment against Lynx Metals' provisional invoice value on a bi-monthly basis, with final settlement within three business days of presentation of the final invoice by Lynx Metals to the buyer.

Under the agreement the buyer pays for a percentage of the payable metal (being zinc) minus the charge for the treatment of the zinc.

Pursuant to the Acquisition Agreement, the Sellers have also agreed to enter into certain documents on Completion including, amongst others, a deed of novation in respect of this agreement pursuant to which Lynx Metals will transfer its rights and obligations to Lynx Mining. In the event that such deed of novation is unlikely to be executed prior to Completion, Lynx Metals will continue to be the counterparty but all payments received by Lynx Metals pursuant to this agreement will be held on trust for the Purchaser and such payment shall be transferred to the Purchaser.

Second Zinc Offtake Agreement

Lynx Metals entered into a second zinc concentrate sales agreement which was executed on 19 December 2016 in its capacity as seller of zinc concentrate at the SASA Mine. This agreement provides for the sale of approximately 12,000 wet metric tons (plus or minus 5 per cent. at Lynx Metals' option) of zinc concentrate.

Under the agreement, the buyer has an obligation to make a provisional payment of 100 per cent of Lynx Metals' provisional invoice at the later of 14 days after the load date or Lynx Metals' presentation of the provisional invoice, certificate of analysis and certificate of weight and moisture. Final payment settlement must be made within three working days of receipt of the final invoice and written notice of final weights, assays and prices. The agreement also provides for an adjustment mechanism following the determination of a benchmark price.

Under the agreement the buyer pays for a percentage of the payable metal (being zinc) minus the charge for the treatment of the zinc.

Pursuant to the Acquisition Agreement, the Sellers have also agreed to enter into certain documents on Completion including, amongst others, a deed of novation in respect of this agreement pursuant to which Lynx Metals will transfer its rights and obligations to Lynx Mining. In the event that such deed of novation is unlikely to be executed prior to Completion, Lynx Metals will continue to be the counterparty but all payments received by Lynx Metals pursuant to this agreement will be held on trust for the Purchaser and such payment shall be transferred to the Purchaser.

Silver Purchase Agreement

On 1 September 2016, SASA DOOEL (as seller) entered into a silver purchase agreement with Lynx Metals (as buyer). Lynx Metals' rights and obligations under this agreement were novated to a third party on 31 July 2017. The agreement governs the sale of refined silver from SASA DOOEL to the third party and such refined silver need not be physically produced at the SASA Mine and may be purchased on the open market.

The agreement has a term of 40 years with automatic ten year extensions thereafter. In consideration for the refined silver to be delivered under the agreement, Lynx Metals paid US$22,064,374.42 to SASA DOOEL in advance. Deliveries of silver by SASA Mine to Lynx Metals (and following novation, the third party) are offset against the prepayment.

PART VIII

COMPETENT PERSONS' REPORTS

PART A:

KAZAKH COMPETENT PERSON'S REPORT

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ENERGY AND CLIMATE CHANGE
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MINERAL ESTATES
WASTE RESOURCE MANAGEMENT



CENTRAL ASIA METALS PLC
PEEL HUNT LLP
J. P. MORGAN SECURITIES PLC

COMPETENT PERSON'S REPORT ON THE KOUNRAD COPPER IN SITU DUMP LEACH ASSET, CENTRAL KAZAKHSTAN

22 SEPTEMBER 2017

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PEEL HUNT LLP
J. P. MORGAN SECURITIES PLC

COMPETENT PERSON'S REPORT ON THE KOUNRAD COPPER DUMP LEACH ASSET, CENTRAL KAZAKHSTAN

22 SEPTEMBER 2017

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ENERGY AND CLIMATE CHANGE
ENVIRONMENT AND SUSTAINABILITY
INFRASTRUCTURE AND UTILITIES
LAND AND PROPERTY
MINING AND MINERAL PROCESSING
MINERAL ESTATES
WASTE RESOURCE MANAGEMENT

The information in this report that relates to copper resources for the Central Asia Metals Plc, Kounrad Project, is based on a Mineral Resource Estimate completed by Mr Phil Newell who is employed by Wardell Armstrong Limited. Mr Newell, BSc (ARSM), PhD (ACSM), CEng, FIMMM, Managing Director of WAI (mining geologist) with 30 years' experience in the mining industry and sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Newell), CEng, FIMMM] and consents to the inclusion of this information in the form and context in which it appears in this report. The author states that this report complies with the guidelines as stipulated in the JORC code, 2012 Edition and coal resources are reported in accordance with the JORC code.

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EXECUTIVE SUMMARY

Wardell Armstrong International ("WAI") was commissioned by Central Asia Metals Plc ("CAML" or "Client") to prepare an updated Competent Person's Report ("CPR") on the Kounrad in-situ copper dump leach project ("Project"), central Kazakhstan. This CPR represents an update to the CPR prepared by WAI in 2010 for the CAML IPO. The CPR is complete, up to and including 17 July 2017.

WAI have been informed that CAML is intending to publish an AIM Admission Document in connection with the proposed acquisition of the Sasa Mine in Macedonia, and seeks readmission of the Company's shares on the AIM market, as required under the AIM Rules, and that as part of this, CAML is required to include a report on Kounrad.

Historically, copper ore was mined from the porphyry deposit at Kounrad from 1936, originally by Balkhashtsvetmed and more recently by Kazakhmys, which still owns the open pit mine and the liabilities associated with restoration of the site. Importantly, over the decades of production, detailed mining and processing records have been maintained relating to the classification and grades of the various waste dumps.

The sulphide ores were treated by conventional flotation, whilst oxide ores and low-grade sulphide ores were stockpiled around the site, to the eastern and western margins of the pit, namely the Eastern and Western Dumps.

Currently, CAML operate an in situ dump leach operation from the Eastern and Western Dumps that were left by the Soviet mining operations, and CAML irrigate these dumps with acidic solutions "in situ" and transport the copper pregnant leach solution to the SX-EW plant for copper mineral processing and metal recovery.

In-situ acid leaching, is where acidic solutions are irrigated on top of the dumps in order to recover soluble copper as a pregnant solution. The copper pregnant solution flowing from the base of the dumps is collected and pumped to a solvent extraction and electro-winning (SX-EW) plant which is located at the Eastern Dumps.

The higher-grade oxide ores which are restricted to the Eastern Dumps provided the focus for initial production during 2012-2016. Testwork on the potential methods for the extraction and recovery of copper from the various waste dumps and leaching of the dumps has been undertaken since the 1970s.

In 2006 CAML, through its Kazakhstan wholly owned subsidiary Sary Kazna LLP, acquired 60% ownership of the sub-soil use contract (contract number 2447) covering the Kounrad waste dumps from the State Entrepreneurial Corporation Saryarka (SEC Saryarka).

Having raised US$60 million at IPO in September 2010, CAML completed construction of the Kounrad SX-EW copper plant in 2012, on schedule and US$9m below budget. The plant began producing copper in late April 2012.

CAML completed the acquisition of the remaining 40% of the project in 2014.

Summary of Assets

Asset	Holder	Interest (%)	Status	Licence Expiry Date	Licence Area	Comments
Kounrad	CAML	100%	Exploration and Processing	20th August 2034	22.5Km^2	

Since operations on the Eastern Dumps commenced, CAML has increased annual production each year and has now produced approximately 61,000 tonnes of copper cathode:

Year	2012	2013	2014	2015	2016	H1 2017
Cu (t)	6,586	10,509	11,136	12,071	14,020	7,027

In May 2015, CAML successfully completed the Kounrad Stage 1 Expansion, on schedule, and under budget, which involved increasing the PLS handling facilities, boiler capacity and copper plating capacity.

The Stage 2 Expansion project (covering the Western Dumps) was materially completed in Q4 2016 and copper production from this area commenced in Q2 2017.

In terms of the Mineral Resource model, WAI prepared a Mineral Resource Estimate in accordance with the JORC Code (2004) in 2013 based on work carried out using CAE Studio 3® (Datamine) software. The base data for this work included the large volume of historical data from open pit mine records, and the more recent reverse circulation drilling works carried out in 2011 and 2012.

Subsequently the JORC Code has been updated to the JORC Code (2012) which took full effect as of 01 December 2013, and the Mineral Resources reported within this CPR have therefore been amended to meet the guidelines of the JORC Code (2012).

Summary of Eastern, Western and Northern Mineral Resources

Category	Gross			Net attributable			Operator
Kounrad Mineral Resources	Tonnes (kt)	Grade (%)	Contained metal	Tonnes (kt)	Grade (%)	Contained metal	
Indicated	388,977	0.10	372,546	388,977	0.10	372,546	CAML
Inferred	264,023	0.09	237,175	264,023	0.09	237,175	CAML
Sub-total	653,000	0.09	609,722	653,000	0.09	609,722	
Total	653,000	0.09	609,722	653,000	0.09	609,722	

Between the commencement of production at Kounrad and the end of H1 2017, circa 61,000t of copper cathode have been produced. Due to the leaching method, it is not possible to specifically define where within the dumps copper mineralisation has been leached, with leached solutions potentially propagating through several contiguous irrigation blocks before being sent to the process plant.

To account for the depletion of the Mineral Resource as of end of H1 2017, the updated Mineral Resource statement includes columns for the recovered copper "Cu Production 2012-2017 (t)" and the remaining copper "Remaining Cu (t)".

The results of this work are summarised in the table below, and demonstrate a close correlation with previous historical Mineral Resource Estimates.

An important factor that has been noted during the 2011-2012 exploration as well as production is that many of the assumptions pertaining to the makeup of the material identified as "mixed" (10 to 20% acid soluble copper) and "sulphides" (less than 10% acid soluble species) are no longer correct. Assay results show that acid soluble assays in "mixed" dump 15-16 were higher than expected and averaged around 45% and with similar values being determined in the "sulphide" dumps such as 1, 1a, 21.

It is highly likely that these higher than anticipated levels of soluble copper are due to the historic and ongoing (continuously active) natural oxidation conditions occurring within the dumps, over a 70-80 year time frame.

Such changes can be accelerated by near surface oxidation, species conversion related with ferric iron leaching; and both being accelerated by the presence of naturally occurring bacteria. Visually, it is very clear to see such natural activity having occurred, with extensive plumes of copper oxide colouration seen on large areas of the dump side walls.

Consequently, and in particular for the Western Dump Mineral Resources, this has implications for potential enhanced recoveries.

Processing

In terms of processing, a considerable amount of testwork, pilot scale testing together with the last five years operational data, has been compiled for the leaching of the Eastern and Western Dumps at Kounrad. The quantity of material remaining in the dumps (most notably the Western Dumps), the copper content, and its amenability to leaching, all confirm the continued viability of the CAML Kounrad project.

The oxide waste was dumped entirely on the eastern margin of the open pit and has been the initial operational focus of the project. The sulphide, and the bulk of the mixed waste, are located in the Western Dumps area and have been subjected to metallurgical testing in the period 2009-2012 to verify copper recoveries and acid consumptions.

Kounrad Dump Mineral Resource (Global Estimate), (WAI, 30 June 2017) In accordance with the Guidelines of the JORC Code (2012)							
Classification	**Dump**	**Tonnage (kt)**	**Cu_{total} (%)**	**Cu_{acid} (%)**	**Cu_{total} (t)**	**Cu Production 2012- 2017 (t)**	**Remaining Cu (t)**
Eastern Dumps							
Indicated	2	21,470	0.07	0.04	15,641	-	
	3	-	-	-	-		
	5	33,896	0.08	0.04	27,246		
	6	11,404	0.09	0.04	10,086		
	7	12,328	0.10	0.04	11,938		
	9 &10	10,555	0.20	0.07	20,890		
	Total	**89,653**	**0.10**	**0.04**	**85,799**		
Inferred	2	13,775	0.07	0.04	9,659		
	3	1,033	0.22	-	2,285		
	5	35,058	0.10	0.05	33,528		
	6	3,442	0.11	0.04	3,641		
	7	22,989	0.11	0.04	25,501		
	9 &10	3,350	0.21	0.09	7,126		
	Total	**79,646**	**0.10**	**0.05**	**81,740**		
Indicated + Inferred	**Total**	**169,299**	**0.10**	**0.04**	**167,539**	**60,048**	**107,491**
Western Dumps							
Indicated	1	36,942	0.18	0.10	65,193		
	1a	-	-	-	-		
	15 & 16	189,953	0.08	0.04	152,687		
	21	10,398	0.20	0.10	20,788		
	21a	858	0.17	-	1,433		
	22	37,276	0.10	0.05	36,057		
	13	6,472	0.03	0.01	1,750		
	20	14,452	0.03	0.01	4,478		
	Total	**296,351**	**0.10**	**0.05**	**282,386**		
Inferred	1	19,751	0.14	0.07	26,958		
	1a	1,467	0.04	0.02	651		
	15 & 16	114,701	0.08	0.04	94,670		
	21	6,870	0.18	0.08	12,321		
	21a	4,452	0.17	-	7,559		
	22	22,167	0.08	0.04	18,108		
	13	4,705	0.03	0.01	1,534		
	20	7,408	0.03	0.02	2,488		
	Total	**181,521**	**0.09**	**0.04**	**164,289**		
Indicated + Inferred	**Total**	**477,872**	**0.09**	**0.04**	**446,675**	**1,300**	**445,375**
Northern Dumps							
Indicated	Northern	2,973	0.04	0.01	1,277		
Inferred	Northern	2,856	0.05	0.02	1,455		
Indicated + Inferred	**Total**	**5,829**	**0.05**	**0.01**	**2,732**	**0**	**2732**

Notes:
1) Mineral Resources are not reserves until they have demonstrated economic viability based on a Feasibility Study or Pre-feasibility study.
2) Mineral Resources are reported inclusive of any reserves.

Summary of Testwork

In addition to a pilot scale trial undertaken at the Eastern Dump, a pilot scale trial was also performed at the Western Dumps in 2011-2012. The pilot plant trial had demonstrated the feasibility of producing saleable copper cathode from the Eastern Dumps.

From the Western Dumps, the pilot plant ran from June 2011 to the end of September 2012, but was stopped during the severe winter of 2011-2012. Two cells of Western Dump material were subject to leaching during this period, with the second test cell being curtailed early due to some operational issues regarding solutions return connected with unknown ground topography.

Although the trial did not deliver the same quantity of specific metallurgical data as generated when running at the Eastern Dump, it had however shown that the copper was recoverable via acid leaching with a recovery approaching 50% being obtained from Western Dump material.

The required FS design data was subsequently enhanced from undertaking large diameter column tests at site, this was also used to develop a realistic kinetic model for leaching. It is known, and expected, that this can only be a best approximation, based upon the data presently available. Two leach recovery curves were produced, one for lower grade material (<0.05% TCu) with a final recovery of 35%, and a higher grade (>0.5% TCu) terminating at 42% total Cu recovery, both at 20 months.

In 2012, the SX-EW Plant was commissioned and later expanded in 2015. In 2013, BGRIMM completed a Feasibility Study as part of the expansion. BGRIMM detailed the leaching schedule and designed a plant capable of treating a range of flow rates and solution grades to produce up to 50 tonnes of copper cathode per day at 99.99% quality. The plant design has taken the extremes of climate into consideration, especially the operability through the winter period.

For the Eastern Dumps, CAML has adopted recovery levels of 51% for Dumps 6,7,9 and 10, while a leach recovery level of 42% was adopted for Dumps 2 and 5.

The Eastern Dumps are expected to recover a further 25,136t (from 79,843t originally available) of leached copper during its remaining operational life. Leaching of the Western Dumps has only recently commenced (Q2 2017) following the installation of solution ponds, pumps, 3 boilers and two overland pipelines, which transport the PLS and raffinate between the western facility and the SX-EW Plant at the Eastern Dump. The site is now supplied with technical water from the nearby Lake Balkhash via an overland pipeline at a flow rate of up to 200m^3/hr.

Over the life of operation for the Western Dumps, it is expected that some 173,173t of copper will be recovered to the PLS. This is significantly higher than the copper to be recovered from the Eastern Dump because the Western Dumps contain significantly more material.

In summary, production from the Eastern Dumps has demonstrated that CAML has successfully leached copper from the low-grade copper waste dumps, and early indications suggest that the Western Dumps will continue this process for the long-term.

WAI has reviewed the environmental and social performance of the Kounrad operations based on a review of documentation provided by the Client.

The operation is compliant with local Kazakh legislation, and a considerable amount of work has been undertaken to bring it in line with International Best Practice. A document register is maintained for all Environment and Social, and Health and safety policies, plans and procedures; and WAI considers the Environmental and Social performance is well managed, and to a high standard.

Studies show that there is potential for Acid Mine Drainage ("AMD") and Pregnant Leach Solution ("PLS") migration down gradient of the Dumps due to "historic" contamination. CAML has instigated a number of studies to develop a detailed understanding of these issues, and continues to monitor closely to manage the risk. WAI is satisfied that historical liability is not the responsibility of CAML, and furthermore, WAI believes this aspect of the operations is given sufficient consideration, and the risks associated with potential contamination are well managed.

Financial Analysis

WAI has performed a technical valuation of the Kounrad copper dump leach project using a Discounted Cash Flow (DCF) analysis. The operating costs and sustaining capital requirements were estimated by the Client based on the actual operation results and approved Company budgets. WAI finds these costs to be reasonable for the scale and the location of the operation.

Based on the financial analysis performed by WAI, the Kounrad Project generates a strongly positive Net Present Value (NPV) of US$355M at a 10% discount rate (Base Case). As a part of a sensitivity analysis, NPVs based on various discount rates ranging between 8% and 20% were also calculated. A summary of the Project NPVs at various discount rates is shown in the table below:

Project NPV Summary		
NPV @ Discount Rate of 8%	US$ M	401
NPV @ Discount Rate of 10%	**US$ M**	355
NPV @ Discount Rate of 15%	US$ M	271
NPV @ Discount Rate of 20%	US$ M	215

Total average life of mine C1 project cash costs were estimated at US$0.54/lb.

A Base Case metal price forecast used for the financial analysis is presented below:

Selected Project Copper Price Forecast*							
	Units	**2017E**	**2018E**	**2019E**	**2020E**	**2021E**	**LT**
Cu Price	US$/t	5,401	5,512	5,908	6,393	6,415	6,283
	US$/lb	2.45	2.50	2.68	2.90	2.91	2.85

* Broker consensus copper price forecasts, supplied by CAML

Based on the sensitivity analysis performed, the project is mostly sensitive to the change in copper price. None of the assessed sensitivity analysis parameters were observed to bring the project to negative results.

1 TERMS OF REFERENCE

1.1 Introduction

Wardell Armstrong International ("WAI") has been commissioned by Central Asia Metals Plc ("CAML") to prepare a Competent Person's Report ("CPR") for the Kounrad copper waste dump operation ("Project"), situated approximately 15km north of the town of Balkhash in south-central Kazakhstan in accordance with the AIM rules and guidelines as set out by the AIM Note for Mining, Oil and Gas Companies (June 2009).

This report is addressed to CAML, its Nominated Adviser, Peel Hunt LLP and its financial adviser J.P. Morgan PLC.

WAI understands that this report will be included as part of an AIM re-admission document to be published by CAML (the "Admission Document"). For the purposes of the AIM rules for Companies, WAI is responsible for this report as part of the re-admission Document, and declares that it has taken all reasonable care to ensure that the information contained in this report is, to the best of its knowledge, in accordance with the facts, and contains no omission likely to affect its import and no material change has occurred from 30 June 2017 to 22 September 2017 that would require any amendment to the CPR. WAI consents to the inclusion of this report, and reference to any part of this report, in the Admission Document.

Central Asia Metals PLC (AIM:CAML) is a copper production and base metals mineral exploration company, with operations in Kazakhstan.

CAML is based in London and own 100% of the Kounrad solvent extraction and electrowinning (SX-EW) copper facility in central Kazakhstan, and 80% of the Shuak copper exploration project in northern Kazakhstan. CAML also owns a 75% interest in Copper Bay Ltd, a private company holding the Copper Bay project in northern Chile.

CAML is incorporated in the United Kingdom and raised US$60 million at IPO in September 2010, which was used to build the Kounrad recovery plant in central Kazakhstan. Construction of the Kounrad plant was completed in early 2012, 15% below budget. Copper production commenced in April 2012, and production has increased year on year since, reaching 14,020t in 2016.

This CPR considers the Mineral Resources, extraction, processing, financial analysis and environmental and social issues for the Kounrad project that has been in successful operation for the last five years.

This CPR will be valid for 6 months from the completion date being 22 September 2017.

1.2 Project Description

CAML is the sole owner and operator of the solvent extraction–electrowinning (SX-EW) copper recovery plant at the Kounrad mine site, near the city of Balkhash in central Kazakhstan. This facility

has been in operation for the last five years recovering copper from various waste dumps, namely the Eastern and Western Dumps (see Figure 1.1) that originated from the Kounrad open-pit copper mine which operated from 1936, originally by the State, and more recently by Kazakhmys.

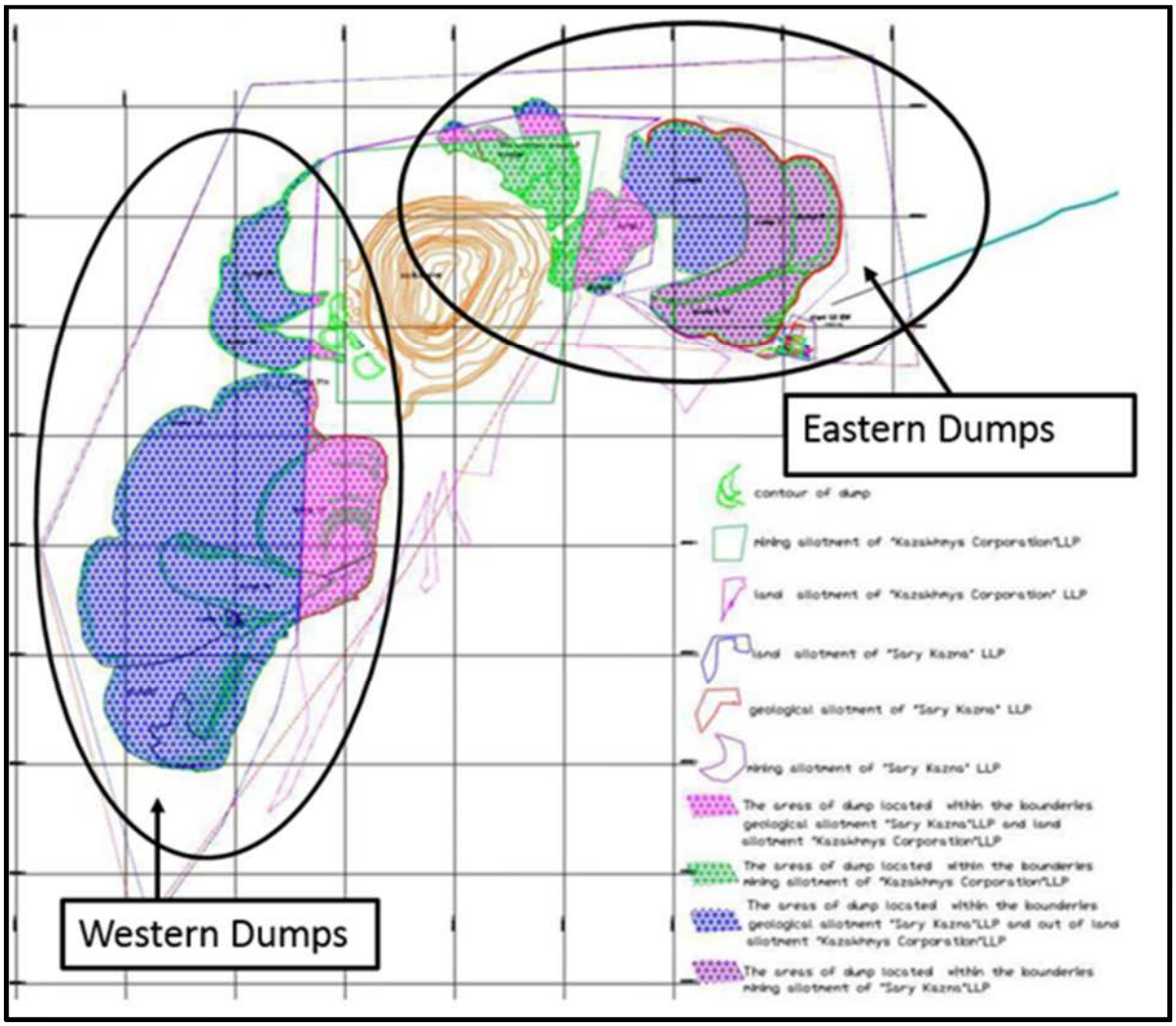


Figure 1.1: Location of Eastern and Western Dumps
(Green dumps are not part of the Mineral Resource)

The site around the mine contains a number of mineralised dumps from which, it has been proven during five years of continuous operations, that copper can be extracted through an in-situ leaching process, followed by SX-EW.

The SX-EW processing plant produces copper cathode, and the metal is delivered from the Kounrad site by rail and sea to the end customers, currently predominantly in Turkey.
CAML acquired an interest in the Kounrad project in 2007. The original agreement was a 60/40 joint venture and, in May 2014, the Company completed the acquisition of the remaining 40% of the project.

Having raised US$60 million at IPO in September 2010, CAML completed construction of the Kounrad SX-EW copper plant in 2012, on schedule and US$9M below budget. The plant began producing copper from the Eastern Dumps in late April 2012 but, in 2017, this has been supplemented by new production from the much larger Western Dumps.

The Company produced a record 14,020t of copper in 2016, exclusively from the Eastern Dumps, whilst in 2017, some 40% of copper production is expected to come from the Western Dumps. This proportion is planned to increase from 2018 onwards as the quantity recovered from the Eastern Dumps declines.

1.3 Independent Consultants

WAI, formerly CSMA Consultants, is part of Wardell Armstrong LLP, an independent British, partner-owned engineering and environmental consultancy, established in 1837. The company has 12 offices in the UK with around 500 staff.

WAI provides the mineral industry with specialised geological, mining, processing and environmental expertise from our main offices in Truro, Cornwall, as well as Russia and Kazakhstan. The office in Truro, at the old Wheal Jane mine site, includes an extensive mineral assaying, processing and pilot plant testing facility.

WAI, its directors, employees and associates neither has nor holds:

- Any rights to subscribe for shares in CAML either now or in the future;
- Any vested interests in any concessions held by CAML;
- Any rights to subscribe to any interests in any of the concessions held by CAML either now or in the future;
- Any vested interests in either any concessions held by CAML or any adjacent concessions; or
- Any right to subscribe to any interests or concessions adjacent to those held by CAML, either now or in the future.

WAI's only financial interest is the right to charge professional fees at normal commercial rates, plus normal overhead costs, for work carried out in connection with the investigations reported here. Payment of professional fees is not dependent on the success of the Admission or linked to the value of the Company.

1.4 Data Reviewed

For the CPR, WAI has downloaded all data provided by the Company which has been divided into the following sub folders:

- Production Reports;

- Geology;
- Metallurgy;
- Feasibility;
- Pilot Plant, Eastern and Western Dumps; and
- Environmental.

In addition, WAI has been provided with the latest financial model, dated March 2017.

WAI was able to access all the information detailed above which have been used to prepare this report along with observations made during the site visit (described in section 1.5).

Notwithstanding the above, the author has relied upon this information covering the areas of previous exploration, geology, infrastructure, processing, financial and environmental and social matters, all in good faith.

It should be noted that WAI has not taken any independent samples, nor verified the legal status of the operations.

1.5 Personal Inspections

Phil Newall, BSc (ARSM), PhD (ACSM), CEng, FIMMM, **Managing Director** of WAI (Mining Geologist), Barrie O'Connell, CEng, PhD, BEng (MCSM), **Principal Mineral Processing Engineer**, and Ruslan Erzhanov, **General Director, WAI KZ** (Mineral Resource Geologist) conducted a personal inspection of the Project on 13 June 2017, primarily covering historical sampling and resource estimations, processing, production, supporting infrastructure, and environmental and social measures.

1.6 Units and Currency

All units of measurement used in this report are metric unless otherwise stated. Tonnages are reported as metric tonnes ("t"), and base metal values are reported in weight percentage ("%") or parts per million ("ppm"). Other references to geochemical analysis are in parts per million ("ppm") or parts per billion ("ppb") as reported by the originating laboratories.

Unless otherwise stated, all references to currency or "$" are to United States Dollars (US$).

2 RELIANCE ON OTHER EXPERTS

This technical report has been prepared by WAI for CAML, and WAI has wholly relied upon the data presented in formulating its opinion. The information, conclusions, opinions, and estimates contained herein are based on:

- Information made available to WAI by CAML at the time of preparing this CPR, and
- Assumptions, conditions, and qualifications as set forth in this CPR.

The competent person has not carried out any independent exploration work, drilled any holes or carried out any sampling and assaying at the project area.

For the purposes of this report, WAI has relied on ownership information provided by CAML. WAI has not researched property title or mineral rights for the concession area and expresses no opinion as to the ownership status of the property.

The majority of technical data, figures and tables used in this report are taken from reports prepared by others, and provided to WAI by CAML.

Whilst WAI has endeavoured to validate as much of the information as possible to ensure that the information contained in the CPR is, to the best of WAI's knowledge and belief, factually accurate without omission that would otherwise materially affect the import of the document, WAI cannot be held responsible for any omissions, errors or inadequacies of the data received. WAI has not conducted any independent verification or quality control sampling, or drilling.

WAI has not undertaken any accounting, financial or legal due diligence of the asset or the associated company structures, and the comments and opinions contained in this report are restricted to technical and economic aspects associated with principally the proposed project.

WAI has not undertaken any independent testing, analyses or calculations beyond limited high level checks intended to give WAI comfort in the material accuracy of the data provided. WAI cannot accept any liability, either direct or consequential for the validity of information that has been accepted in good faith.

3 PROJECT BACKGROUND

3.1 Location, Access and Infrastructure

The Kounrad pit and waste dumps are located approximately 15km north of the town of Balkhash, in the Karaganda Province, which in turn is some 380km from Karaganda to the north, in south-central Kazakhstan (Figure 3.1). The nearest habitation is the local village of Kounrad, with a population of approximately 2,000.



Figure 3.1: Location of Kounrad Mine, Balkhash Region

The village of Kounrad is readily accessible by well paved roads with a journey time of approximately 8 hours by road (660km) from Almaty, which also has an international airport to other destinations within the FSU.

Balkhash has a small airstrip which is serviced by SCAT Airlines from Almaty. The airport is a 10 minute drive from the Project site.

In terms of infrastructure, the area has thus been the focus of heavy industry for some time, until the mine ceased operating in 2005. The entire region around Balkhash (pop. 80,000 est.) is an industrial centre focused around the mining and smelting of copper. The city of Balkhash lies approximately

500km west of the Chinese border on the north side of the lake at an altitude of 440m. The history of the city is closely connected with mining of deposits of copper and development of a smelting plant.

Due to this background, the region is well served with infrastructure and an experienced mining population. Potable water is available at the Kounrad village whilst process water is available from several sources including Lake Balkhash.

Power supply to the project is via an OHL system rated at 35Kv, which is then stepped down to 10kV at the main facility sub-station.

3.2 Topography & Climate

The mine site lies at an elevation of approximately 420m in a relatively flat area with scrub vegetation. Long-term mining activity has severely affected the landscape which itself is dominated by the large waste dumps surrounding the pit (see Photo 3.1).



Photo 3.1: View from the Western Dumps

The topography is relatively consistent throughout the site and slopes to the southeast. There are no distinct drainages within the study area based on available topographic maps. The site may have been graded smooth prior to dump placement based on the uniformity of the topography.
The site is covered with a thin layer of alluvium. Bedrock and cemented sediments outcrop in some areas.

The site geology consists of unconsolidated sediments and granitic bedrock units. The sediments range from gravels, to sand and silts with some units being reported as "cemented" sediments. The bedrock ranges from granite to granodiorite. The bedrock units are reported to be highly weathered at the surface and grade to competent bedrock within 30m from the surface.

The climate is sharply continental with extreme summer temperatures of +40°C, and minimum winter temperatures of -40°C with an annual average temperature of +5°C. The frost zone penetrates the ground to a depth of 1.5 to 2m. The dominant wind directions are northwest and northeast, with average velocities of 5-6m/s (maximum gust of 28m/s). North-easterly winds predominate in winter and north-westerly's in summer.

Precipitation is low and varies between 60mm to 200mm per annum, average 121mm, with relative humidity of 30-80%. As a result, water resources are scarce. Winter precipitation plays the most significant role in the formation of surface and groundwater, whilst evaporation is high in summer (1200-1500mm/yr).

The area is a low seismic zone, rated 1 on the Soviet scale (very low activity).

3.3 Kazakhstan Summary Information

Kazakhstan is situated in Central Asia and is the second largest among the CIS states with a surface area of 2,724,900km^2. The country has a border with China of 1,460km, Kyrgyzstan of 980km, Turkmenistan of 380km, Uzbekistan of 2,300km and the Russian Federation of 6,467km. Steppes occupy some 26% of the territory of Kazakhstan, deserts 44% and semi-deserts 14% with forests occupying the remainder.

Administratively, Kazakhstan comprises 14 provinces with a population of some 18.4 million (2016 census) with a population density of less than 6 people per km^2. The capital city is Astana (transferred from Almaty on December 10, 1997) whose population is approximately 760,000 (2015). Kazakh is the official language, although in State institutions and local administration bodies, Russian is also an official language.

Kazakhstan, geographically the largest of the former Soviet republics, excluding Russia, possesses substantial fossil fuel reserves and other minerals and metals, such as uranium, copper, and zinc. It also has a large agricultural sector featuring livestock and grain. The government realises that its economy suffers from an overreliance on oil and extractive industries and has made initial attempts to diversify its economy by targeting sectors like transport, pharmaceuticals, telecommunications, petrochemicals, and food processing for greater development and investment.

Kazakhstan's vast hydrocarbon and mineral reserves form the backbone of its economy. Chevron-led Tengizchevroil announced a US$36.8 billion expansion of Kazakhstan's premiere Tengiz oil field in July 2016. Meanwhile, the super-giant Kashagan field finally launched production in October 2016 after years of delay and an estimated US$55 billion in development costs.

Kazakhstan is landlocked and depends on Russia to export its oil to Europe. It also exports oil directly to China. In 2010, Kazakhstan joined Russia and Belarus to establish a Customs Union in an effort to boost foreign investment and improve trade. The Customs Union evolved into a Single Economic Space in 2012 and the Eurasian Economic Union (EAEU) in January 2015. In part due to weak commodity prices, Kazakhstan's exports to EAEU countries declined 23.5% in 2016. Imports from EAEU countries to Kazakhstan declined 13.7%.

The economic downturn of its EAEU partner, Russia, and the decline in global commodity prices from 2014-2015 contributed to an economic slowdown in Kazakhstan, which continues to experience its slowest economic growth since the financial crises of 2008-09. In 2014, Kazakhstan devalued its currency, the Tenge, and announced a stimulus package to cope with its economic challenges. In the face of further decline in the Ruble, oil prices, and the regional economy, Kazakhstan announced in 2015 it would replace its currency band with a floating exchange rate, leading to a sharp fall in the value of the Tenge. Since reaching a low of 391 to the dollar in January 2016, the Tenge has modestly appreciated, helped by somewhat higher oil prices.

Despite some positive institutional and legislative changes in the last several years, investors remain concerned about corruption, bureaucracy, and arbitrary law enforcement, especially at the regional and municipal levels. An additional concern is the condition of the country's banking sector, which suffers from low liquidity, poor asset quality, and a lack of transparency. Investors also question the potentially negative effects on the economy of a contested presidential succession as Kazakhstan's first president, Nursultan Nazarbayev, who turns 77 in 2017, has not announced whether he will seek re-election in 2019.

3.4 Mineral Tenure

Kazakhmys holds the mining licence for the Kounrad open pit copper mine that is currently closed, and has mineral tenure to some of the dumps closest to the abandoned pit. Figure 3.2 shows the Kazakhmys licence area and land allotment, as well as the Sary Kazna LLP land and geological exploration allotment.

CAML, through the operating subsidiary Sary Kazna LLP, originally had a 60% interest in the Kounrad mineralised dumps, although in 2014, this was increased to 100%.

The exploration and processing licence for the mineralised dumps (Sub Soil Contract number 2447) covers an area of 22.5km^2 (2,350ha) and expires 20 August 2034. The co-ordinates of the licence area are given in Table 3.1 and the co-ordinates for an exclusion zone (Kazakhmys land allotment) are given in Table 3.2.



Figure 3.2: Licence Areas and Land Allotment

Table 3.1: Exploration and Processing Licence Co-ordinates		
Point	**Northing**	**Easting**
1	46°56'17''	74°56'56''
2	46°58'11''	74°56'13''
3	47°00'28''	74°57'45''
4	47°00'36''	75°02'13''
5	46°59'05''	75°02'33''
6	46°59'12''	74°59'48''
7	46°58'05''	74°58'52''

Table 3.2: Exclusion Zone Co-ordinates		
Point	**Northing**	**Easting**
1	47°00'08''	74°58'22''
2	47°00'14''	75°00'15''
3	46°58'54''	74°59'55''
4	46°58'54''	74°58'22''

***WAI Comment**: although WAI has not undertaken a legal due diligence on the mineral tenure of the assets, WAI has no reason to believe that the information provided above is not factually correct.*

3.5 Project History

Copper ores have been exploited from the Kounrad open pit since 1936, with sulphide ores treated by conventional flotation, whilst oxide ores and low-grade sulphide ores were stockpiled around the site.

CAML is not the first company to consider the leaching merits of these stockpiles. In 1969 the Engineering Institute Unipromed (Yekaterinburg) published laboratory study results which concluded that the Kounrad Copper Mine was the most promising mine in the FSU for the application of the acid dump leaching technology with copper recovery by the iron cementation technique.

Unipromed's pilot plant scale test work on oxidised ores in 1969-1970 yielded the source data for the design of a commercial pilot plant for dump leaching, which was built in 1975.

A dump containing 1Mt of oxidised ore was constructed and sprayed with a weak solution of sulphuric acid and this test facility produced 1,147t of copper from 1975 to 1979 and 1,569t of copper from 1980 to 1986, resulting in an estimated recovery of 61%.

The test programme provided the main metallurgical parameters that could be applied to commercial pilot plant operations namely acidity of the leaching (technological) solutions, duration of the leaching period, circulation of solutions, and other technological parameters.

The dominant type of micro-organisms (Th. Ferro-oxidans) was identified and the successful application of micro-organisms for reactivation and acceleration of the leaching process was proved.

Based on the results of studies conducted in 1980, Unipromed justified designing and constructing a commercial size plant, which was authorised by the protocol No.39 of the Ministry of Non-ferrous Metallurgy of the USSR, dated 27.03.1989.

The leaching plant was located to treat the oxide dumps specified below:

- **Heap No. 9-10** 13,114,000t of ore (42,164t of copper); and
- **Heap No. 6-7** 54,038,000t of ore and (71,420t of copper).

The commercial plant produced 7,517t of a copper in total until its closure; with the following outputs per year, 1987 (820t), 1988 (900t), 1989 (2,136t), 1990 (1,506t), 1991 (900t) and 1992 (1,255t).

The Kenzhetay Joint Venture was created in 1993 by JSC Balkashmed (Kazakhstan) and Resource Development (USA) to continue hydrometallurgical operations, who then engaged Bateman Engineering to complete an engineering design for a hydrometallurgical (SX-EW) plant; Montana

Resources to verify and update Mineral Resources, and Terramatrix Inc. and Hydrogeo Consulting Inc. for the environmental section of the project.

In 1995, design and construction of the SX-EW plant began, but in 1996 JSC Balkashmed, which had financed the project, was privatised and the construction was interrupted due to a lack of finance, and soon thereafter the Kenzhetay Joint Venture was liquidated. The copper bearing dumps passed into State ownership, and were included in the Mineral Balance Sheet of the Republic of Kazakhstan.

In 2000, the Government of the Republic of Kazakhstan invited tenders for copper production from the eastern group of dumps, containing oxidised ores from the Kounrad deposit. The tenders and the right to produce (mine) the copper was won by a new mining company, Zhalyn, specifically created for the project by a group of investors.

Zhalyn invited the Turkish construction and engineering company "PakPas" to design and construct a plant, and they in turn signed an agreement with the American company KD Engineering, Inc (Arizona), well known in hydrometallurgy, to design a SX-EW plant. In parallel with the American company, PakPas also engaged the Metallurgical Equipment Corporation of China ("MECC") (Beijing) and both companies have issued basic designs for the construction of a plant.

For unknown reasons, Zhalyn stopped financing the work, resulting in non-performance of its licence obligations to the State, and in 2005 the Contract for Exploitation of Subsoil Assets made with the Ministry of Natural Resources of Kazakhstan was annulled.

At the beginning of 2006, CAML began preparations for a new tendering process declared by the Government for the deposit, and in July 2006, won the tender and obtained the mining rights.

In 2006 CAML, through its Kazakhstan wholly owned subsidiary Sary Kazna LLP, acquired 60% ownership of the sub-soil use contract covering the Kounrad waste dumps from the State Entrepreneurial Corporation Saryarka (SEC Saryarka).

Having raised US$60 million at IPO which was completed in September 2010, CAML completed construction of the Kounrad SX-EW copper plant in 2012, on schedule and US$9m below budget. The plant began producing copper in late April 2012.

CAML completed the acquisition of the remaining 40% of the project in 2014.

Since operations on the Eastern Dumps commenced, CAML has increased annual production each year and has now produced approximately 61,000 tonnes of copper cathode:

Table 3.3: Annual Production by Year to Present

Year	2012	2013	2014	2015	2016	H1 2017
Cu (t)	6,586	10,509	11,136	12,071	14,020	7,027

In May 2015, CAML completed the Kounrad Stage 1 Expansion, on schedule and under budget, which involved increasing the PLS handling facilities, boiler capacity and copper plating capacity.

The Stage 2 Expansion project into the Western Dumps was materially completed in Q4 2016 with approximately 1,300t of Cu produced from this area since the start of leaching in mid- April 2017.

4 GEOLOGY & MINERALISATION

4.1 Geology

The Kounrad open pit copper mine is located in the Balkhash metallogenic belt within the Balkhash-Junggar orogenic belt of the Central Asian Metallogenic Domain ("CAMD"). The geology encompassing the deposit comprises porphyry copper mineralisation related to tectono-magmatism during the Devonian and Carboniferous-Permian volcano-magmatic arcs.

A geological map of the western Balkhash metallogenic belt is shown in Figure 4.1 below.

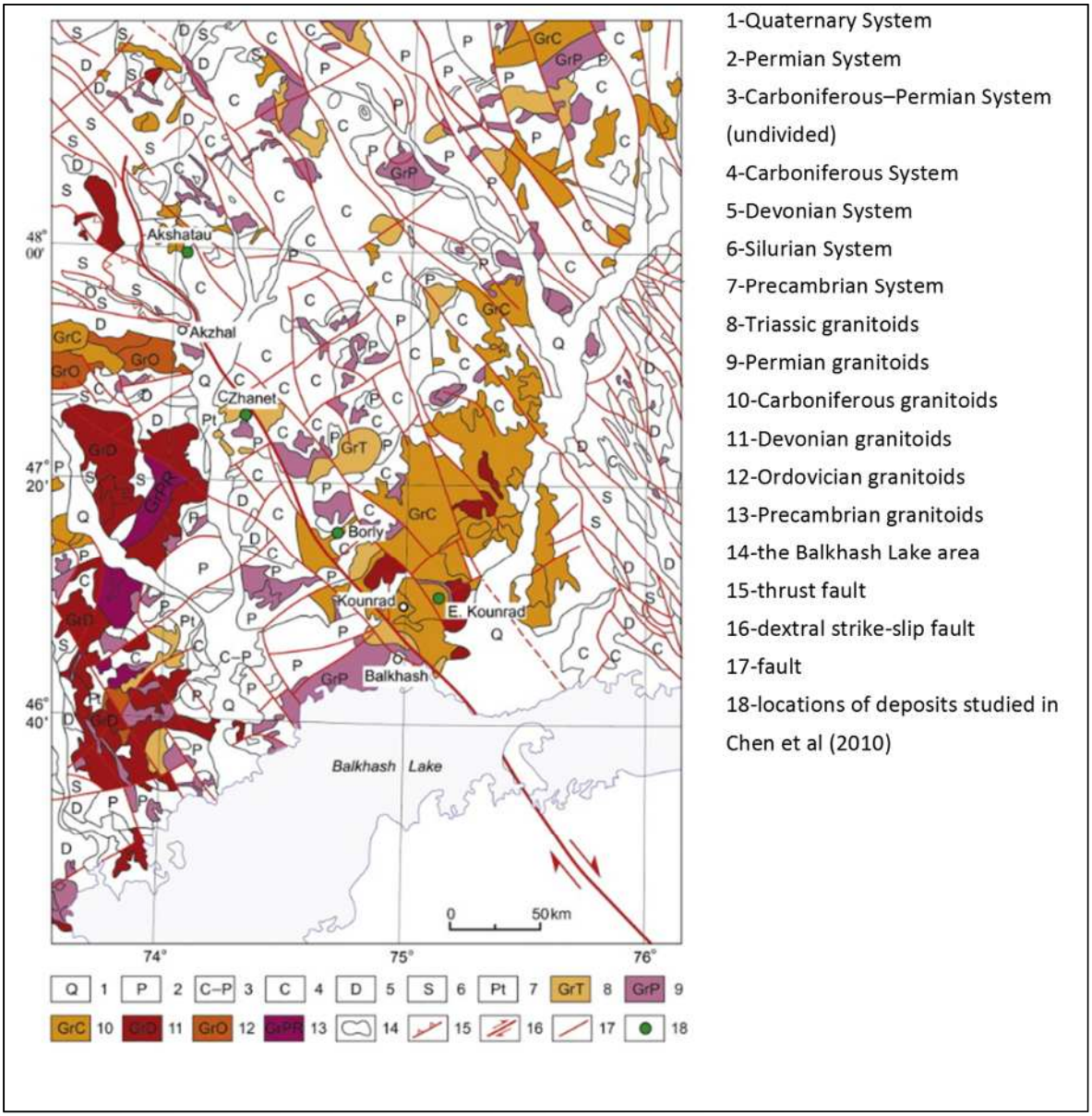


Figure 4.1: Regional Geological Sketch Map of the Western Balkhash Metallogenic Belt

Site geology consists of unconsolidated sediments and granitic bedrock units. Sediments range from gravels, to sand and silts with some units being reported as ''cemented'' sediments. Bedrock ranges from granite to granodiorite. Highly weathered at the surface, the bedrock grades to competent rock within 10-40m from the surface.

Weathering and supergene enrichment have produced a general zonation of the mineralisation in the deposit:

- Oxidised cap - characterised by hematite, limonite, manganese oxyhydroxide, malachite, azurite, cuprite, native copper, chrysocolla mineralisation;
- Leached zone - characterised by moderate oxidation in the upper part and destabilisation of sulphide minerals under acidic conditions in the lower parts;
- Supergene blanket - characterised by chalcocite and covellite mineralisation; and
- Primary sulphide zone - characterised by disseminated and stockwork ore with pyrite, chalcopyrite, enargite and chalcocite mineralisation.

All of these mineralised phases, to a greater or lesser extent, are reflected in the composition of the waste dumps.

Very importantly from a dump leaching standpoint is the fact that there is a layer of impermeable clay/cemented material at or close to surface which effectively acts as a barrier to percolating fluids, thus allowing capture of the pregnant liquor with only very minor permeation below this layer.

4.2 Waste Dump Characteristics

The Kounrad waste dumps have been estimated to contain in excess of 250,000t of recoverable copper (WAI, 2013) based on the estimated recoveries of the acid-soluble copper contained within the Eastern Dumps, which have provided the focus of operations to date, and the larger Western Dumps, from which production has recently commenced (April 2017).

Photo 4.1 shows an aerial view of the waste dumps.

The mineralogy of the various dumps can be divided into Oxide, Secondary and Primary minerals:

- **Eastern Dumps**: Chrysocolla, Malachite, Azurite, Chalcocite, Bornite, and Chalcopyrite: and
- **Western Dumps**: Chalcopyrite, Chalcocite, Covellite, Chalcanthite, Chrysocolla, Malachite, Azurite.

Following the start of open pit mining operations at the Kounrad mine in 1936, the copper sulphide ore was selectively mined and transported by rail for processing via froth flotation at the concentration plant of the Balkashmed company located 15km south in Balkhash city. Waste and uneconomically treatable materials were dumped at designated areas adjacent to the open pit.



Photo 4.1: Location of the Waste Dumps, Kounrad Project

Historical information confirms that grade control methods were well developed with sample drill-holes based on a 25m by 25m pattern, to depths of 30-45 metres (penetrating 2 to 3 benches). The samples taken were used to determine grade, acid solubility and the suitability for flotation treatment i.e. delineating between true sulphides and secondary or oxide materials. After assaying and process testing, the drilled blocks were then classified according to suitable ore, oxides, secondary waste (mixed), low grade sulphide waste, and waste.

From these data, a mining plan per bench was developed and drilled on a 6m ×6m pattern. Each blast-hole was again sampled and assayed for copper and other characteristics, as detailed above, and then following blasting, segregated by type and dispatched either to the main treatment plant or one of the designated waste dumps.

From 1936 until 1961 the open pit was mined to a cut-off grade of 0.5% copper, but from 1961 until its closure in 2005 the open pit was mined at a reduced cut-off grade of 0.2% copper.

The waste materials were classified into four groups by this technique, three of which are based upon the amount of acid soluble copper present, and the fourth being related to the sulphide grade as follows:

- Oxide Waste – any material with greater than 20% acid soluble copper;
- Mixed Waste – any material with greater than 10% but less than 20% acid soluble copper;
- Sulphide Waste – any material below the cut-off grade and with less than 10% acid soluble copper; and
- Waste – any material with less than 0.15% total copper grade.

The excavated ore was hauled to stockpiles/dumps from deep levels of the pit by rail and from auxiliary benches by 40t dump trucks with reloading into 105t rail dump cars at the pit head.

The main ramp for ore haulage out of the pit and to the concentration plant in Balkhash exited southwards. The ramp access for waste and low-grade sulphide material haulage to the western and south-western group of dumps/stockpiles was at the western edge of the pit, and access to northern and north-eastern group of dumps/stockpiles of waste and low-grade oxidised material was on the eastern side of the pit, which led to the layout of the existing dumps we see today.

The principal method of dumping and stockpiling the various waste materials was by using a 3m spreader plough along all the perimeter of a dump/stockpile, followed by bulldozers to level and angle the material in accordance with design regulations. All of the materials dumped were measured and recorded continuously by the geology, survey and QC departments of the mine department and so there is a vast amount of information known about their metal content.

As the dumps comprise primary blasted material, with no crush stage, the size distribution of material is wide ranging from 1-2m boulders down to dust. Typically, due to the "rilling" effect, the coarser fractions are found in the lower regions that form the skirt to the dumps. Data records indicate the overall size distribution is as follows: about 20% is plus 200mm, 60% is in the range of -200+10mm and 20% is less than 10mm.

The estimated bulk density of the oxide wastes is 1.875t/m^3 whilst the value used for the sulphide type wastes is 2.04t/m^3.

5 DUMP SAMPLING

5.1 Introduction

Prior to production commencing at Kounrad, several dump sampling programmes were undertaken over a number of years. The purpose of this work was to understand copper content within the dumps and how successful leaching of this material would be.

This test work has been put into practice now, as Kounrad has now been producing copper from these dumps for over five years. Leaching to date has mostly been focussed on the Eastern Dumps, with additional leaching planned from these dumps.

In the Western Dumps, leaching has commenced, and WAI has been provided with information that CAML has been successfully producing copper cathode from both the Eastern, and more recently, the Western Dumps for the last five years.

5.2 2007-2010

5.2.1 Introduction

The layout of the waste dumps at the abandoned Kounrad copper open pit mine are shown in Photo 4.1. On the eastern flank of the pit, oxide and mixed waste type materials were dumped, the oxide portion of which was already categorised as "Approved C_2 category" by GKZ (RK) and was the focus for the first phase of successful exploitation by CAML using acid leach and SX-EW processing technology.

The materials dumped to the western side of the open pit are all categorised as sulphide and mixed waste. Whilst very significant amounts of historical sampling data from the period of mine operations exist, from which reserve estimates could theoretically be calculated, these materials had not been given formal GKZ (RK) approval during this period. Undertaking appropriate exploration studies of these dumps, in order to obtain GKZ (RK) approval, was an integral condition of the sub-soil use agreement conditions.

Accordingly, in 2009, Sary Kazna undertook some dump exploration, but this was considered inadequate to obtain GKZ (RK) approval. Consequently, a second programme of sampling work was executed during 2010.

The above notwithstanding, WAI is aware that the production of copper has been in line with planned recoveries.

5.2.2 2007 Programme

In December 2007, 10 drill holes were completed on oxide dumps 9-10, 6 and 7 with the samples being sent to VNIItsvetmet for copper analysis and acid leaching tests.

5.2.3 2008-09 Programme

Sary Kazna contracted a Karaganda based consulting firm, CenterKazNedra to develop a sampling programme for the Western Dumps, utilising a mix of drilling and trenching techniques. The location of the drill holes for both the 2009 and 2010 programmes are shown in Figure 5.1 below.

A licence to explore these dumps was initially granted in August 2007 for 2 years and an application for an extension to the licence and was granted until 2011.

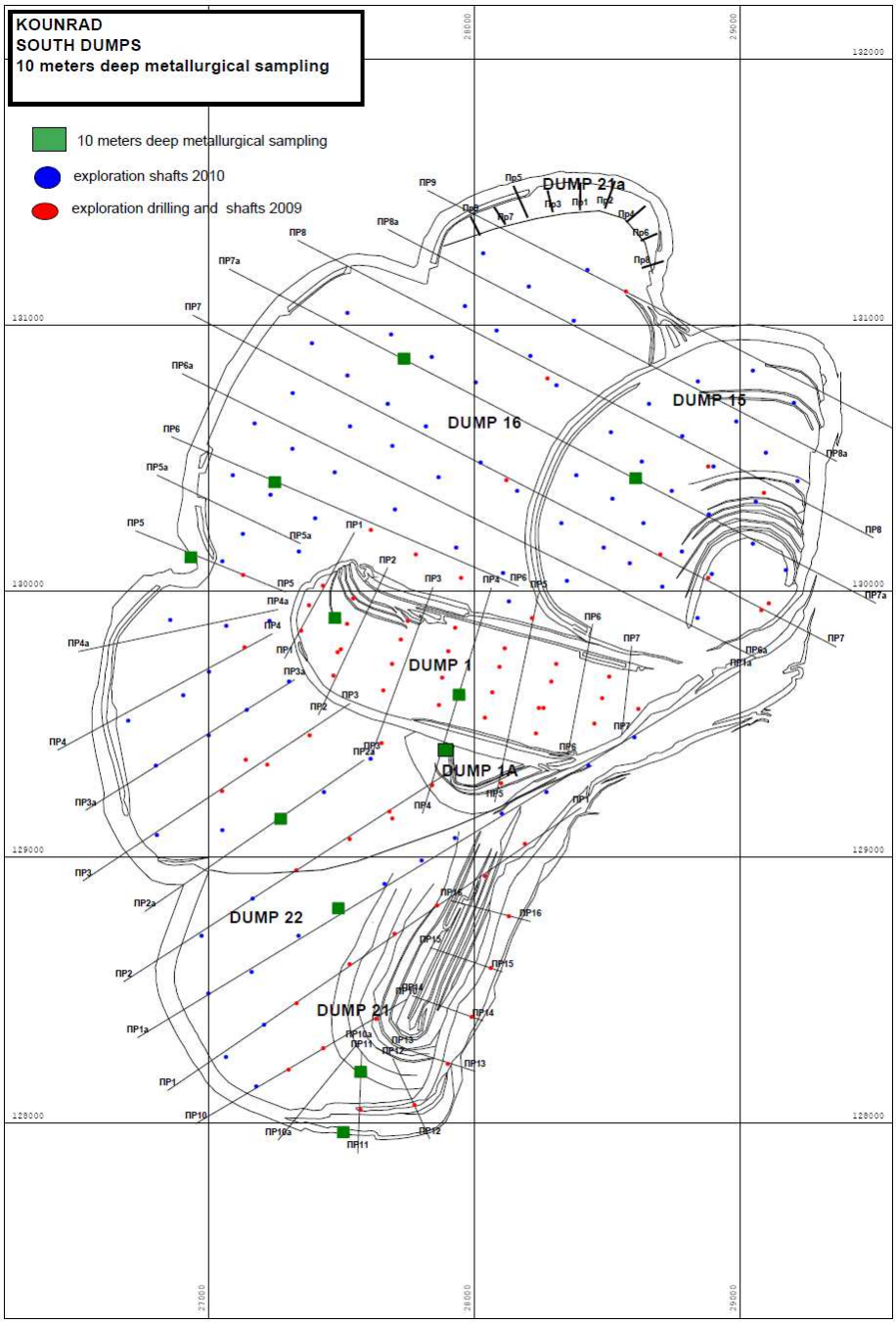


Figure 5.1: Location of Samples Taken in 2009-2010 and Metallurgical Samples 2010 (for the Western Dumps)

The programme of works commenced in 2009 with an original plan to drill 172 holes from surface to the dump base. However, due to difficulties with this technique, and poor core recoveries (only 45-50%), only 85 holes, were completed. The holes were drilled on a grid of 100m x 200m, with samples (averaging between 3-5kg), being collected every 2 to 4m. Due to poor core recovery and hole collapse, no hole made its target depth, with the maximum depth achieved being 30m.
In addition, 10 channel trenches were excavated from which samples were taken. A combined total of 775 samples were collected for copper analysis; determining total copper, acid soluble copper and cyanide soluble copper to characterise the materials.

The results from the drilling programme are given in Table 5.1 below.

Table 5.1: Results of Drilling (2009)

Dump No.	Ore Type	Historical Grade % Cu	Sampled Grade % Cu	% Correlation
1-W	Sulphide	0.24	0.195	80
21-W	Sulphide	0.25	0.19	71
1a-W	Sulphide	0.19		
22-W	Mixed	0.10		
15-W	Mixed	0.10	0.09	90
16-W	Mixed	0.10		
2-E	Mixed	0.10		
5-E	Mixed	0.10	0.08	80
6-E	Oxide	0.13		
7-E	Oxide	0.16		
9-10-E	Oxide	0.19		

Assay results from those dumps studied, clearly indicated that the grade distribution is irregular both vertically and horizontally; with increasing grade with depth. It was also proved that the % of acid soluble mineralisation increased significantly from what was expected, suggesting that a degree of natural oxidation has occurred, together with a migration of copper vertically to the lower levels of the dumps.

VNIItsvetmet also conducted a series of bottle roll acid leaching tests on samples crushed to -2mm. Whilst not being fully representative of the in-situ particle size, the results demonstrated a higher than anticipated level of acid soluble recovery, again indicating significant levels of oxide and secondary sulphide mineralisation. The results are shown in Table 5.2 below.

Table 5.2: Results of Bottle Roll Tests on Dump Material (VNIItsvetmet 2009)

Dump No.	Ore Type	Expected Recovery %	Actual Cu Recovery, %
1	Sulphide	30	47-72
1a	Sulphide	30	66
21	Sulphide	30	41-66
22	Mixed	30	48-65
16	Mixed	30	57-68
15	Mixed	30	51
5	Mixed	30	48-65

6	Oxide	50	47
7	Oxide	50	51

Due to the wide particle size distribution in the dumps, (from microns to metre size lumps), drilling was very difficult with frequent stoppages, caving of holes and breakage of equipment. After a review of the field programme with CenterKazNedra, it was agreed that additional sampling work should be completed in 2010, using a grid of pits from which samples could be collected, rather than further drilling.

5.2.4 2010 Programme

An application was made to GKZ (Republic of Kazakhstan) to extend the duration of the licence and switch the method of sampling from drilling to pitting and bulk trenching, with an extension to the licence granted until 2011.

For 2010, a programme of sampling 137 pits to a depth of 3m from surface, on a 200m by 200m grid was agreed upon with CenterKazNedra. Additionally, samples were taken from the base of the dumps in an attempt to sample material that was inaccessible in the 2009 drilling programme. For Dump 21, which contains the bulk of the sulphide material, a further 9 surface channel trenches 100m in length to a depth of 1m, were excavated and sampled. Total exploration for the sulphide dumps comprised 1,500m^3 of extraction from the pits and trenches.

The work commenced in early May 2010, with all samples collected and prepared for analysis by mid-June. The sampling grid was laid out by a surveyor, and utilising a back-hoe excavator, pits approximately 2.5m^2 were dug to a depth of between 2.5 to 3m depth, from which a sample of approximately 150kg was removed by the field technicians.

This sample material was levelled to a depth of about 15cm, over which was then placed a 20cm square sampling grid. Sub-samples were then removed from each grid to produce a composite sample of approximately 10kg. 137 such samples were collected and bagged for dispatch to the analytical laboratory.

On Dump 21, nine trenches were excavated to a depth of 1m, and samples were taken every 5m along their length. From this, a further 180 samples were prepared, as described above.

Material within the dumps consisted of massive-light-grey silicified material, often highly weathered/oxidised with iron-oxidation, intensely fractured with hematite-limonite pyrite veinlets and random epidote; and intensely weathered, iron-hydroxide altered granodiorites.

Typically for the sulphide dumps, the material is characterised by vein and veinlet-disseminated sulphide mineralisation with covellite, chalcopyrite, bornite and pyrite.

Malachite, azurite, chrysocholla, and chalcopyrite (partly replaced by hematite and pyrite) are typical ore minerals found on the oxide dumps.

A total of 317 samples was collected and dispatched to the analytical laboratory operated by CenterGeoAnalyt, based in Karaganda. Following crushing and pulverising, 10% of the sample pulps were forwarded to the VNIItsvetmet laboratory in Ust Kamenogorsk for duplicate analysis.
The analysis for copper was as employed in the 2009 programme, providing total copper, acid soluble copper and cyanide soluble copper (secondary copper).

5.2.5 2010 Metallurgical Sampling

In addition to the sampling programme to provide data for resource estimation, a metallurgical programme started at the VNIItsvetmet lab to test the amenability of the sulphide and mixed waste materials (at laboratory scale) by column leaching.

Samples for these tests were taken from a depth of approximately 10m below surface in order to try and generate as representative sample as possible. A bulldozer was utilised to prepare a sample area, accessed by a 30m ramp, down to a depth of 6m by pushing surplus material away. The excavator was then positioned and using its boom to its maximum extent, collected a sample from ±4m further down.

By this method, approximately 2t of sample was recovered from each sample pit, after which they were reduced in size to a final sample size of approximately 150kg, which was dispatched to the laboratory.

Samples were taken from Dumps Nos. 1a, 15, 16, 21 and 22 reflecting sulphide and mixed waste materials. Additionally, 3 samples were taken from the perimeter (base) of Dumps Nos. 1a, 16, 21 at a depth of 8-9m to reflect the material encountered at the lower part of these dumps.

During the 2010 site visit, WAI requested further test material was taken from oxide Dump #7, and so two samples from this dump were also taken. A total of 13 samples each weighing approximately 150kg was collected for dispatch to the VNIItsvetmet laboratory in June 2010. The location of the samples is shown in Table 5.3 below.

Table 5.3: Description of Metallurgical Samples taken in 2010

Dump No.	Sample Location	Number of Samples	Depth of Dump (m)
16	Pit 66	1	10
15	Pit 72	1	9,5
16	Pit 43	1	10
1a	Pit 2-6	1	10,5
1a	Pit 12	1	11
21	Dump Base	1	9
16	Dump Base	1	8
22	Pit 25	1	11
7	Pit 8	1	10,5
7	Pit 10	1	11
1a	Dump Base	1	8
22	Pit 14	1	11
21	Pit 36	1	10

5.3 2010 to Present

5.3.1 Introduction

Following advice from WAI as part of the 2010 CPR preparation, further sampling was recommended to better understand the grade distributions across the dumps, as well as prepare for a JORC (2004) compliant Mineral Resource.

5.3.2 2011 Exploration Works

Reverse Circulation (RC) drilling was carried out by a drilling contractor "AK Niyet Burga" using a Nemek 814 BE drill rig, with a hole diameter of 125mm. This field work was overseen on a daily basis, for the entire duration, by a contract geologist, Mr Zsolt Peregi, from Hungary.

Drillhole samples from the 2011 exploration work programme were collected at 3m intervals corresponding with the length of the drilling rods. The samples were collected in a nylon lined bag, which was fixed at the lower open side of the cyclone. The procedure for the onsite preparation of sub-samples comprised:

- Sampled material being placed on to nylon sheet;
- Mixing of the sample three times by hand shovel;
- Placing material in the shape of a 70cm x 70cm quadrangle approximately 8cm in depth;
- Division of the sample into 16 equal sections using a 4 by 4 sampling grid; and
- Obtaining an approximately 5kg sub-sample by taking a specific amount of material from each of the 16 sections.

Two sub-samples were obtained for each 3m drillhole interval; one to be sent to the laboratory and one to be retained as reference material.

Details of the onsite sample preparation are included Zsolt Peregi's report "Report on Wardell Armstrong International's RC drilling program on the waste dumps of Kounrad copper mine (Balkhash District, Kazakhstan) in 2011" dated September 2011.

5.3.3 2012 Exploration Works

Drilling works in 2012 were once again carried out by AK Niyet Burga using the same drill rig and sampling methodology as used in 2011, and samples were sent to VNIITSvetmet laboratory for copper analysis (Cu_{total} and Cu_{acid}).

5.4 QA/QC Analysis

5.4.1 2010 Exploration Works

Exploration works of 2010 included both the oxide and sulphide mineralised dumps. In total, 317 test pits were developed to 3m depth, and all pits were sampled. Test work was carried out at the Centergeoanalit LLP laboratory in Karaganda. Chemical analysis of 40 samples and 11 group samples was carried out to assess the oxide and sulphide content as well as Cu_{total}. External check analysis was carried out by VNIITSvetmet laboratory, with 30 samples submitted for chemical analysis.

In 2010, 13 technological samples were submitted for testwork, to ascertain the technical parameters for leaching. From the 13 samples, 11 were taken from the sulphide dumps and 2 from dump 7 (oxide). Samples were analysed at the mine laboratory assessing the chemical and mineral compositions, element to compound distribution, and the structural/textural properties.

Assays were carried out for Cu_{total}, CuO, S, Fe, Zn, Mo, As, Sb, Pb, Au and Ag. Element to compound ratios were studied for compounds of copper, sulphur, iron, calcium carbonates and magnesium.

WAI has reviewed the 2010 QA/QC results for internal (duplicate sample submission to the same laboratory as original sample) and external (duplicate sample sent to a third party laboratory) checks. The sample data produced were compiled and the precision estimates done using the method of Thompson and Howarth (1978) ("T-H").

The initial step in the T-H method is to plot the data in X-Y scatter chart format to determine if there is a bias between the original sample and the duplicate, or internal and external laboratories with Internal laboratory QA/QC analysis demonstrates a good correlation, but external laboratory QA/QC analysis shows a poor correlation. This indicates that there were issues, either with the principal laboratory and/or the external check laboratory.

Whilst the poor correlation for the external check analysis indicates a potential risk, the fact the Mineral Resource estimates are supported by 5 years of production, with historical dump development records, and that the 379 Cu_{total} samples from the 2010 exploration represents only 6% of the database, substantially mitigates the risk. The significant deviation between the primary and external duplicate results may be due to different sample preparation and assay methods applied by the respective laboratories.

5.4.2 2011 Exploration Works

Exploration works carried out in 2011 included drilling of the Western Dumps (1, 15 and 16) and Eastern Dumps (5, 6, 7, and 9-10). In total 98 holes were drilled by RC drilling, totalling 3,213m of which 2,761m was sampled for Cu_{total} and Cu_{acid}. Testwork was carried out by VNIITSvetmet laboratory (primary laboratory) and Alex Stewart labs, (Moscow branch) as the external laboratory.

The sample database comprised 918 samples and additional samples for QA/QC comprising 28 internal control samples (repeat testing of samples by VNIItzvetmet laboratory), 16 blank samples and 75 duplicate samples.

Each batch of 60 samples included 1 barren (blank) sample which comprised blank granite material. A total of 16 blank samples were assayed. With the exception of two samples, the blank samples were within background trace values (below 0.005% Cu_{total}).

From 918 samples assayed as part of the 2011 exploration works, 75 samples (8%), were re-assayed by Alex Stewart laboratory in Moscow. External repeat analysis (duplicates) for the 2011 exploration works are presented in Figure 5.2. The external laboratory assayed each sample twice. The external control samples by the Alex Stewart laboratory for the 2011 exploration works are presented in Figure 5.2.

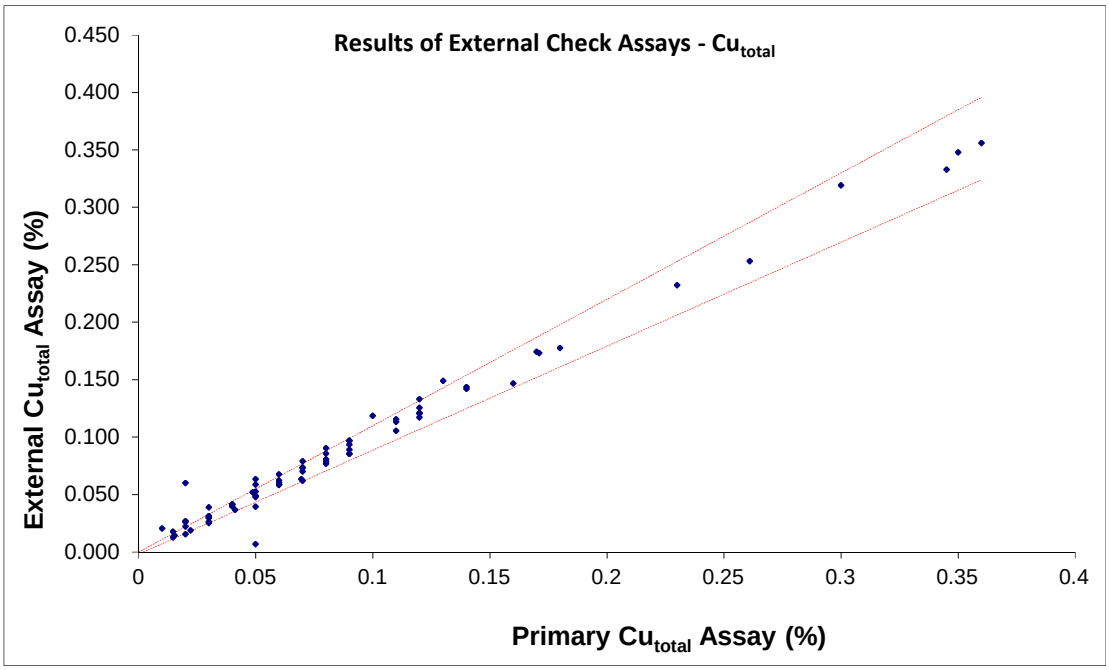


Figure 5.2: 2011 External Check Analysis (Duplicates)

WAI reviewed the results of the re-assays, and found that:

- External repeat assays indicate that precision is reasonable. Although there are some errors, most are at low copper grades, i.e. near detection limits, and there does not appear to be any bias towards high or low grades; and
- For the external laboratory, for both Acid Soluble and Total Cu analyses, precision was excellent.

5.4.3 2012 Exploration Works

Further drilling in 2012 included dumps 2, northern, 13, 20, 15, 16, 21 and 22, and the programme comprised 131 drillholes totalling 4,107m of which 4,089m were sampled for Cu_{total} and Cu_{acid}. The analytical testwork was carried out by VNIITSvetmet laboratory (primary laboratory) and Alex Stewart lab, (Moscow branch) as the external laboratory.

The sample database comprised 1,364 samples assayed for Cu_{total} and additional samples for QA/QC comprising 114 internal control samples (repeat testing of samples by VNIITSvetmet laboratory), 20 blank samples and 137 duplicate samples.

A total of 20 blank samples were assayed, and WAI determined that the blank samples were within background trace values (below 0.005% Cu_{total}).

Of 1,364 samples assayed as part of the 2012 exploration works, 137, or 10%, were re-assayed by an external laboratory (Alex Stewart), with the external laboratory assaying each sample twice.

WAI reviewed the results of the re-assays, and found that:

- External repeat assays demonstrate a good correlation; and
- For the external laboratory, for both Acid Soluble and Total Cu analyses, precision was excellent.

5.5 Conclusions

The Kounrad waste dumps represent a large Mineral Resource of copper metal accumulated over many years of open pit mining.

WAI is aware that the Eastern Dumps have been leached as part of Phase 1, with additional leaching planned.

The leaching of mainly the Western Dumps is currently underway, and WAI has been provided information that CAML has been successfully producing copper cathode from the Eastern Dumps (and recently the Western Dumps) for the last five years.

WAI is also aware that the production of copper has been in line with planned recoveries.

For future production, the detailed tipping plans that were available to CAML in combination with the extensive sampling programmes that have been undertaken on the various dumps, provide comfort to the broad tenor of the dumps.

The tipping plan data are by far the most valuable information pertaining to the dumps as these are based on data collected from the original 6m x 6m blasthole patterns at the mine, i.e., considerably more detailed that any sampling could achieve on the dumps themselves.

Thus, taking into consideration the above, WAI is confident that the acquired sampling data is suitable for use in the Mineral Resource estimation described below.

6 MINERAL RESOURCE ESTIMATION

6.1 Introduction

WAI completed the Mineral Resource Estimate for the CPR used by CAML in 2012, and subsequently has completed an updated MRE which is summarised below.

Table 6.1: Summary of Eastern, Western and Northern Mineral Resources

Category	Gross			Net attributable			Operator
Kounrad Mineral Resources	Tonnes (kt)	Grade (%)	Contained metal	Tonnes (kt)	Grade (%)	Contained metal	
Indicated	388,977	0.10	372,546	388,977	0.10	372,546	CAML
Inferred	264,023	0.09	237,175	264,023	0.09	237,175	CAML
Sub-total	653,000	0.09	609,722	653,000	0.09	609,722	
Total	653,000	0.09	609,722	653,000	0.09	609,722	

6.2 Historical Results

Copper resources were previously estimated in 1993 by Bateman Engineering USA, and these estimates included dumps 3, 6, 7, 9-10, and 21. A subsequent estimation of "reserves" in these dumps plus dumps 1, 1a and 21a was performed by JSC Balkashmed in 1997, and included all material accumulated until 1996.

In 2001, JSC Balkashmed completed a further copper "reserves" estimation which was then submitted to and approved by the State Committee for Reserves (SCR) of Kazakhstan (audited by JSC Balkashmed in 2006).

Additionally, in 2002 Jalyn LLP completed a copper "reserves" estimation which was based on the 1993 Bateman dump data.

In 2006 Gorno-Geologichesky Dizain LLC (GGD LLC) also completed a copper "reserves" estimation.

All of these previous estimates have been based on detailed examination of the historical mining data, developed for each dump regarding the material hauled from the pit and subsequently dumped.

In 2002, the State Reserve Committee (GKZ- Republic of Kazakhstan) approved Category C_2 "reserves" for oxide dumps 6, 7, and 9-10 containing 49.2Mt at 0.16% Cu_{total} containing 77.7kt of in-situ copper. Category C_1 "reserves" for dumps 6, 7, and 9-10 were subsequently approved by GKZ RK in 2011 and are summarised in Table 6.2.

Table 6.2: GKZ Category C_1 Approved Reserves			
Dump	**Tonnage (kt)**	**Cu_{total} (%)**	**Cu (Mt)**
6	11,364.4	0.129	14.6
7	27,605.6	0.156	43.1
9&10	12,213.8	0.192	23.5
Total	**51,183.8**	**0.159**	**81.2**

It should be noted that the term 'reserve' used in the above context does not reflect the requirements of the JORC Code (2004 or 2012) "Ore Reserve" but is the usual terminology used in Soviet estimates.

Table 6.3 below summarises the previous reserve estimates for the Kounrad mineralised dumps.

Table 6.3: Summary of Previous Reserve Estimates for Kounrad Mineralised Dumps												
Dump No	**Bateman 1993**			**Balkashmed 1997**			**Jalyn LLP 2002**			**GGD LLC 2006**		
	Tonnes (kt)	**Grade (%Cu_{total})**	**Cu_{total} metal (kt)**	**Tonnes (kt)**	**Grade (% Cu_{total})**	**Cu_{total} metal (kt)**	**Tonnes (kt)**	**Grade (% Cu_{total})**	**Cu_{total} metal (kt)**	**Tonnes (kt)**	**Grade (% Cu_{total})**	**Cu_{total} metal (kt)**
6	13,813	0.12	16.3	15,758	0.12	18.9	11,364	0.13	15.0	15,758	0.12	18.9
7	33,262	0.14	45.9	38,280	0.14	53.6	27,606	0.16	43.1	38,272	0.13	49.8
9-10	11,677	0.32	37.4	14,114	0.32	45.2	12,214	0.19	23.5	14,111	0.33	46.6
1	-	-	-	24,065	0.244	58.7	-	-	-	-	-	-
1a	-	-	-	5,341	0.19	10.2	-	-	-	-	-	-
21a	-	-	-	5,204	0.248	12.9	-	-	-	-	-	-
3	1,950	0.43	8.3	908	0.38	3.3	-	-	-	908	0.37	3.3
21	25,527	0.27	68.4	22,641	0.27	60.7	-	-	-	22,724	0.30	68.2
Total	**86,229**	**0.20**	**176.3**	**126,311**	**0.21**	**263.4**	**51,184**	**0.16**	**81.5**	**91,773**	**0.20**	**186.7**

The Mineral Resource Estimate presented herein which was compiled in 2013, incorporates the historical (2007-2010), 2011 and 2012 exploration programme data.

6.3 Database Compilation

6.3.1 Introduction

Six sample databases were provided to WAI in Excel format and comprised:

- Hist Holes (pre-2007);
- Ex Holes (2007);
- 2008 Drillholes;
- 2010 Trenches;
- Pits Holes; and
- Tech Holes.

The 2011 and 2012 exploration data were provided to WAI in Excel format and comprised assay and collar data. The collar data file also contained survey data (location, dip and azimuth). These data cover both the Eastern and Western Dumps.

6.3.2 Historical Holes

A total of 2,409 samples with Cu_{total} assays are included in the 'Hist Holes' database with samples having been taken at an interval of 0.5m. The drillholes are located within dumps 6, 7 and 9-10, the locations are shown in Figure 6.1.

The 'Ex Holes' database includes 21 holes to a depth of 2.5m drilled in 2007. A total of 21 samples with Cu_{total} and Cu_{acid} assays are included in the database. The holes are located within dumps 6 and 9-10 and the locations are shown in Figure 6.2.

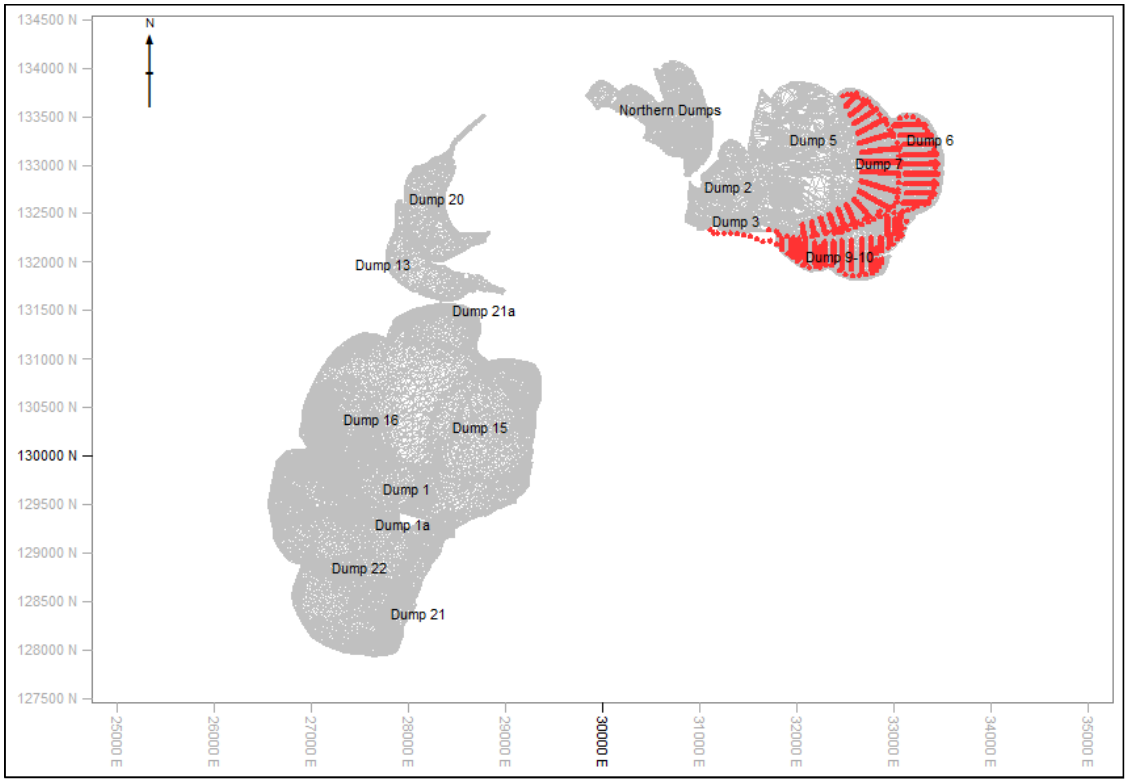


Figure 6.1: Location of 'Hist Holes'

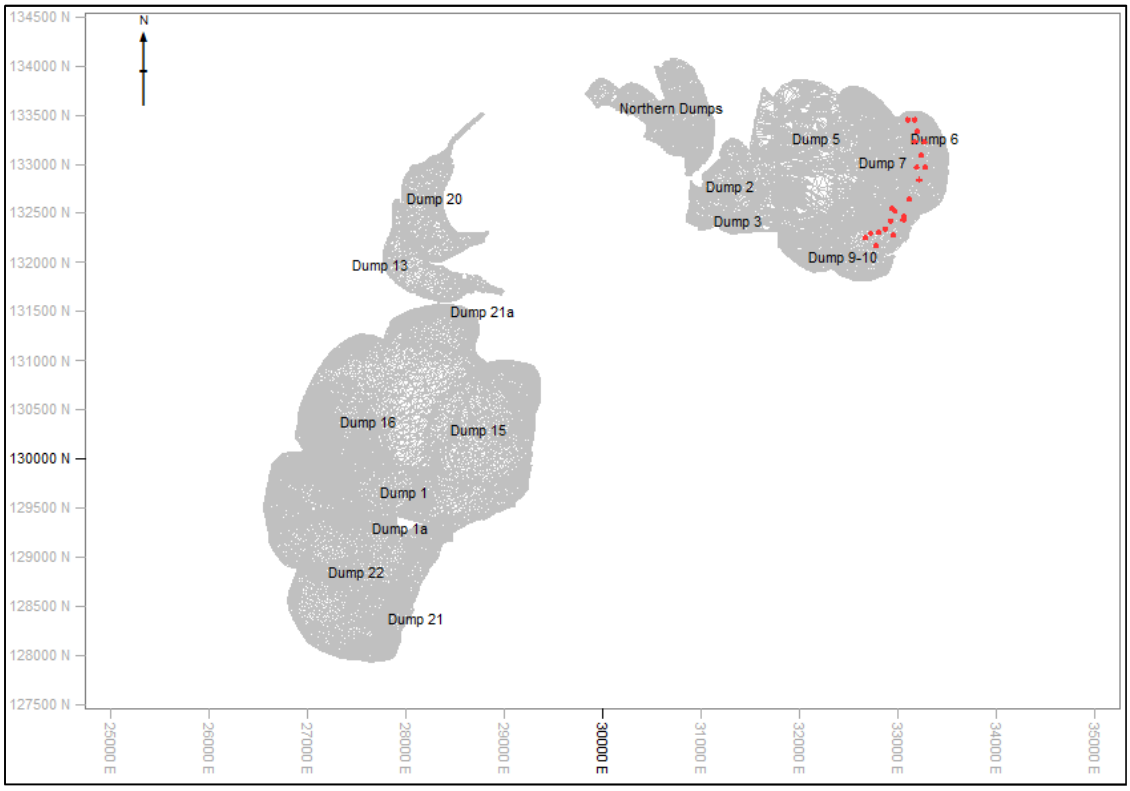


Figure 6.2: Location of 'Ex Holes'

6.3.3 2008 Holes

The database includes 85 holes drilled in 2008. The holes range in depth from 8m to 30m. The database also included 10 channel trenches. A total of 742 samples with 742 Cu_{total} assays and 728 Cu_{acid} assays are included in the database. The drillholes are located within dumps 1, 1a, 5, 6, 7, 9-10, 15, 16, 21 and 22 and the locations are shown in Figure 6.3.

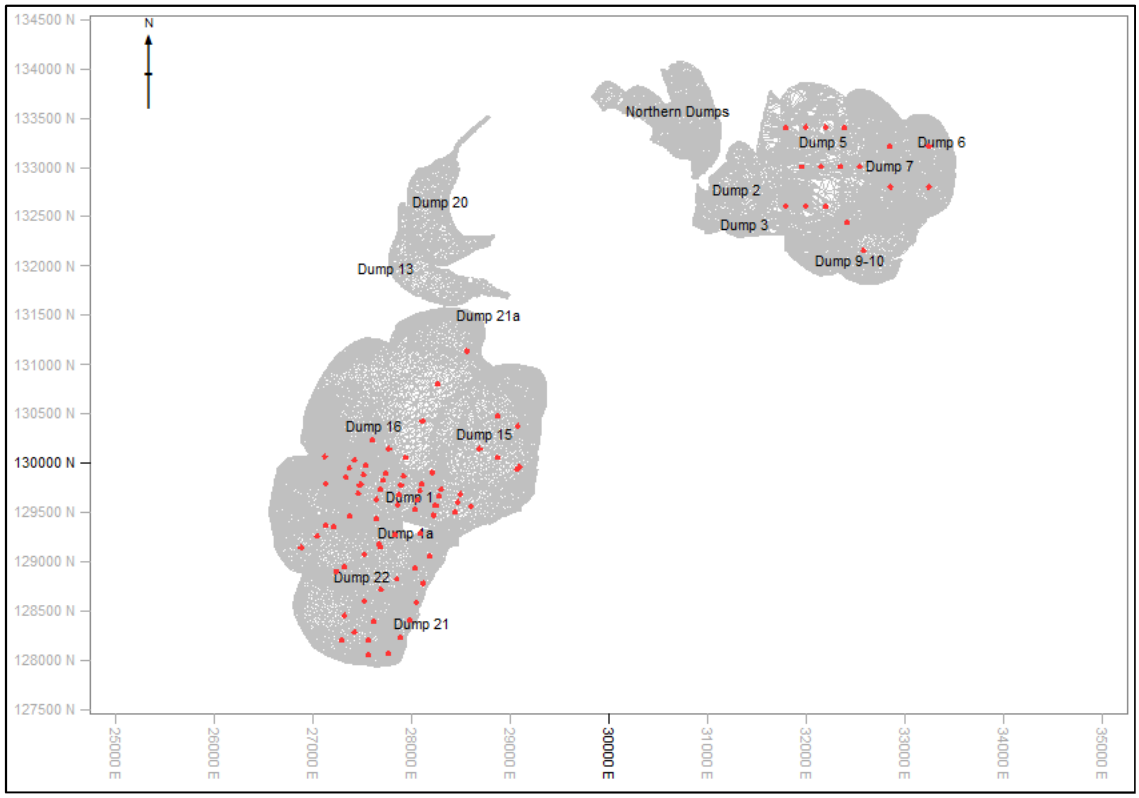


Figure 6.3: Location of '2008 Drillholes'

6.3.4 2010 Trenches

The 2010 trench data includes 9 surface trenches within mineralised dump 21a. The trenches are 100m in length and contain a total of 189 samples with 187 Cu_{total} assays, with the locations shown in Figure 6.4.

6.3.5 2010 Pit Holes

The database includes 137 pits to a depth of 3m, and pit locations are shown in Figure 6.5. A total of 179 samples with Cu_{total} assays are included in the database.

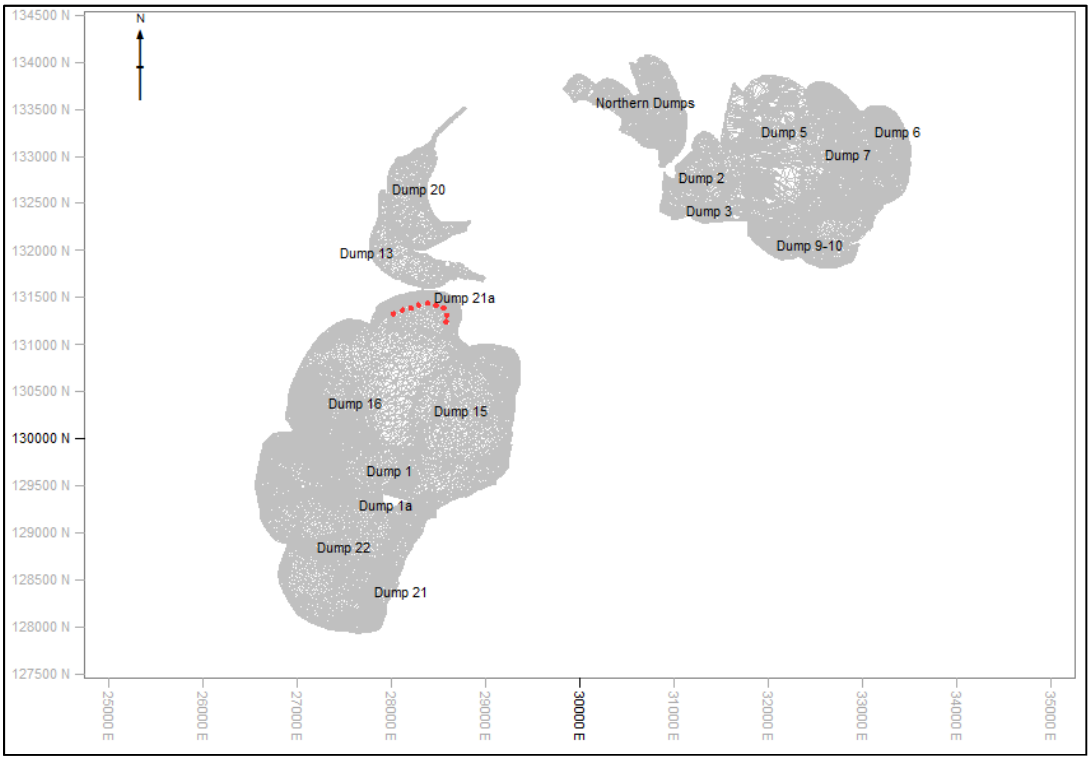


Figure 6.4: Location of '2010 Trenches'

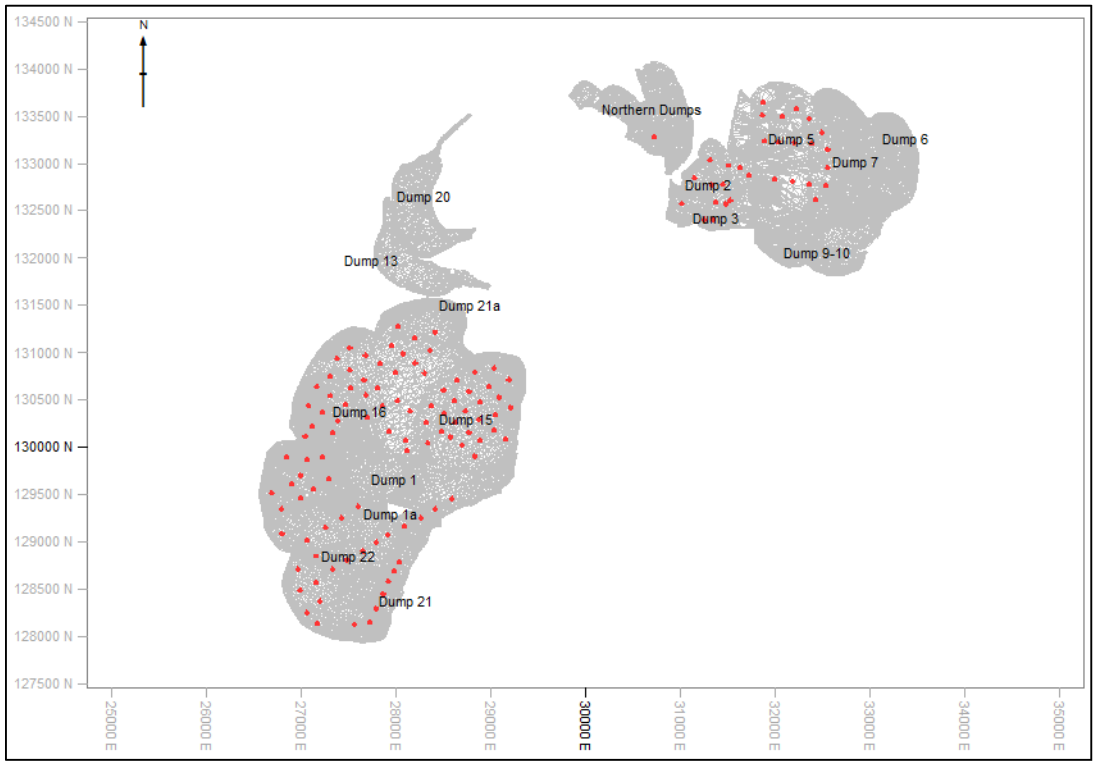


Figure 6.5: Location of 2010 'Pit Holes'

6.3.6 2010 Technological Holes

The database also includes 13 pits excavated in 2010 for metallurgical sampling. The pits range in depth from 8m to 11m. A total of 13 samples with Cu_{total} and Cu_{acid} assays are included in the database. The locations of these pits are shown in Figure 6.6.

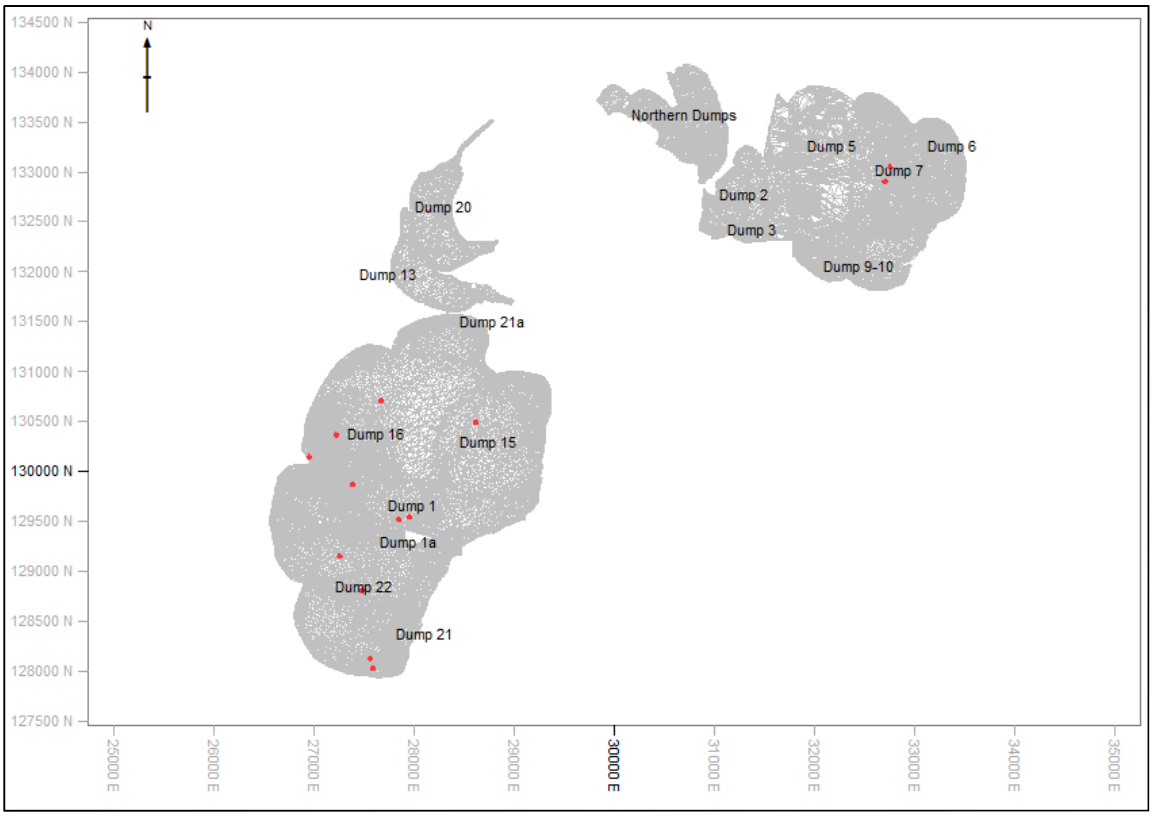


Figure 6.6: Location of 'Technological Pits'

6.3.7 2011 Holes

98 drillholes are included in the 2011 database with the locations of the drillholes shown in Figure 6.7. A total of 918 samples with Cu_{total} and Cu_{acid} assays are included in the database.

6.3.8 2012 Holes

131 drillholes are included in the 2012 database with the locations of the drillholes shown in Figure 6.8. A total of 1,364 samples with Cu_{total} and Cu_{acid} assays are included in the database.

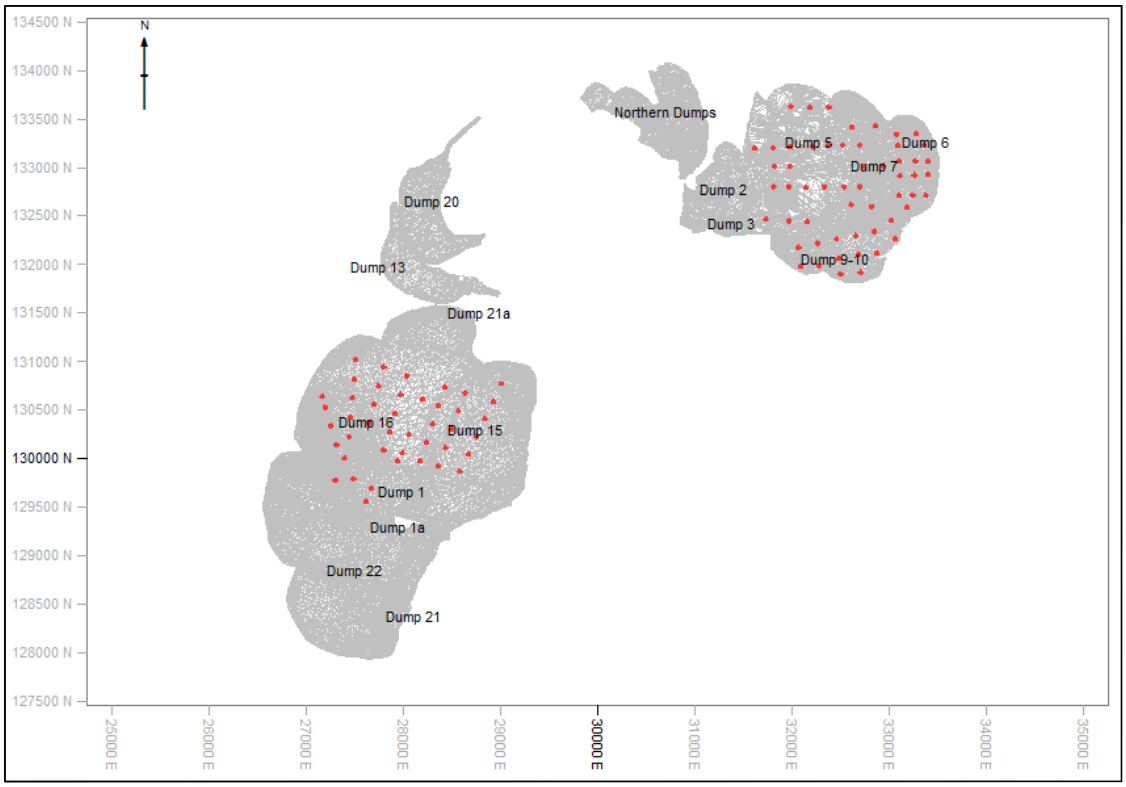


Figure 6.7: Location of '2011 Holes'

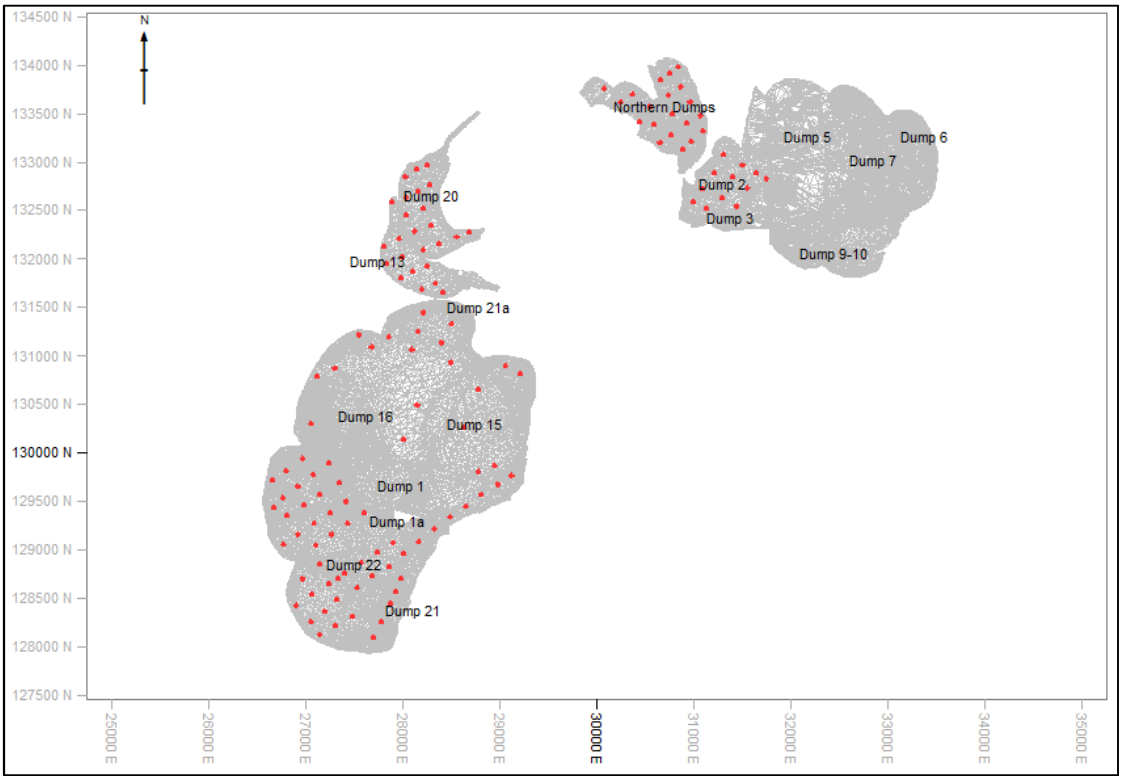


Figure 6.8: Location of '2012 Holes'

6.4 Dump Interpretation

Wireframes were provided by the client to WAI, and comprised 16 dumps (1, 1a, 2, 3, 5, 6, 7, 9-10, 13, 15, 16, 20, 21, 21a, 22 and Northern), and the dump wireframes are shown in Figure 6.9.

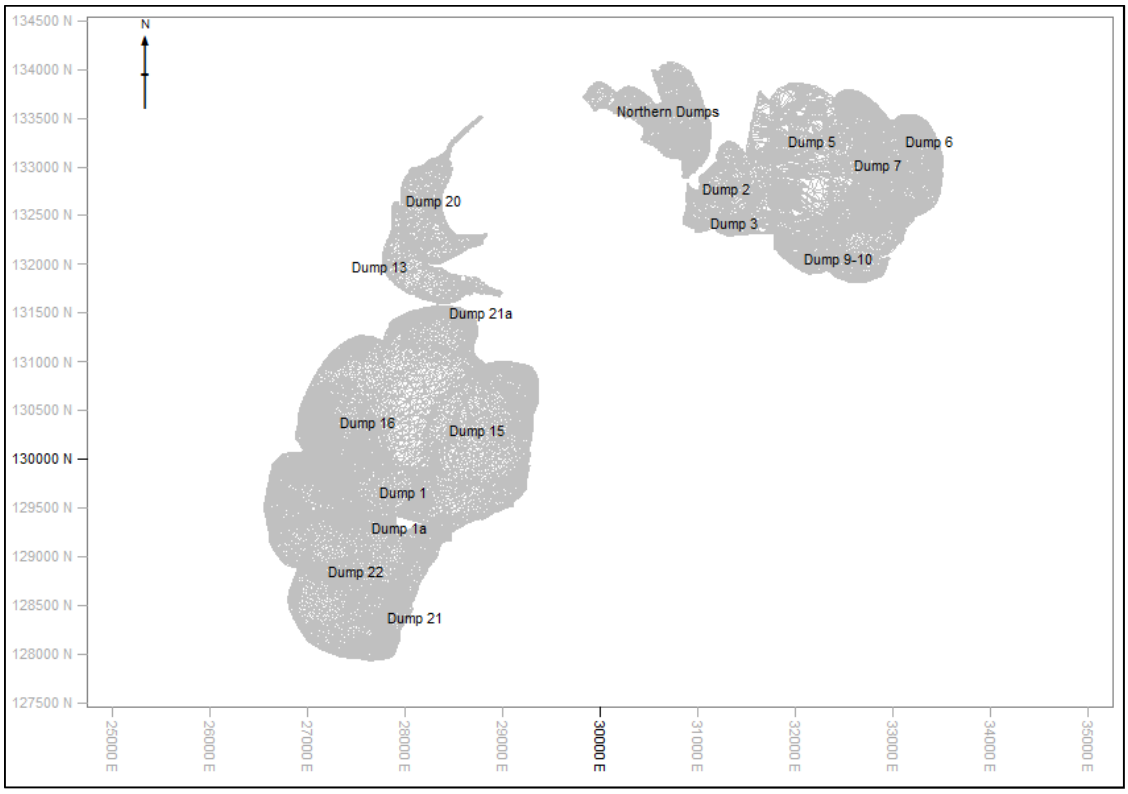


Figure 6.9: Plan View of Dump Wireframes

Dump wireframes were constructed based on surveys carried out by personnel at site using total station equipment. WAI has verified the dump surveys using historical pre-dump topographic surfaces and logging of the basement contact during the 2011 and 2012 drilling programmes.

Comparison of the 2011 and 2012 drillholes with the dump wireframes generally shows a good correlation. The wireframe from dump 5, which previously was poorly characterised, was modified to reflect the data obtained during the 2011 drilling programme. A DTM was created based on the drillhole collar data, and the base of the dump was taken as the average depth of the dump from the drillhole data.

6.5 Database Compilation

Prior to inclusion of all the sample data into one sample file for use in the grade estimation, it was necessary to first ensure that there was no bias, by one or more of the sample methods.

The sample data within the dumps were reviewed as shown in Figure 6.10 and Table 6.4. The sample sets are broken down by sample type (STYPE2):

1. Drillholes;
2. Trenches;
3. Pits; and
4. Tech Holes.

Table 6.4: Statistics for Samples within the Dump Wireframes

Sample Type	Field	Min	Max	Range	Mean	Variance	Std Dev	Skewness	Kurtosis
Drillholes	Cu_{total}	0.00	1.50	1.50	0.10	0.01	0.09	3.23	24.26
Trenches	Cu_{total}	0.01	1.05	1.04	0.19	0.02	0.14	1.33	1.84
Pits Holes	Cu_{total}	0.01	0.47	0.46	0.07	0.01	0.09	2.56	6.79
Tech Holes	Cu_{total}	0.05	0.29	0.24	0.14	0.01	0.07	0.54	-0.94

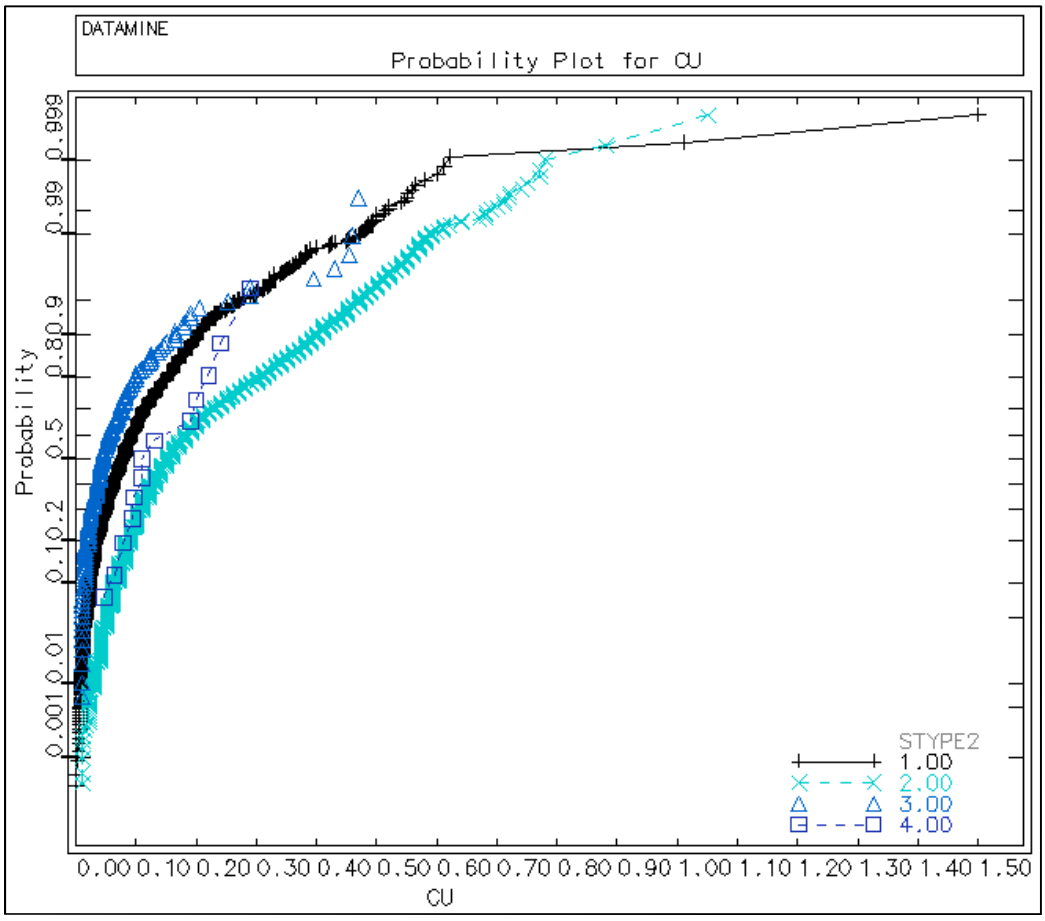


Figure 6.10: Log Probability Plot for Samples within the Dump Wireframes by Sample Type

From the statistical analysis, it is clear that all sample types generally display similar population trends. Trenching (light blue in Figure 6.10) shows a slightly different population reflecting a clustering of sample data. It is therefore the opinion of WAI, that no individual or combined set of sample types exert undue bias. For the purpose of geostatistical evaluation and grade estimation, the complete set of sample types can be applied.

6.6 Sample Data Processing

6.6.1 Statistical Analysis

The samples contained within the dump wireframes were selected for further data processing. The samples were coded by dump as shown in Table 6.5.

Table 6.5: Dump Coding

Code	Dump
1	Dump 1
11	Dump 1a
2	Dump 2
3	Dump 3
5	Dump 5
51	Northern dump
6	Dump 6
7	Dump 7
9	Dump 9
15	Dump 15
16	Dump 16
21	Dump 21
211	Dump 21a
22	Dump 22

Statistical analysis has been carried out on samples within the dump wireframes to identify any potential bias that may be present within the data (Figure 6.11 and Table 6.6).

Table 6.6: Statistics for Samples Falling within the Dump Wireframes									
Dump	**Field**	**Min**	**Max**	**Range**	**Mean**	**Variance**	**Std Dev**	**Skewness**	**Kurtosis**
1	Cu_{total}	0.000	0.612	0.612	0.18	0.01	0.11	1.44	2.23
2	Cu_{total}	0.008	0.390	0.383	0.08	0.00	0.07	2.39	6.50
3	Cu_{total}	0.124	0.455	0.331	0.24	0.02	0.15	0.71	-1.49
5	Cu_{total}	0.010	1.010	1.000	0.09	0.01	0.09	5.74	50.50
6	Cu_{total}	0.010	1.050	1.040	0.12	0.01	0.08	3.34	29.94
7	Cu_{total}	0.010	0.740	0.730	0.14	0.01	0.09	2.29	8.65
9-10	Cu_{total}	0.020	1.500	1.480	0.32	0.02	0.14	0.91	4.75
1a	Cu_{total}	0.016	0.092	0.076	0.04	0.00	0.02	1.15	0.61
13	Cu_{total}	0.004	0.167	0.163	0.03	0.00	0.03	2.11	4.27
15	Cu_{total}	0.000	0.400	0.400	0.07	0.00	0.06	2.47	7.01
16	Cu_{total}	0.002	0.700	0.698	0.08	0.00	0.06	3.04	18.83
20	Cu_{total}	0.003	0.268	0.265	0.03	0.00	0.03	4.03	25.01
21	Cu_{total}	0.009	0.460	0.451	0.19	0.01	0.11	0.24	-0.61
22	Cu_{total}	0.007	0.565	0.558	0.09	0.01	0.08	2.67	9.80
Northern	Cu_{total}	0.005	0.171	0.167	0.05	0.00	0.04	1.09	0.75
21a	Cu_{total}	0.035	0.490	0.455	0.16	0.01	0.08	1.59	3.31

If sample populations display a positive skew due to the presence of high grade outlier values, then top cutting maybe necessary to remove the high grades. Outlying high grade values can exert significant bias on grade estimation, as they may contain a high proportion of the database's contained metals. Statistical and decile analysis indicate the presence of outlying high Cu_{total} grades. Decile analysis and top cutting of the data is described below.

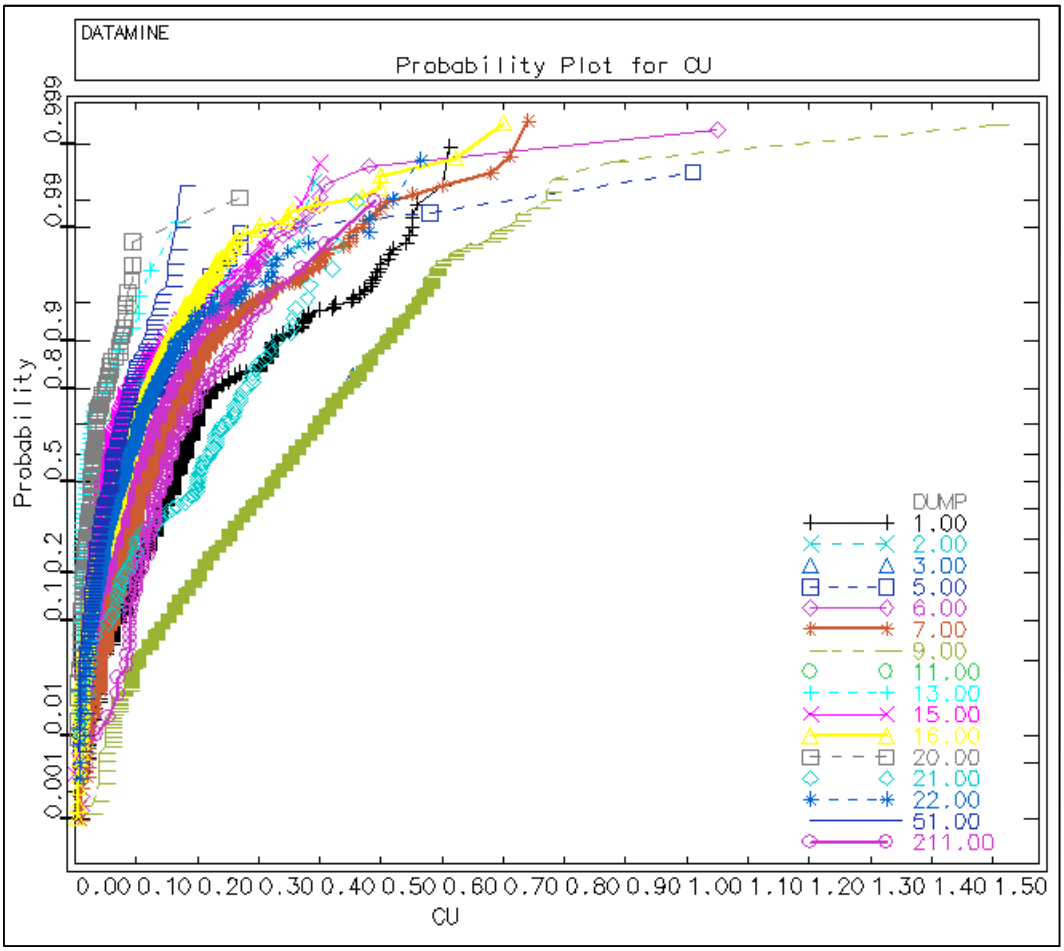


Figure 6.11: Log Probability Plot for Samples within the Dump Wireframes by Dump

6.6.2 Decile Analysis

WAI performed a decile analysis to ascertain any need for top cutting; the results of the decile analysis are shown in Table 6.7. From the statistical and decile analysis, WAI is of the opinion that top cutting is necessary.

Table 6.7: Decile Analysis

Q%_FROM	Q%_TO	NSAMPLES	MEAN	MIN	MAX	METAL	METAL%
0	10	558	0.02	0.00	0.03	10.43	1.30
10	20	559	0.04	0.03	0.05	22.24	2.78
20	30	559	0.06	0.05	0.07	32.85	4.10
30	40	558	0.08	0.07	0.09	42.89	5.36
40	50	559	0.1	0.09	0.11	53.30	6.66
50	60	559	0.12	0.11	0.13	65.65	8.20
60	70	558	0.15	0.13	0.16	81.49	10.18
70	80	559	0.18	0.16	0.21	103.37	12.91
80	90	559	0.26	0.21	0.32	145.37	18.16
90	100	559	0.43	0.32	1.50	243.14	30.36
90	91	55	0.33	0.32	0.34	18.04	2.25
91	92	56	0.34	0.34	0.35	19.31	2.41
92	93	56	0.36	0.35	0.37	20.32	2.54
93	94	56	0.38	0.37	0.39	21.28	2.66
94	95	56	0.40	0.39	0.41	22.31	2.79
95	96	56	0.42	0.41	0.44	23.55	2.94
96	97	56	0.45	0.44	0.47	25.31	3.16
97	98	56	0.48	0.47	0.50	26.97	3.37
98	99	56	0.52	0.5	0.55	29.30	3.66
99	100	56	0.66	0.55	1.50	36.75	4.59
0	100	5587	0.14	0.00	1.50	800.74	100.00

Having reviewed the decile analysis and probability plots on a dump by dump basis, a top cut was applied to selected dumps:

- Dump 2 top cut of 0.25% Cu;
- Dump 13 top cut of 0.12% Cu;
- Dump 15 top cut of 0.3% Cu;
- Dump 20 top cut of 0.1% Cu; and
- Dump 22 top cut of 0.4% Cu.

6.6.3 Missing Assays

The assay database contained a number of absent values. Sample intervals where no assay value is recorded, were therefore treated as absent in the database. Samples falling outside of the mineralisation wireframe were excluded from the database.

6.6.4 Compositing

A histogram of sample length is shown in Figure 6.12. The sample length varied with sample type. Ideally all samples should be a similar sample length to provide equal support. Compositing of the samples is necessary to provide an equal level of support for all samples, and is important for the geostatistics, and subsequent Mineral Resource estimation.

For the purpose of the estimation, a 3m composite length was applied. The 3m composite length was a compromise selected to reduce the impact on samples by minimising the number of samples that would be split, and the number of samples that would be combined. Statistical analysis has been carried out to ascertain the impact of the compositing exercise (Table 6.8).

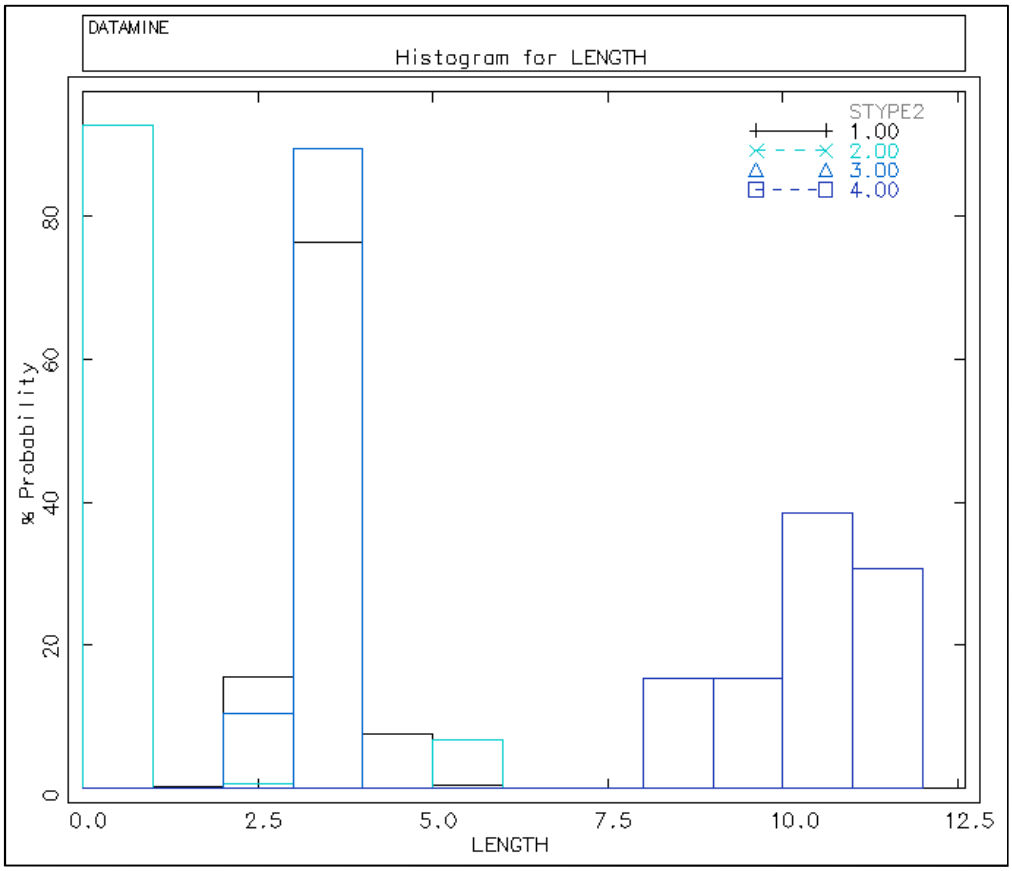


Figure 6.12: Histogram for Sample Length by Sample Type

Table 6.8: Statistical Analysis Showing Effect of Sample Compositing

	Samples	Composites
FIELD	Cu_{total}	Cu_{total}
NRECORDS	5678	5734
NSAMPLES	5587	5737
MINIMUM	0.00	0.00
MAXIMUM	1.50	1.50
RANGE	1.50	1.50
MEAN	0.14	0.14
VARIANCE	0.02	0.01
STANDDEV	0.12	0.12
SKEWNESS	1.91	1.91
KURTOSIS	5.93	6.03

6.6.5 Data Processing Summary

The statistical analysis of the Kounrad mineralised dumps sample database is summarised below:

- All sample types have been included in the Mineral Resource Estimate;
- Top cutting was applied to dumps 2 (0.25% Cu), 13 (0.12% Cu), 15 (0.3% Cu), 20 (0.1% Cu) and 22 (0.4% Cu); and
- A 3m composite interval has been applied to standardise sample length.

6.7 Variography

WAI undertook variography analysis to review the estimation and search parameters that had been used, as well as:

- To produce suitable variogram model parameters for use in geostatistical grade interpolation; and
- To check the validity of search parameters upon which the Mineral Resource Estimates were based.

Variography was carried out based on 3m composite intervals; variogram analysis was performed using CAE Studio v3® (Datamine) software. Variography has been carried out along with variogram searches on 20° azimuth increments to check for anisotropy. Variogram maps have been produced for each dump to identify possible principle directions of continuity. Directions of continuity may have resulted from the way the dumps were developed.

6.7.1 Variogram Parameters

Isotropic variograms were generated for Cu_{total} using 3m composite sample data.

6.7.2 Variography Interpretation

Example experimental variograms and the subsequent variogram models, for dump 7, are shown in Figure 6.13.

6.8 Block Modelling

A block model was constructed for the dumps. The model comprises a parent cell size of 50m x 50m x 3m (x/y/z) with sub cell splitting to a minimum block size of 6.25m x 6.25m x 3m where additional cell resolution is required. The model is un-rotated and contains a coding for the dumps.

Directions of continuity were identified from the variography and dump configuration profiles. Directional control strings were defined outlining local variation resulting from the dump profile. These orientations were subsequently used during grade estimation to orient the search ellipses

independently for each block. This dynamic anisotropy procedure gives a more realistic reflection of the local variations within the dumps.

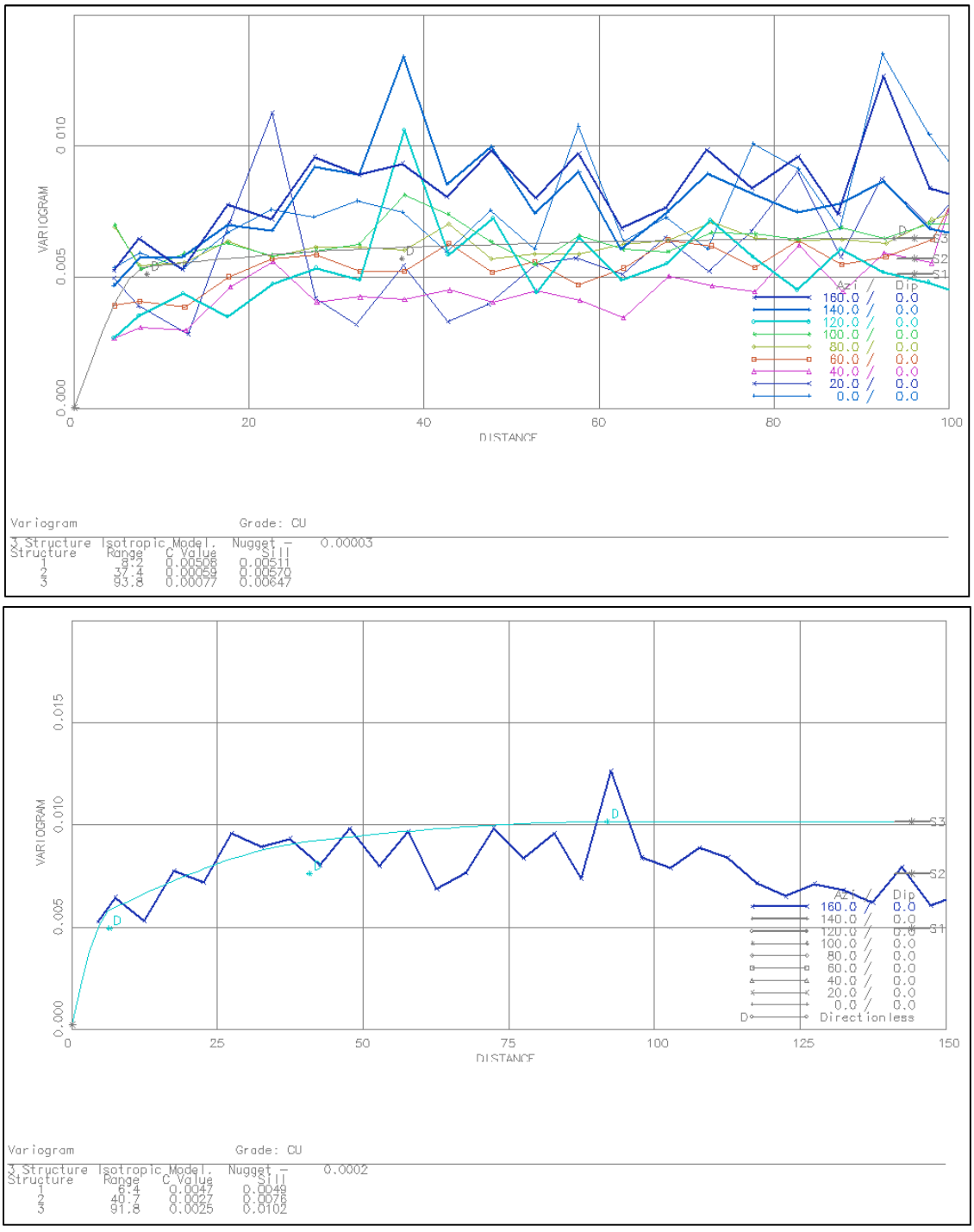


Figure 6.13: Example Isotropic Variograms for Dump 7

6.9 Density

For the current Mineral Resource Estimate, a density value of 1.87t/m^3 was used for oxide wastes and 2.04t/m^3 was used for sulphide and mixed wastes, consistent with previous estimates. Dumps 2, 3, 5,

6, 7 and 9-10 were categorised as oxide waste and dumps 1, 1a, 13, 15, 16, 20, 21, 21a, 22 and northern, were categorised as either sulphide or mixed waste.

Density data from the 2009 investigation was supplied to WAI by CAML (Table 6.9) and generally supports the sulphide and mixed waste density values used in the Mineral Resource Estimate. Values for oxide dumps 6 and 7 are higher than that used during the Mineral Resource Estimate; however, these are based on limited testing.

Table 6.9: Kounrad Relative Density – 2009 Investigation

Dump	Bore hole (2009)	Weight of the test (t)	Dump Volume (m^3)	Relative Density (t/ m^3)
15	91	13.98	6.781	2.06
1a	5	14.76	5.211	1.72
1a	21	13.08	5.822	2.25
16	47	11.78	4.994	2.36
16	42	12.98	5.850	2.22
7	125	11.03	5.02	2.19
7	126	11.87	4.70	2.52
7	127	13.71	5.38	2.55
6	128	15.12	6.76	2.23
6	129	13.23	5.57	2.37

WAI recommends that future works include further review of density values. In addition, Zsolt Peregi's report "Report on Wardell Armstrong International's RC drilling program on the waste dumps of Kounrad copper mine (Balkhash District, Kazakhstan) in 2011", describes the characterisation of the dumps as oxide, sulphide or mixed.

As recommended by WAI, the 2012 investigation programme included further density testing (Table 6.10) which supports the oxide, sulphide and mixed waste density values used in the Mineral Resource Estimate.

As detailed in Zsolt Peregi's 2011 report, dumps 15, 16 and 22, which have historically been classified as mixed dumps, contain predominantly sulphide mineralisation, and accordingly have been recharacterised in this estimate from former historical descriptions. Relative density results from the 2012 investigation, indicate some variation within individual dumps, for example dump 22, reflecting the observed variability as described in Zsolt Peregi's 2011 report.

Table 6.10: Kounrad Relative Density – 2012 Investigation							
Dump	**Bore Hole (2012)**	**Hole Volume (m^3)**	**Ore Weight (t)**	**Volume Weight (t/m^3)**	**Average Dry Volume Weight (t/m^3)**	**Humidity (%)**	**Dry Ore Volume Weight (t/ m^3)**
21a	1	8.31	16.28	1.96	1.91	2.5	1.91
16	1	8.54	18.33	2.15	2.07	2.5	2.09
	2	7.65	15.77	2.06		2.5	2.01
	3	7.44	16.46	2.21		2.5	2.16
	4	7.96	16.29	2.05		2.5	2
	5	6,71	17.00	2,53		2.5	
22	1	8.54	16.24	1.9	1.96	2.5	1.85
	2	8	17.06	2.14		2.5	2.08
	3	8.39	16.22	1.93		2.5	1.88
	4	8.06	16.71	2.07		2.5	2.02
21	1	7.8	16.36	2.1	2.06	2.5	2.05
	2	8.09	17.21	2.13		2.5	2.07
1	1	8.47	15.78	1.86	1.92	2.5	1.82
	2	8	16.51	2.06		2.5	2.01
1a	1	8.61	16.78	1.95	1.96	2.5	1.9
	2	8.26	17.03	2.06		2.5	2.01
15	1	8.56	17.72	2.07	2.01	2.5	2.02
	2	8.6	17.03	1.98		2.5	1.93
	3	8.54	17.57	2.06		2.5	2.01
	4	7.7	16.30	2.12		2.5	2.06
13	1	7.56	15.71	2.08	2.05	2.5	2.03
	2	8.06	17.07	2.12		2.5	2.06
20	1	7.75	15.69	2.02	1.95	2.5	1.97
	2	8	15.72	1.97		2.5	1.92
2	1	N/A	N/A	N/A	1.89	N/A	N/A
	2	8.45	15.73	1.86		2.5	1.82
	3	8.45	17.17	2.03		2.5	1.98
	4	8.2	16.52	2.01		2.5	1.96
	5	8.32	15.41	1.85		2.5	1.81
5	1	7.61	15.19	1.99	1.9	2.5	1.95
	2	8.59	16.07	1.87		2.5	1.82
	3	7.72	14.53	1.88		2.5	1.84
	4	7.89	15.98	2.03		2.5	1.97

6.10 Grade Estimation

6.10.1 Introduction

Grade estimation was carried out using Inverse Distance Weighted Cubed (IDW^3) as the principle interpolation method. Nearest Neighbour (NN) was also used for comparative purposes.

6.10.2 Grade Estimation Plan

The estimation process comprised three different search radii, each one progressively larger than the last. The three search radii and the sample constraints are shown in Table 6.11.

Table 6.11: Kounrad Search Estimation Parameters

Interpolation Run No	Search Axis (m)			Min No Samples	Max No Samples	Max No Samples per Hole[1]
	Strike	Down Dip	Across strike			
1	50	25	1	5	12	2
2	200	100	4	4	12	2
3	>200	>100	>4	1	16	2

Note: [1]Maximum of one channel sample.

6.11 Validation

6.11.1 Introduction

A statistical and visual assessment of the block models was undertaken to assess the robustness of the grade estimations within each dump, and to ensure that the grade estimates and search radii were acceptable.

The model validation methods carried out included a visual assessment of grade, global statistical grade validation, and SWATH plot (model grade profile) analysis. The SWATH plot analysis considers a swath or strip through the model and is described further below.

6.11.2 Visual Assessment of Grade Estimation

A visual comparison of composite sample grade and block grade was conducted in plan-view and cross section as shown in Figure 6.14 to Figure 6.17. Visually the model was generally considered to spatially reflect the composite grades.

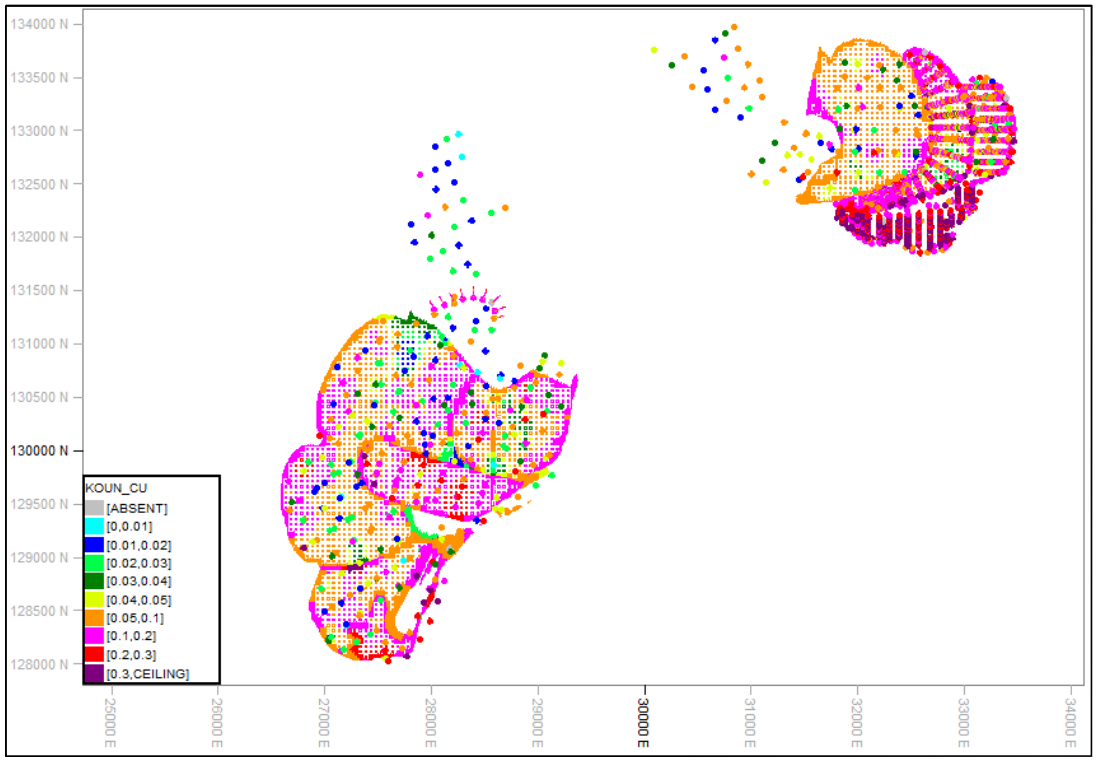


Figure 6.14: Plan View of Dumps Showing Drillhole Cu_{total} Samples

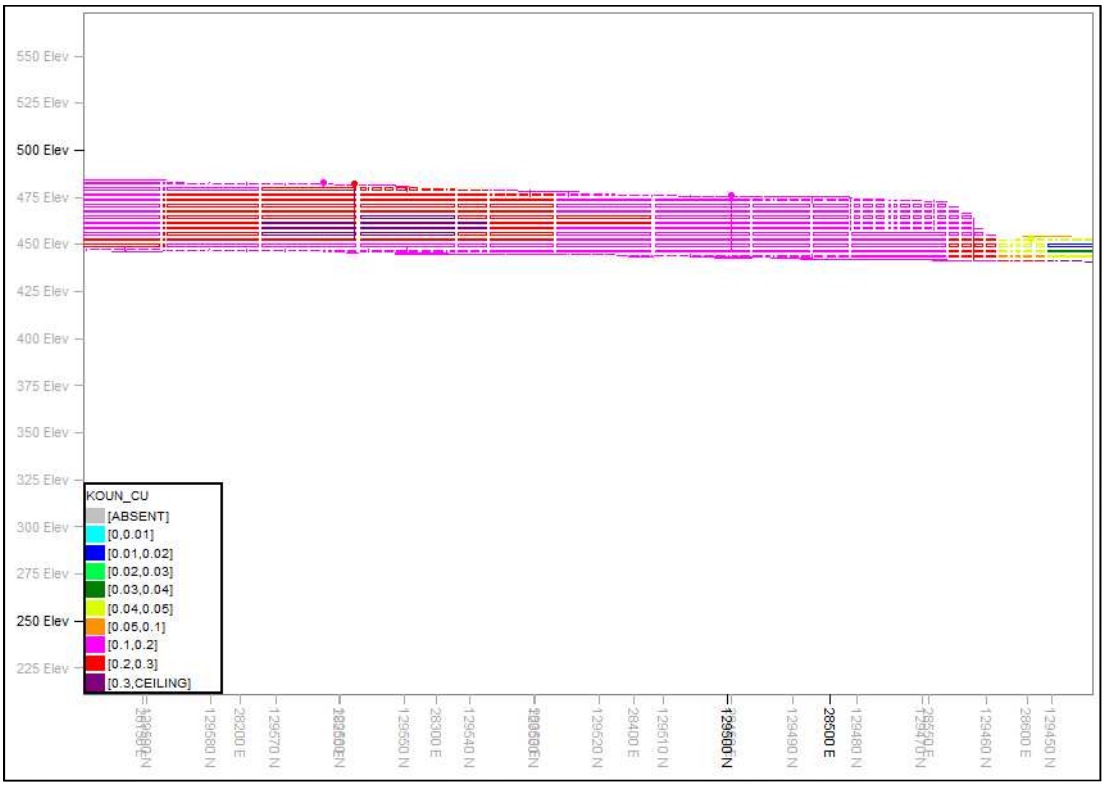


Figure 6.15: Sectional View of Dump 1 Showing Drillhole Cu_{total} Samples

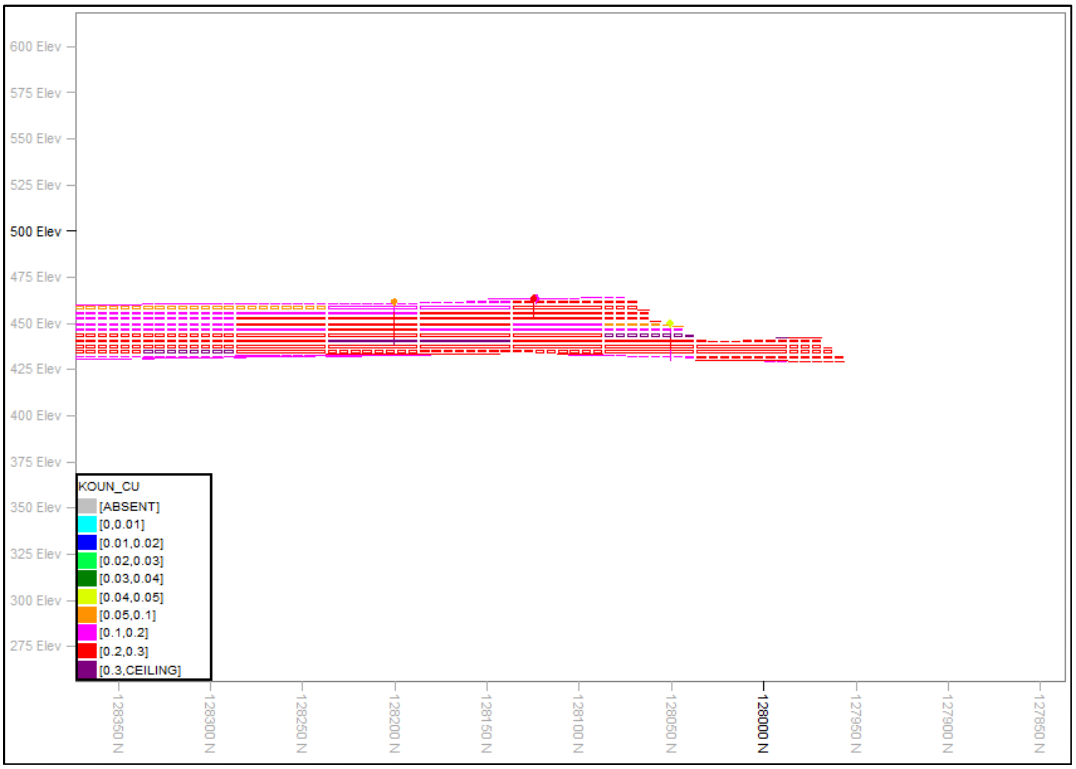


Figure 6.16: Sectional View of Dump 21 Showing Drillhole Cu_{total} Samples

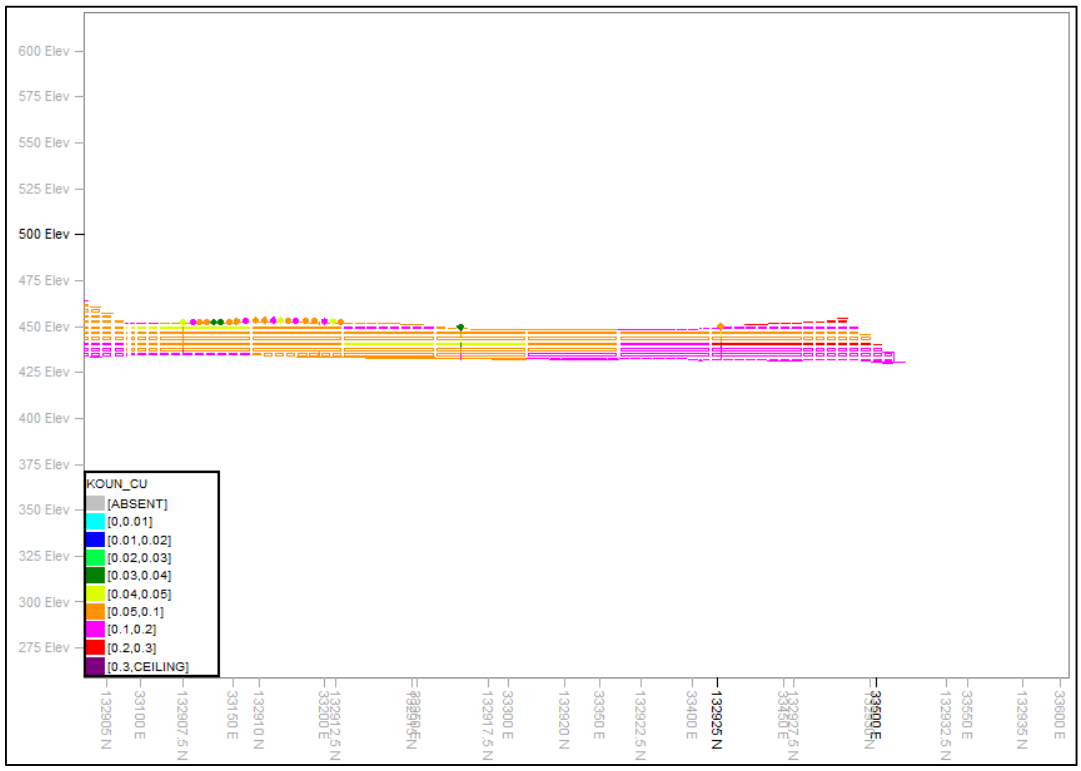


Figure 6.17: Sectional View of Dump 6 Showing Drillhole Cu_{total} Samples

6.11.3 Global Statistical Grade Validation

Statistical analysis of the block model was carried out to compare the mean sample grades against the mean weighted model grade. This analysis provides a check on the reproduction of the grades within the block model globally. Typically, the mean grade of the block model should not be significantly different to that of the samples from which it has been derived.

The mean block model grade for each zone and its corresponding mean sample and composite grades are shown in Table 6.12. As well as the principal estimation using IDW^3, the table also contains the alternative grade estimates made using nearest neighbour (NN).

Table 6.12: Comparison of Global Average Grades

Dump	Sample Composites Grades	Block Model Grades	
		IDW^3	NN
2	0.08	0.07	0.07
3	0.24	0.22	0.27
5	0.08	0.09	0.09
6	0.12	0.09	0.09
7	0.14	0.11	0.11
9&10	0.32	0.20	0.19
1	0.18	0.16	0.16
1a	0.04	0.04	0.04
15	0.06	0.07	0.07
16	0.09	0.09	0.08
21	0.2	0.19	0.18
21a	0.16	0.17	0.16
22	0.09	0.09	0.09
13	0.03	0.03	0.03
20	0.03	0.03	0.03
Northern	0.05	0.05	0.05

Due to the relatively high concentration of high grade channel samples in dumps 6, 7 and 9-10, the global average grades for these dumps do not compare particularly well.

6.11.4 SWATH Analysis

SWATH plots have been generated from the model by averaging both the composites and blocks along northings and eastings. The dimensions of each panel are controlled by the dimensions of the block size. Each estimated grade should exhibit a close relationship to the composite data upon which the estimation is based. An example of the SWATH analysis, for dump 7, is shown in Figure 6.18.

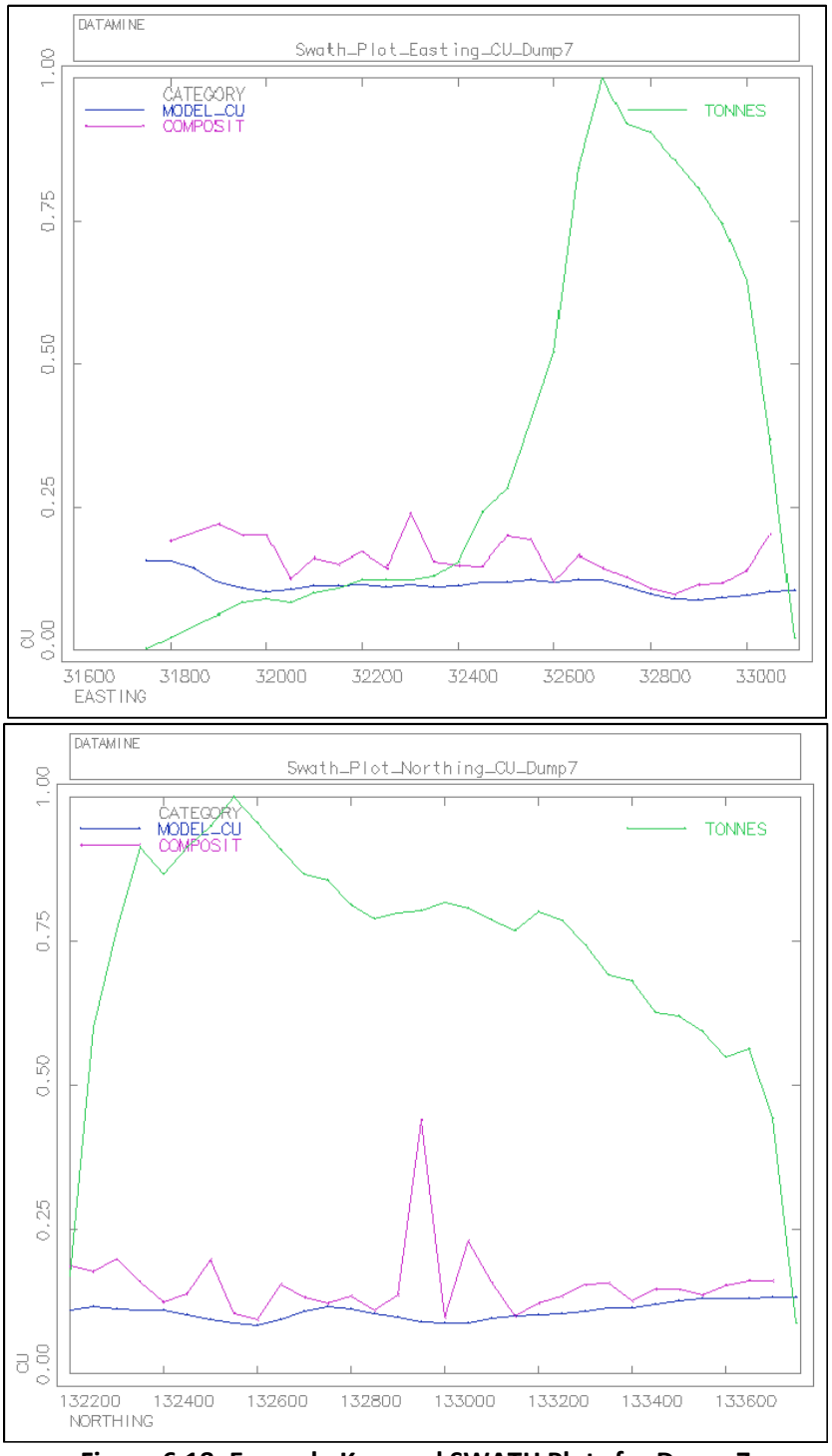


Figure 6.18: Example Kounrad SWATH Plots for Dump 7

6.11.5 Validation Summary

Globally, no indications of significant over or under estimation are apparent in the models, nor were any obvious interpolation issues identified. From the perspective of conformance of the average model grade to the input data, WAI considers the models to be a satisfactory representation of the drillhole and channel sample data used, and an indication that the grade interpolation has performed as expected.

6.12 Mineral Resource Classification

The WAI Mineral Resource Estimate completed in 2013 was reported in accordance with the JORC Code (2004). Subsequently, the JORC Code (2004) has been updated to the JORC Code (2012) which took full effect as of 01 December 2013.

Due to the revision in the reporting codes, the Mineral Resource classification for the Kounrad copper mineralised dumps has been amended. Mineral Resources presented herein, are reported in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves JORC Code (2012). The criteria for defining Mineral Resource categories are based on a review of the sampling and assay methods, supporting QA/QC results, geostatistical studies, and validity of the estimation.

The 2011 and 2012 exploration programmes included confirmation drilling at a sample spacing of 200m to 3m below the base of the dumps, to provide information at depth, and to characterise the original topography prior to waste dump deposition. Step out sampling was also undertaken within dump 1, in order to further delineate grade zonation.

Internal laboratory QA/QC analysis for the 2010 exploration programme shows a good correlation, but the 2010 external laboratory QA/QC analysis shows a poor correlation. Whilst the poor correlation for the external check analysis represents a risk, the assays from the 2010 exploration programme only represent 6% of the sample database.

2011 and 2012 internal QA/QC comprised duplicate samples (repeat testing of samples by the primary laboratory), blank samples and external samples (re-assayed by an external laboratory). Internal and external control samples show a good correlation.

The lateral extent of the dumps has been well characterised by surveys carried out by qualified personnel at site, historical pre-dump topographic surfaces, and logging of the base of the dumps during the 2011 and 2012 drilling programmes. However, the sample data are insufficient to allow the grade continuity to be confidently interpreted at a sample spacing of greater that 200m x 100m.

Based on the above, WAI has assigned Mineral Resource classifications of *Indicated* and *Inferred* in accordance with the guidelines of the JORC Code (2012).

Indicated Mineral Resources were based on a sample spacing of less than 200m x 100m in the X and Y directions and with a minimum of 5 samples required from a minimum of 2 drillholes.

Inferred Mineral Resources were those Mineral Resources which were estimated, but did not fulfil the criteria for *Indicated* classification.

6.13 Depletion

Conventional mineral deposits rely on depletion of the Mineral Resources during the mine life through surveying either the open pit or the underground workings, and subsequently removing the surveyed volume of material from the resource model.

In the case of the Kounrad copper dump leaching operation, the host dumps remain in situ while the valuable copper component is recovered and dissolved in the leaching solution. Therefore, conventional depletion methods cannot be applied at the Kounrad project.

Since the commencement of production at Kounrad circa 61kt of copper has been extracted to produce copper cathode, as of the end of Q1, 2017. Due to the leaching method, it is not possible to clearly define where within the dumps copper mineralisation has been leached, with leached solutions potentially propagating through several contiguous blocks, before being collected and sent to the process plant.

For the purposes of accounting for depletion, and for the sake of transparency, the Mineral Resource statement has been revised to not only include the Mineral Resources reported as of 2013, but also to show the contained metal recovered. The recovered metal is stated on a dump group basis comprising:

- Eastern dumps;
- Western dumps;
- Western dumps; and
- Northern dumps.

The estimated, recovered and remaining contained metal for each dump group is reported. It should be noted that grade is not reduced directly in proportion due to the remaining contained metal. This reflects that whilst some parts of the dumps have been leached, seeing a reduction in grade, other parts of the dumps are yet to be leached, and the original grades are retained.

6.14 Mineral Resource Estimate

The grades in the final Mineral Resource Estimate (Table 6.13) were derived from drillhole, pit, and trench sample composites, based on the Inverse Power Distance Cubed method for Cu_{total}. Table 6.13 below shows the Mineral Resource Estimate summary for the Kounrad copper dumps in accordance with the guidelines of the JORC Code (2012).

Mineral Resources have been estimated by WAI, and previously reported in January 2013 (WAI, 2013). Subsequent production has recovered approximately 61kt of copper, predominantly from the Eastern dumps. To account for the depletion of the Mineral Resource as of end of H1, 2017, Table 6.13 includes columns for the recovered copper "Cu Production 2012- (H1) 2017 (t)" and the remaining copper "Remaining Cu (t)".

Table 6.13: Kounrad Dump Mineral Resource (Global Estimate), (WAI, 30 June 2017)
In accordance with the Guidelines of the JORC Code (2012)

Classification	Dump	Tonnage (kt)	Cu_{total} (%)	Cu_{acid} (%)	Cu_{total} (t)	Cu Production 2012- 2017 (t)	Remaining Cu (t)
Eastern Dumps							
Indicated	2	21,470	0.07	0.04	15,641	-	
	3	-	-	-	-		
	5	33,896	0.08	0.04	27,246		
	6	11,404	0.09	0.04	10,086		
	7	12,328	0.10	0.04	11,938		
	9&10	10,555	0.20	0.07	20,890		
	Total	**89,653**	**0.10**	**0.04**	**85,799**		
Inferred	2	13,775	0.07	0.04	9,659		
	3	1,033	0.22	-	2,285		
	5	35,058	0.10	0.05	33,528		
	6	3,442	0.11	0.04	3,641		
	7	22,989	0.11	0.04	25,501		
	9&10	3,350	0.21	0.09	7,126		
	Total	**79,646**	**0.10**	**0.05**	**81,740**		
Indicated + Inferred	**Total**	**169,299**	**0.10**	**0.04**	**167,539**	**60,048**	**107,491**
Western Dumps							
Indicated	1	36,942	0.18	0.10	65,193		
	1a	-	-	-	-		
	15&16	189,953	0.08	0.04	152,687		
	21	10,398	0.20	0.10	20,788		
	21a	858	0.17	-	1,433		
	22	37,276	0.10	0.05	36,057		
	13	6,472	0.03	0.01	1,750		
	20	14,452	0.03	0.01	4,478		
	Total	**296,351**	**0.10**	**0.05**	**282,386**		
Inferred	1	19,751	0.14	0.07	26,958		
	1a	1,467	0.04	0.02	651		
	15&16	114,701	0.08	0.04	94,670		
	21	6,870	0.18	0.08	12,321		
	21a	4,452	0.17	-	7,559		
	22	22,167	0.08	0.04	18,108		
	13	4,705	0.03	0.01	1,534		
	20	7,408	0.03	0.02	2,488		
	Total	**181,521**	**0.09**	**0.04**	**164,289**		
Indicated + Inferred	**Total**	**477,872**	**0.09**	**0.04**	**446,675**	**1,300**	**445,375**
Northern Dumps							
Indicated	Northern	2,973	0.04	0.01	1,277		
Inferred	Northern	2,856	0.05	0.02	1,455		
Indicated + Inferred	**Total**	**5,829**	**0.05**	**0.01**	**2,732**	**0**	**2732**

Notes:
3) Mineral Resources are not reserves until they have demonstrated economic viability based on a Feasibility Study or Pre-feasibility study.
4)

6.15 WAI and Historical Mineral Resource Estimate Comparison

In comparing the Mineral Resource estimation carried out by WAI (in January 2013) with the historical estimations (Table 6.14), it can be noted that in some instances, there has been some variations in grade and/or tonnage for individual dumps.

Table 6.14: WAI January 2013 and Historical Estimate Comparison

Dump	WAI January 2013				Historical			
	Tonnage (kt)	Tonnage (Mt)	Cu_{total} (%)	Cu (t)	Tonnage (Mt)	Cu_{total} (%)	Cu (t)	Source
2	35,245,430	35.2	0.07	25,300	48.5	0.1	48,466	IPO
3	1,032,762	1.0	0.22	2,285	0.9	0.38	3,300	Balkhashmed (2006)
5	68,954,001	69.0	0.09	60,774	44.2	0.1	44,241	IPO
6	14,845,755	14.8	0.09	13,727	11.4	0.13	15,000	GKZ 2002 (C2)
7	35,317,115	35.3	0.11	37,438	27.5	0.15	42,900	GKZ 2002 (C2)
9&10	13,904,843	13.9	0.20	28,016	10.3	0.19	19,800	GKZ 2002 (C2)
1	56,692,681	56.7	0.16	92,151	23.2	0.22	51,771	IPO
1A	1,466,729	1.5	0.04	651	5.3	0.19	10,148	IPO
15&16	304,654,444	304.7	0.08	247,357	257.6	0.1	257,572	IPO
21	17,267,279	17.3	0.19	33,109	22.6	0.27	60,678	IPO
21A	5,309,619	5.3	0.17	8,992	5.2	0.25	12,906	IPO
22	59,443,597	59.4	0.09	54,165	28	0.1	27,997	IPO
13	11,176,972	11.2	0.03	3,284	13.6	0.1	13,656	IPO
20	21,859,489	21.9	0.03	6,966	22.1	0.1	22,100	IPO
Northern	5,829,095	5.8	0.05	2,732	106	0.1	105,949	IPO
TOTAL	652,999,811	653	0.09	616,947	626	0.12	733,184	
TOTAL exc Northern	647,170,716	647	0.09	614,214	520	0.12	627,235	

The main difference between the WAI estimate and the historic estimates is related primarily to the Northern Dumps. This is due to a significant volume discrepancy between the WAI estimate (15,325,000m^3) and the Balkashmed (2006) estimate (48,900,000m^3).

Calculation of the average height of the dumps based on the Balkashmed (2006) volume and area data implies an average height of approximately 48m. This is significantly in excess of the height determined from recent onsite surveys. Wireframes produced from onsite surveys, and used for the WAI estimate give an average height of approximately 22m.

WAI therefore considers that the difference in tonnage between the WAI and Balkashmed (2006) estimates, is partly due to the differences in volume. In addition, a significant proportion of the Northern Dumps is within the Kazakhmys exclusion zone, and has been excluded from the WAI estimate.

The historical estimates based on in pit grade control drilling, and the production records detailing what material was dumped on which dump, provides a useful tool in reconciling any estimations. The historical records provide actual production data and sampling at a high level of detail. If the Northern Dumps are excluded from the comparison, the WAI estimate of in-situ copper is within 2% of the

historic estimates. Given the differences in methodology applied in the deriving the grade and metal content, the WAI estimate appears to be robust, and validated by the historical production records.

The results of the drilling and assaying campaigns, particularly during 2011 and 2012, have highlighted that the original categorisation of the differing mineralised materials during the open pit operational life may no longer be applicable, or actually important. According to the original classifications, material identified as "mixed" contained between 10 to 20% acid soluble copper, whilst "sulphides" contained less than 10% acid soluble species. The assay results show that this is no longer the case, with acid soluble assays in "mixed" dump 15 - 16 averaging around 45%, and with similar values being determined in the "sulphide" dumps such as 1, 1a, 21.

It is highly likely that these higher than anticipated levels of soluble copper are due to the historic and ongoing (continuously active) natural oxidation conditions occurring within the dumps, over a 70-80-year time frame.

Such changes can be accelerated by near surface oxidation, species conversion related with ferric iron leaching; and both being accelerated by the presence of naturally occurring bacteria. Visually, it is very clear to see such natural activity having occurred, with extensive plumes of copper oxide colouration seen on large areas of the dump side walls.

For the purpose of reporting in this CPR, WAI has removed the "mixed" and "sulphide" designations previously assigned to the Western Dump Mineral Resources in the 2010, IPO. This is not considered a change of any significance when it comes to future works in estimating the Western Dumps amenability to acid leaching.

In general, the WAI estimate displays higher tonnages and lower grades than in some of the historic estimates. Variations in the tonnage and grade distributions between dumps are likely to be the results of a number of factors:

- Historic production records may have some erroneous reporting, this can include mis-reporting which dump material was actually placed on, assumed truck tonnages, and operators not keeping a full record of their works;
- Natural leaching of the dumps. Over the years there has been a significant amount of natural in-situ leaching leading to mobilisation of the copper mineralisation, this can lead to mobilisation of copper between dumps. During the spring thaw, it is possible to see small streams of solution containing high soluble copper and iron values, verifying this natural activity within the dump;
- Looking at some of the historical records, it appears an arbitrary 0.1% Cu_{total} grade was assigned to production records for very low-grade material. The material may in fact have been lower than this, and the use of a standard 0.1% Cu_{total} grade subsequently caused some historical over reporting of material; and
- Additional waste material may not have been reported as having been sent to the dump, this may be the case if it was below a certain cut-off grade. If this is the case,

then the result would be reduced tonnage and elevated grades in the historically reported data.

In 2011 the State Reserve Committee (GKZ) approved the C_1 category reserves for dumps 6, 7, and 9-10 totalling 51.2Mt at a grade of 0.16% Cu_{total} containing 81.2kt of in-situ copper. This compares to the WAI estimate of 64.1Mt at 0.12% Cu giving 79.2kt of in-situ copper. The WAI in-situ copper is within 2% of the GKZ 2011 approved C_1 category reserves demonstrating that both estimates provide comparable global results.

6.16 Conclusions

As has been demonstrated above, the reconciliation between the WAI 2013 Mineral Resource Estimates, and GKZ and other historic estimates, is generally good (with the exception of the Northern Dumps), certainly in terms of contained metal.

However, unlike normal mining where ore is extracted and processed to a point where the grade of the ore is accurately known, no such checks and balances are possible due to the nature of dump leaching. The only measure is the output of copper.

Clearly, the acid soluble copper is removed through the leaching process, and any recoveries are estimated from the received copper versus what was predicted to be in the dumps.

This process is further complicated by the fact that the original classification of the dump material into oxide, sulphide and mixed, is now somewhat arbitrary in that a proportion of the mixed and sulphide material now appears to have been oxidised through continued exposure to the elements, and natural bacterial activity, thus potentially enhancing future recoveries.

As a result, the whole concept of "what are the grade of the dumps" is somewhat subjective, and in reality, the economics of the operation can only truly be measured on the amount of copper metal being produced against costs.

Thus, at Kounrad, rather than use the detailed geostatistical block model as produced by WAI in 2013, CAML uses the global dump estimates produced under the GKZ system for estimates of available copper and recovery.

This approach has a certain logic about it, in that although the leaching takes place in panels on the surface of the dumps, which do have a grade and tonnage as derived from the block model, there is limited control of where those fluids percolate on their migration downwards. Therefore, depletion may be taking place outside of the block lying immediately adjacent the panel being irrigated.

Moreover, once part of a dump has been irrigated, it is also nearly impossible to ascertain what the remaining residue grade might be without re-drilling and sampling that the block.

Therefore, the whole concept of depletion of "reserves" is not one which can be demonstrated through the normal mechanisms. As such, the 2013 Mineral Resource Estimate still stands as the definitive record of the contained metal, and this should then be viewed against the production records to date, to determine the approximate depletion of the "reserves".

7 MINERAL PROCESSING AND METALLURGICAL TESTWORK

7.1 Introduction

Copper ores have been exploited from the Kounrad open pit since 1936 with the sulphide ores being treated by conventional flotation, whilst the oxide ores and low-grade sulphide ores were stockpiled (and referred to as "dumps") around the site.

Through metallurgical testing and pilot plant trials, CAML has developed a schedule for the Kounrad Project for the recovery of the copper from the dumps to produce an average of 11,665t of copper cathode (99.99% Cu) per year over the LOM.

The Kounrad flowsheet uses *in-situ* acid leaching, where acidic solutions are irrigated on top of individual blocks within the dumps in order to recover soluble copper. The copper solutions flowing from the base of the dumps are collected and pumped to a solvent extraction and electro-winning (SX-EW) plant which is located at the Eastern Dumps. The Plant was commissioned in March 2012 and uses conventional technologies and industrial practices.

The Kounrad dumps consists of two main areas known as the Eastern and Western Dumps. The predominantly oxide waste dumps are located entirely on the eastern margin of the open pit mine, these initially being targeted.

The predominantly sulphide and mixed waste are located in the western area. CAML started leaching the Western Dumps in Q2 2017, with the pregnant solutions being collected and pumped to the SX-EW Plant, as shown in Photo 4.1.

Since commissioning of the SX-EW plant, CAML has produced circa 61kt of copper cathode up to H1 2017. A further 194kt of copper cathode is expected to be recovered from all the dumps until expected closure in 2033.

7.2 Historical Testwork

7.2.1 Introduction

Metallurgical testing of the waste dumps has been a subject of investigation since the early 1960s when the property was entirely state owned. Following laboratory testwork, field trials were conducted from 1970 to 1992, involving the acid leaching of the dumps followed by the precipitation of copper from solution using the iron cementation process.

Subsequent to the political break-up of the Soviet Union, this work halted, and the plant was dismantled, with various metallurgical tests being recommenced in early 2002 as the Kazakh economy recovered.

CAML resumed testing, and this led to the installation of a pilot plant facility at the Eastern Dump in August 2008. The pilot plant was later moved to the Western Dumps in 2011 as part of on-going investigative studies where it operated for a total time period of 15 months (excluding 4 months of winter).

7.2.2 Eastern Dumps

Studies for the application of acid leaching to recover copper from the Kounrad mine waste dumps first started in the 1960s, with the most recent being undertaken by VNIItsvetmet in 2007. Their results indicated that a significant degree of natural oxidation had occurred since the previous programme of testing. Their results indicated a decrease in copper grades in the upper levels, probably owing to dissolution and migration of copper downwards through the heap, and lower associated values of sulphur and iron.

VNIItsvetmet: The VNIItsvetmet research institute became involved for a second time in November 2007 by undertaking comparative analysis of samples collected using similar methods as adopted in 1984 (Unipromed data).

7.2.3 Western Dumps

7.2.3.1 Unipromed Column Testwork (1970 – 1987)

A programme of column testwork was undertaken by the Unipromed Institute. A total of 2,296 samples were collected from Dump 6-7, Dump 9-10, and Dump 21, for the purpose of mineralogical and chemical analysis, with a total of 140t of sample taken.

The test columns used were 1m in diameter, and the samples that were tested graded approximately 18% coarser than 200mm. The results of the tests undertaken by Unipromed are given in Table 7.1.

Table 7.1: Unipromed Test Results (West Dump)

	Dump		
	21	**9-10***	**6-7***
Leach period (days)	440	570	300
Acid consumption kg per kg of Cu	4.42	4.55	3.70
Acid content of leach solution g/l	5.0	3.6	n.d.
Leach rate at end of test % per day	0.06	0.057	0.076
Recovery at end of leach %	48.1	68.4	35.5
*Data from Eastern Dump No. 9-10 and No. 6-7 included for comparison			

7.2.3.2 VNIItsvetmet (2009)

During early 2008, an exploration programme approved by CenterKaznedra Regional Authority, was conducted with the drilling of boreholes to a maximum depth of 30m to obtain samples for further laboratory testing. It should be noted that drilling of dumps this material, with widely varying particle

size ranges from microns to meters, is difficult to perform, and the sampling method cannot be relied upon to give truly representative samples.

The samples collected were sent to the VNIItsvetmet research institute for metallurgical examination by bottle rolls tests on samples crushed to -2mm. Whilst not being fully representative of the in-situ particle size, the results demonstrated a higher than anticipated level of acid soluble recovery, again indicating significant levels of oxide and secondary sulphide mineralisation. The results are shown in Table 7.2.

Table 7.2: Results of Bottle Roll Tests on Dump Material (VNIItsvetmet 2009)

Dump No.	Ore Type	Expected Recovery %	Actual Cu Recovery, %
1	Sulphide	30	47-72
1a	Sulphide	30	66
21	Sulphide	30	41-66
22	Mixed	30	48-65
16	Mixed	30	57-68
15	Mixed	30	51
5	Mixed	30	48-65
6	Oxide	50	47
7	Oxide	50	51

*Bottle Roll Tests undertaken on material crushed to -2mm

The tests undertaken on the sulphide material are of limited use in determining potential heap leach recoveries, as a 2mm crush size was used. However, the copper leach recoveries are relatively high for a sulphide material, ranging from 50.8% to 66.5%, which indicates that a significant proportion of the copper minerals are either in the oxide form, or present as chalcocite or as other acid soluble copper sulphide minerals.

7.2.3.3 VNIItsvetmet (2010)

A metallurgical programme was undertaken by VNIItsvetmet in July 2010 to test the amenability of the sulphide and mixed waste materials at laboratory scale by column leaching.

Samples for these tests were taken from a depth of approximately 10m below surface in order to try and generate as representative sample as possible. A bulldozer was utilised to prepare a sample area, accessed by a 30m ramp, down to a depth of 6m by pushing surplus material away. The excavator was then positioned and using its boom to maximum extent collected a sample from about 4m further down. By this method approximately 2t of sample was recovered from each sample pit, after which they were reduced in size to a final sample size of approximately 150kg, which was dispatched to the laboratory.

A description of the metallurgical samples is shown in Table 7.3, whilst their locations are shown in Figure 5.1.

Samples were taken from Dumps 1a, 15, 16, 21 and 22 reflecting sulphide and mixed waste materials. Additionally, 3 samples were taken from the perimeter (base) of Dumps 1a, 16 and 21 at a depth of 8-9m to reflect the material encountered at the lower part of these dumps. Samples were also taken from two pits from Dump 7 (Eastern Dumps).

Table 7.3: Description of Metallurgical Samples taken in 2010

Dump No.	Sample Location	Number of Samples	Depth of Dump (m)
16	Pit 66	1	10
15	Pit 72	1	9.5
16	Pit 43	1	10
1a	Pit 2-6	1	10.5
1a	Pit 12	1	11
21	Dump Base	1	9
16	Dump Base	1	8
22	Pit 25	1	11
1a	Dump Base	1	8
7	Pit 8	1	10.5
7	Pit 10	1	11
22	Pit 14	1	11
21	Pit 36	1	10

VNIItsvetmet used the 13 samples to make three Composites, detailed as follows:

- **Composite 1** – Sulphide dumps (Western Dump);
- **Composite 2** – Oxide dumps (Eastern Dump); and
- **Composite 3** – Perimeter dump material (Dumps 1a, 16 and 21).

The Composites contained 0.22, 0.066 and 0.1% Cu for Composites 1, 2 and 3 respectively. Chemical analysis indicated that 54 to 59% of the copper was acid soluble.

Column tests were undertaken on the three composites using 100kg of material crushed to -40mm. The columns used were 1.8m high with a diameter of 20cm.

All the samples responded favourably to column leaching with Composite 1 (sulphide material) yielding a final recovery of between 50 to 58% after 60 days of leaching. Leach recoveries >60% were also obtained for Composites 2 and 3.

7.2.3.4 Site Trials (2012)

In early 2012, bench column leach tests were performed by CAML technical personnel on four Western Dump samples of sulphide dump material and two on mixed dump material. Material was obtained from pits dug on dumps 21, 22, 16 and 1. The aim of the testwork was to ascertain the metallurgical performance of the sulphide and mixed dumps and what the likely operating parameters would be.

Samples were obtained from the Western Dumps by excavating pits 5m deep and 10m wide. Samples were taken from around the pit and put into plastic bags until approximately 2t of sample had been

obtained. Each sample was prepared separately, where they were individually homogenised through cone and quartering before a 5kg sub sample was sent to the Centergeolanalit (Karaganda) laboratory for head grade analysis. The remaining samples were used for testing using 4m high, 380mm diameter columns.

The column tests are shown in Photo 7.1.



Photo 7.1: CAML Column Leach Tests

Once irrigation had started, a 100ml sample of solution was taken daily and submitted to the KCC laboratory. Residue remaining at the end of the column leach test period was removed from the column, mixed through cone and quartering and a 5kg sub sample taken and submitted for analysis.

The recovery time curves obtained from the 2012 column leach tests are presented in Figure 7.1.

The maximum column leach recovery that could be expected from Dump 16 and 22 varied between 35% and 42%, with the lower grade materials yielding a lower recovery.

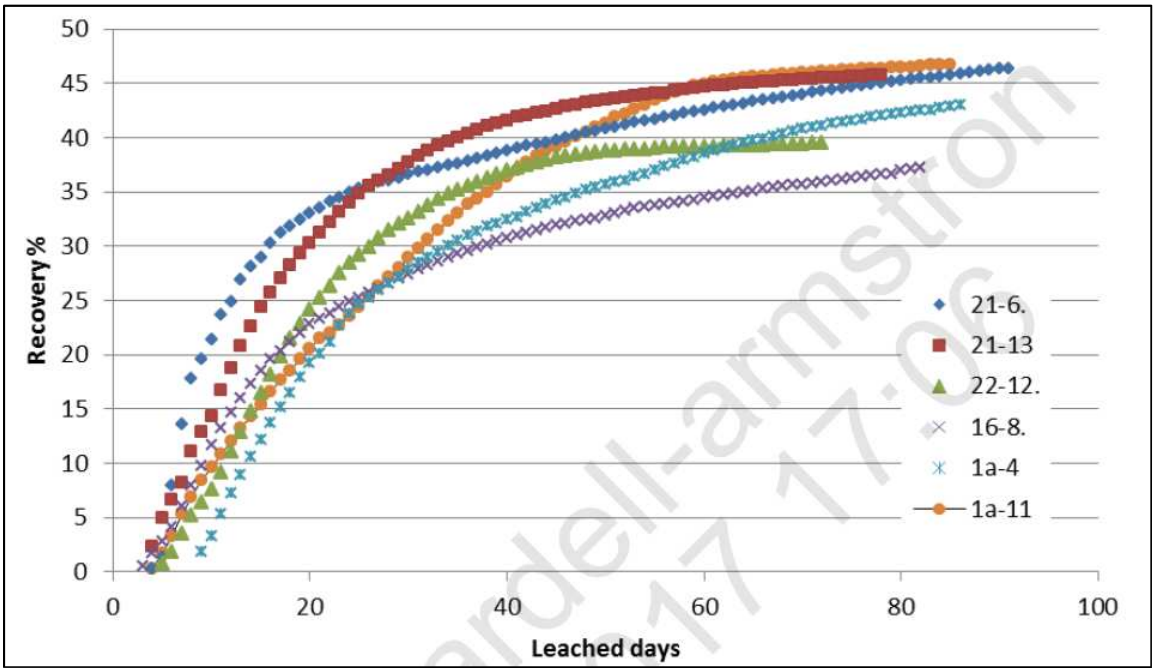


Figure 7.1: Western Dumps Column Test Results (2012)

Based on the column test results and leach flux data taken from historical test and site production data, an estimated leach recovery curve was determined for Dumps 16 and 22. In developing the Design Leach Curve for Dump 16 and 22, a number of factors were considered:

1. The copper grade of Dumps 16 and 22 is about half of the grade of Dump 9/10. This has a corresponding, adverse, effect upon the copper pick-up grade and recovery across the leach;
2. The height of Dump 16/22 is approximately twice that of Dump 9/10. This prolonged the leach cycle, adversely affecting leach recovery, whilst having a positive impact upon early leach solution grades;
3. The acid soluble Cu concentration of Dump 16/22 is about 44%, compared to approximately 60% for Dump 9/10. This will adversely affect the copper recovery, leach rate and copper pick-up across the Western Dumps leach;
4. The column tests conducted at VNIITSvetmet and site used prepared material where coarse fractions were removed. In the former case, the ore size was -40mm; and in the latter -75mm. This contrasts with the actual size distribution on the Dump with some "particles" up to approximately 1m diameter. Whilst most of the oxidised Cu mineralisation is thought to be along fractures, etc, the disparity in particle size will reduce the industrial scale leach recovery compared to laboratory column test results.

The Leach Design Curves are shown in Figure 7.2.

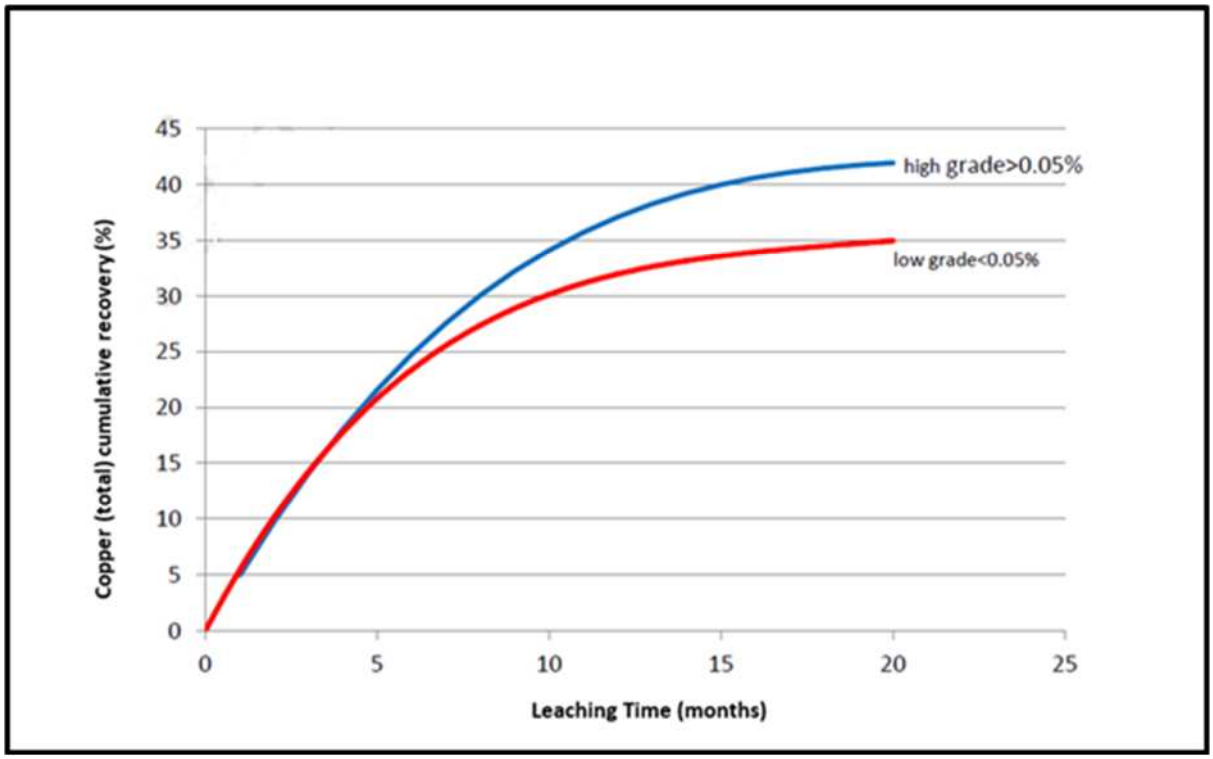


Figure 7.2: Leach Design Recovery Curves

The model leaching curves represent the leaching rate of the whole of the Western Dumps area; however, there is significant variation of ore grade within the dumps ranging from a minimum of 0.028% to a maximum of 0.178%.

Leach recovery, kinetics and PLS grade are known to vary with ore grade, therefore the leach curves have been constructed to cater for the varying grades, with a recovery of 35% from ore grading less than 0.05% and a recovery of 42% from ore grading above 0.05%. Based upon these factors a leach recovery of about 30% could be expected within 10 months from the low-grade material and about 34% from the high grade. A further 10 months of leaching would be required in order to obtain the final recovery of 35% for low grade and 42% for high grade ore, but since the final 10 months leach cycle would utilise the common rest-rinse leach practice, the actual time required to obtain the target leach recovery would be several months longer.

7.2.4 Summary of Testwork

Initial testing on material taken from the Western Dumps was performed by VNIITSvetmet using relatively small diameter columns. However, due to the smaller particle size (which are indicative but not representative of the in-situ size distribution of the dumps) of the material tested they do not give a true reflection of performance for the purpose of forecasting leach recoveries.

In later studies, column tests were undertaken in larger diameter columns at the Kounrad site. The objective was to produce a realistic model leaching curve which is applicable to the Western Dump materials. It is known, and expected, that this can only be a best approximation, based upon the data

presently available. Two curves were produced, one for lower grade material (<0.05% TCu) with a final recovery of 35%, and a higher grade (>0.5% TCu) terminating at 42% total Cu recovery, both at 20 months. As a cross check, the historical performance of Dump 9/10 together with the VNIITSvetmet and Kounrad Dump 22-12 column leach test results were incorporated onto the same graphical plot by CAML. These show good correlation with the Design Curve up to a cumulative recovery level of about 20 to 25%.

7.3 Pilot Plant Trial (CAML)

7.3.1 Introduction

In August 2008, CAML commissioned a pilot scale SX-EW pilot plant that had an initial design output of 200kg per day of copper; in May 2009, this was subsequently expanded to 600kg per day. The facility was located at the No. 6 waste dump, with test leaching being undertaken on four "cells" located on Dump 6. Each cell had an area of 1000m^2 each being irrigated at any one time.

Since that time, barring minor stoppages, the plant had operated continuously through two winters (where temperatures have fallen as low as minus 35^{o}C). On the 21st July 2010, it was determined that 196 tonnes of copper cathode, generally with a purity of 99.99% Cu, had been produced from the trial (four cells). This equated to a copper recovery of 50.2%.

In Q2 2011, the pilot plant was moved to the Western Dumps as part of evaluating the response of Dump 1a to leaching. During the trial, two cells were tested. In the first cell, the flux rate was found to be too high as observed by ponding on top of the cell. While testing the second cell, it was found that the solutions emanating at the base of the dumps were not being recovered at the expected locations. Following investigations, it was found that the underlying topography, which was not representative of the entire dumps, was the cause for this effect. Despite these challenges, a copper recovery approaching 50% was still achieved.

7.3.2 Pilot Plant Tests Results (Eastern Dump)

CAML selected four trial areas or "Cells" within oxide Dump 6 for the pilot trial. Each cell typically has a surface area of about 1,000m^2.

Leaching of the dump began in August 2008 and in September 2009 the copper recovery was determined for Cells 1 to 4.

The amount of copper within Cells 1 to 4 was estimated to be 390.4t while the amount copper extracted (based on copper cathode produced and pond and trench inventories) was 196t. The calculated copper recovery was therefore 50.2% over the period October 2008 to July 2010.

7.3.2.1 Pilot Plant Tests Results (Western Dumps)

The pilot plant facility was relocated to the Western Dumps and positioned on Dump 1 (at the foot of Dump 1a). Two trials were undertaken where Dump 1a was irrigated with an acidic solution.

In the initial trial, an area of 1,000m^3 was tested, some 57,377t of material was tested (at a dump height of 33.7m). The material contained 0.14Cu_{Total} (lower than that expected BGRIMM at 0.19% Cu_{Total}) which equates to some 80t of copper. Unfortunately, the rate of irrigation chosen was relatively high and resulted in ponding on top of the cell. After reviewing the data and with further operational experience, it was later found that the optimum irrigation rate was 3l/hr/m^2. Regardless, of ponding and lower than expected head grades, the material responded favourably to leaching with a leach recovery of 62.9% being obtained after 169 days as shown in Figure 7.3.

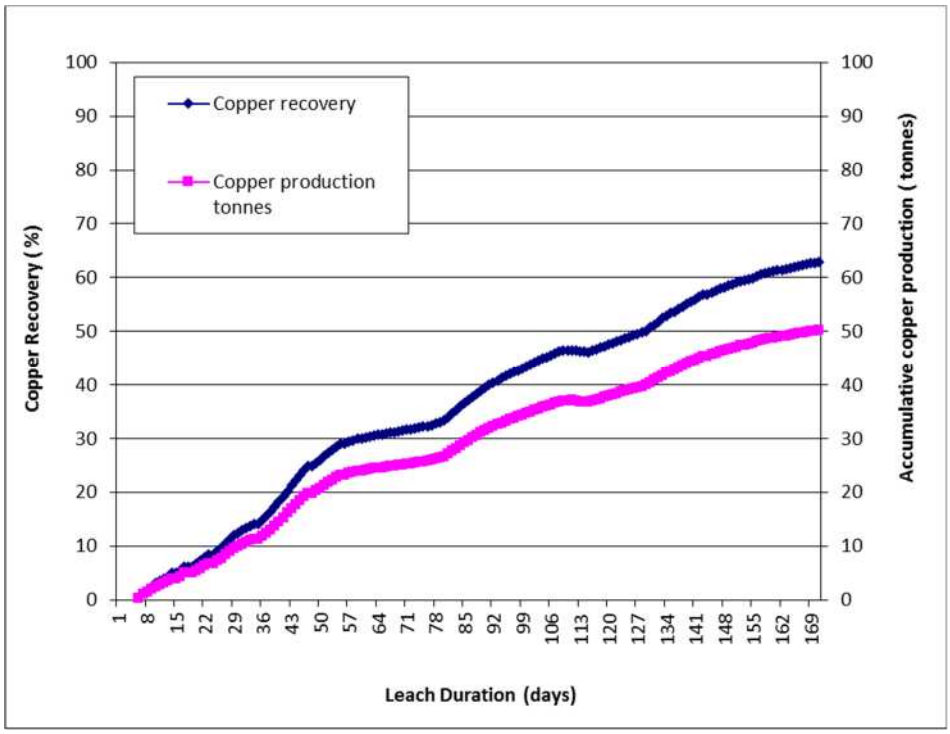


Figure 7.3: Western Dumps Pilot Plant Trial on Dump 1a (at a Head Grade of 0.139% Cu_{Total})

Given the difficulty in estimating the grade of the dump and given the calculation of recovery is particularly sensitive to the head grade (particularly at such a low value), both CAML and WAI note the difficulty in determining an accurate recovery figure. Regardless, the trial indicated the successful leaching of Dump 1a.

In 2012, an attempt was made to re-trial Dump 1a, in doing so, a new leach cell was selected (positioned in the near vicinity to the initial cell). While testing the second cell, it was found that the solutions emanating at the base of the dumps were not being recovered at the expected locations. Following investigations, it was found that the underlying topography, which was not representative of the entire dumps, was the cause of this effect. The trial on the second cell was therefore abandoned in September 2012. Further tests were curtailed as commercial operation at the East was established

and the trial was using some 20-operational staff and required the very frequent transportation of water by truck to the site as the water pipeline had not been constructed at the time.

7.4 Processing Facility

7.4.1 Introduction

In 2010, BGRIMM developed a detailed leaching schedule and designed a plant capable of treating a range of flow rates and solution grades to produce 10ktpa of copper cathodes at a minimum 99.99% quality. The design has taken the extremes of climate into consideration, especially the operability through the winter period. The construction of the plant was completed in March 2012 and a capital expenditure of some US$39M, 15% below that budgeted.

The first copper was produced at the end of April 2012 and since then the plant has successfully operated continuously, including the five full seasons of winter.

Stage 1 of a two stage expansion project was undertaken in May 2015, where the production capacity was increased to 50t of copper cathode per day. Between start-up and June 2017, some 61kt of copper cathode cathode (LME Grade A, M00K) has been produced.

The expansion project was undertaken in two stages:

- **Stage 1 (Enhancing Existing Facility)**
    - An additional two boilers were installed to increase the overall heating capacity to 14MWh. This expansion allowed the PLS flows to be increased by 25% during winter;
    - The capacity of the SX-EW circuit was increased by installing a 4th settler unit.
- **Stage 2: (Developing the Western Dumps)**
    - The construction of 24km transfer pipelines for PLS and raffinate;
    - A 12km overhead power line and substation;
    - Intercept trenches and ponds;
    - Pumping stations;
    - A 24km water pipe line from Lake Balkhash for requirement of additional water; and
    - A 8.4MWh boiler house.

Stage 2 was completed in November 2016 and marked the completion of all the significant capital expenditure at Kounrad. The Western Dumps are expected to provide more than 15 years of production, recovering approximately 170kt of copper.

7.4.2 Flowsheet

7.4.2.1 Introduction

The process design is based upon the leaching of the Kounrad dumps with sulphuric acid solution at pH 1.2 in order to dissolve the copper mineralisation. The Pregnant Leach Solution (PLS) is collected at the base of the dumps by an HDPE lined interceptor trench and pumped to a series of holding ponds.

From these ponds, the PLS is treated by the solvent extraction and electro-winning plant, located south of the Eastern Dumps. PLS solutions from the Western Dumps are pumped to the plant as shown in Photo 4.1.

7.4.2.2 Solution Collection

For collection of the Pregnant Leach Solution draining from the dumps, the same technique is used at both the Eastern and Western Dumps. In both locations, a collection interceptor trench is excavated at the toe of the dump. The collection trench for the Initial Leaching Area (ILA) on the Western Dumps is shown in Photo 7.2.



Photo 7.2: PLS Collection Trench for ILA at the Western Dumps

The collection trench on the Western Dumps extends 3,000m in readiness for the capture of PLS when leaching begins on Dump 16 and 22. The trenches are typically 3.5m deep and 7m wide and are all HDPE lined. At both the Eastern and Western Dumps the PLS is pumped into separate PLS ponds, for instance the PLS pond on the Western Dumps is shown in Photo 7.3.



Photo 7.3: Western Dumps Collection Ponds, Boiler Houses and Pump Stations

Both sites also have irrigation solution ponds for the storage of acidic solutions (raffinate) generated from the SX-EW Plant. The PLS from the Western Dumps is pumped to the eastern SX-EW Plant while the raffinate is pumped through a separate pipeline back to the western irrigation solution pond.

The irrigation solution (raffinate) is currently pumped to Dump 22 (height of 40m) where an area has been designated for initial leaching (known as the Initial Leaching Area). Dump 5 is currently being irrigated on the Eastern Dumps. In both cases, the raffinate is distributed through an irrigation dripper network at a rate of some 2.5-3 l/m^2/h. The raffinate percolates through the dumps, dissolving acid soluble copper and then flows into solution collection trench.

7.4.2.3 Solvent Extraction

The solvent extraction plant was commissioned in 2012, and its PLS treatment capacity was increased to 1200m^3/hr as part of the Stage 1 Expansion. PLS, received from both the Western Dumps and Eastern Dumps, will be delivered into the mixing pond (primary emergency pond), and then pumped to the PLS ponds (primary PLS sand pond, PLS pond and raffinate pond together). From here, the PLS is pumped to the SX section by two pipelines; the existing primary line and the new second line.

The circuit consists of six mixer-settler tanks complete with ixer boxes having a dimension of 2.8 x 2.8 x 3.4m and the settlers with dimensions of 20.0 x 13.0 x 12.0m (260m^2). The settlers are constructed with appropriate off-takes and valves to allow the volume of PLS passing through the circuit to be modified as required. This allows the process to be run in a number of circuit variants in order to optimise flow rates and extraction efficiencies.

The circuit is designed for a rich electrolyte flow rate of 180m^3/h.

7.4.2.4 Electro-winning

The rich electrolyte from the SX section is heated to a minimum of 35°C, via heat exchangers, and is then pumped to the first stage (EW1) consisting of 24 EW cells to produce copper cathode. The lean electrolyte is then pumped to the second stage (EW2) consisting of 50 EW cells to produce copper cathode.

7.4.2.5 Boiler House

The original circuit consisted of three boiler units and this was later expanded to five units in October 2014 to give a total capacity of 14MWh.

7.4.3 Metallurgical Performance

7.4.3.1 General

The Eastern Dumps were targeted for the first phase of copper production for the project and will be operated for a further 11 years with copper production diminishing in each successive year, and post 2023 production will be very minimal. The exploitation of the Western Dump will be completed in 17 years' time (2033).

7.4.3.2 Eastern Dumps

The Plant received leach solutions emanating from the Eastern Dumps with 60,048t of copper cathode being recovered up until year-end 2016. copper cathode

The status of the leach pads, as of April 2017, is shown in Figure 7.4.

Dumps 6, 7 and 9-10 have been "officially" depleted, although intermittent leaching still continues due to solution grades being higher than 1gpl when under irrigation. At the Eastern Dumps, Dump 5 is being irrigated with areas set aside for winter leaching for 2017 and 2018. Dump 2 is scheduled for leaching in 2018.

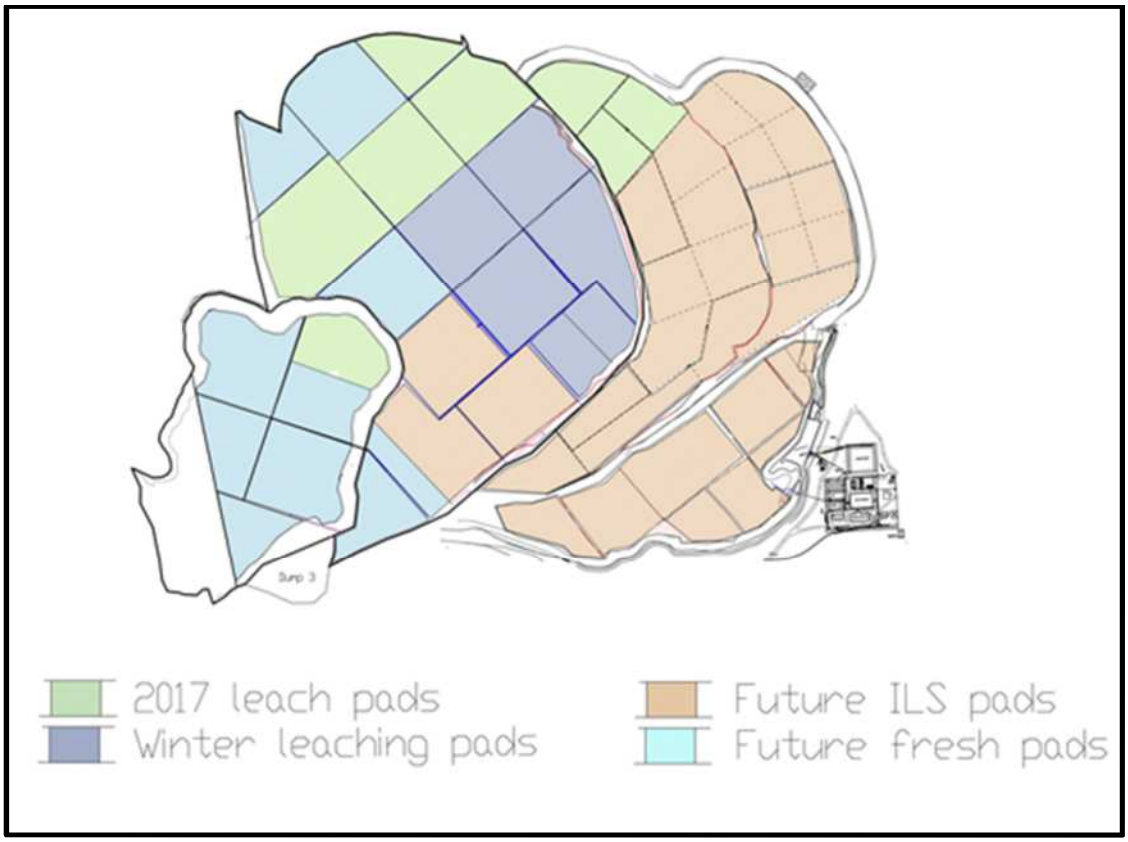


Figure 7.4: Status of Leaching at Eastern Dump (as of April 2017)

The production data, as of April 2017, is summarised in Table 7.4.

Table 7.4: Historical Production Data for Eastern Dump (as of April 2017)

Dump No.	Material, kt	Grade, %	Leached Copper Recovered, t	Leachable Copper Remaining*, t	Target Recovery*, %	April 2017 Recovery*, %
6	11,364	0.129	7,227	250	51	49.3
7	27,606	0.156	20,728	1,235	51	48.1
9-10	12,214	0.192	11,840	119	51	50.5
5	70,061	0.095	19,151	8,803	42	28.8
2	32,435	0.077	0	10,490	42	0.0
Total	153,679	0.130	58,946	20,897	46	34.1
*Based on copper total						

By the end of April 2017, some 58,946t of copper had been recovered from the Eastern Dumps with a further 20,897t yet to be recovered.

7.4.3.3 Western Dumps

Leaching commenced in Q2 2017 on parts of Dumps 16 and 22 (referred to as the Initial Leaching Area or ILA). The ILA has a surface area of 109ha and contains some 96.3Mt of material at a grade of 0.095% Cu. The total amount of recoverable copper expected from the ILA is 36,872t.

As of the end of June 2017, some 1,300t of copper have been leached with a remaining recoverable amount of circa 36kt of copper. Of the total copper estimated in Dumps 16 and 22 (87,790t), it is expected that 42% will be recoverable to leaching.

The leaching schedule for the ILA leach pads is shown in Figure 7.5 and the overall production schedule for the Western Dumps is shown in Table 7.5.

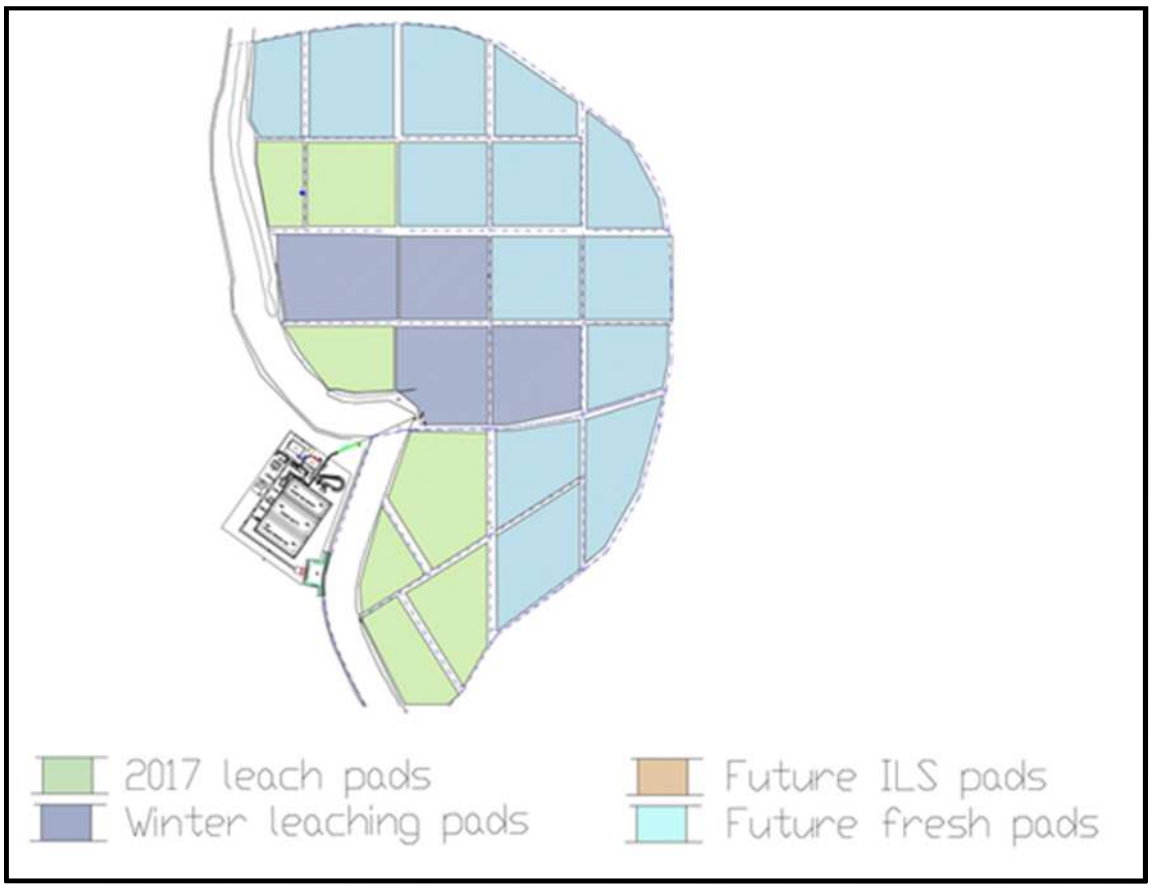


Figure 7.5: Plan of the Initial Leaching Area for the Western Dumps

The in-situ copper grade of the Western Dumps is slightly lower than the Eastern Dumps, and is dominated by a mixture of oxide and sulphide material. These two factors are taken in to account for the selection of the expected copper recovery from these dumps. Over the life of operation for the Western Dumps, it is expected that some 173,173t of copper will be recovered.

Table 7.5: Planned Production Schedule for the Western Dumps					
Dump No.	**Material, kt**	**Grade, %**	**Copper Recovered, t**	**Copper Remaining, t**	**Target Recovery, %**
1	1,136	0.039	0	140	35
1a	49,984	0.178	0	37,380	42
13	11,139	0.028	0	1,085	35
15	70,247	0.063	0	18,606	42
16	206,608	0.084	0	72,912	42
20	20,888	0.036	0	2,625	35
21	16,883	0.176	0	12,474	42
21a	5,023	0.141	0	2,982	42
22	53,986	0.106	0	24,024	42
Northern 1	2,393	0.049	0	420	35
Northern 2	3,151	0.048	0	525	35
Total	4,414,6	0.086	0	173,173	

It should be noted that of the copper recovered to the PLS, there will be copper recovery inefficiencies during the downstream processing at the SX-EW Plant. CAML has applied a "loss factor" of 0.5% to the solution recovery rates of copper in SX and EW sections and this is taken into account in the production schedules. Therefore, a leach recovery of 42% equates to an overall recovery (to cathode) of 41.5%.

7.4.4 Production Schedule

Currently CAML expects to produce between 13-14ktpa copper cathode in 2017 and plans to produce between 11.5 -14ktpa copper cathode from 2017 to 2031.

CAML has produced 61kt copper cathode so far, with a further 194kt expected to be leached from all the dumps through to 2033 (when copper cathode production decreases).

7.4.5 Operating Costs

A summary of the forecasted LoM operating costs is shown in Table 7.6.

Table 7.6: Summary of Processing Operating Cost for the Project LoM		
Item	**Cost**	
	US$M	**$/lb**
Reagents	23.8	0.05
Power	35.0	0.08
Payroll	58.1	0.13
Materials*	25.2	0.06
Consulting & Other	25.8	0.06
Cost of Production of cathodes	167.8	**0.38**
Distribution & Selling	38.4	0.09
Local G&A (excl all Taxes)	29.2	0.07
Total	235.4	**0.54**
**Note: Includes fuel, consumables and maintenance*		

In the final year of production (2033), the copper produced from the operation significantly decreases to 2,299t of copper cathode (including additional 137t added to the last year of operations from the project opening balance).

WAI believes that the operating cost is realistic at average LOM of US$0.38 per pound of copper produced.

7.4.5.1 Labour

The total compliment of direct site management and operating labour is 340. This number of staff is in accordance with all the local Kazakhstan labour regulations regarding working hours and also allows provision for sickness and holiday relief.

The forecasted annual cost for labour is US$3.52M (for the period of 2017 – 2032) and includes management at the Kounrad and Balkhash sites.

7.4.5.2 Power, Coal and Water

The estimated costs of power, coal and water is shown in Table 7.7.

Table 7.7: Summary of Electricity and Coal Costs (2017)

Item	US$/t Cu	US$c./lb Cu
Electricity (SX-EW)	121.4	5.51
Electricity (Balkhash water pipeline)	3.5	0.16
Electricity (Eastern Dumps)	19.3	0.87
Electricity (Western Dumps)	12.6	0.57
Electricity (Total)	**156.7**	**7.11**
Coal	**18.7**	**0.85**

The expected annual energy consumption for an output of 13.67ktpa of copper cathode production (2017) has been calculated as 46.8GWh or 3,424kWh/t Cu produced. The current price paid for power by CAML is US$0.0458 per kWh. On this basis, the total power cost for 2017 will be US$156.7 per tonne of copper cathode or US$2.142M.

Provision has been made for heating the incoming PLS during the winter months to a temperature of 10-11°C. The consumption of coal increases each year as the volumes of solutions transported from the Western Dumps to the SX-EX Plant increases. From 2017 to 2031 the coal consumption is expected to increase from 1.097t to 1.304t for each tonne of copper cathode produced. The unit price of coal is US$17.1 per tonne.

7.4.5.3 Reagents

The cost of reagents used has been based upon their projected consumption rate and the unit price delivered to site. The summary of reagent costs is shown in the Table 7.8.

Table 7.8: Summary of Reagent Costs				
Item	**kg/t Cu**	**Consumption (t)**	**Unit Cost (US$/t)**	**Annual Cost (US$)**
Escaid	28.41	388	1,320	512,619
LIX-984	4.47	61	9,760	596,280
Cobalt	0.40	5	8,590	46,967
Guar/Vecosol	0.20	3	2,180	5,959
Acid East & West	362.22	4,951	52	259,395
Genesys L.F.	0.02	0	10,407	3,161
Clay	1.11	15	2,500	37,969
FC100	0.18	2	46,014	112,074
TOTAL				**1,574,424**

The total cost of all the necessary reagents is US$1.574M with the bulk of this being incurred in Escaid and LIX (c. 60%).

7.4.6 Capital Costs (Sustaining)

The annual sustaining capital expenditure is US$2M (for the full production capacity years), with overall LOM cost of US$31.2M.

7.5 Conclusions

The Kounrad flowsheet uses in-situ acid leaching, where acidic solutions are irrigated on top of individual blocks within the dumps in order to recover soluble copper. The copper solutions flowing from the base of the dumps are collected and pumped to a solvent extraction and electro-winning (SX-EW) plant, which is located at the Eastern Dumps. The plant uses conventional technologies and industrial practices.

Following the 2012 commissioning of the SX-EW Plant, in 2013, BGRIMM completed a Feasibility Study (FS) as part of the planned expansion project. BGRIMM detailed the leaching schedule and designed a plant capable of treating a range of flow rates and solution grades to produce up to 50tpd of copper cathode at 99.99% quality. The plant design has taken the extremes of climate into consideration, especially the operability through the winter period. Through metallurgical testing, pilot scale trails and from full scale operation, CAML has developed a production model for an average recovery of 11,665t of copper cathode (99.99% Cu) per year over the life of the operation.

Subsequently, the circuit was later expanded in 2015 in readiness for the treatment of the Western Dumps. The expansion later saw the installation of solution ponds, pump and boiler houses at the Western Dumps together with two overland pipelines, which carries the PLS and raffinate between the western facility and the SX-EW plant at the Eastern Dump.

In addition, the site is now supplied with water from the nearby Lake Balkhash via an overland pipeline. CAML started leaching the Western Dumps in Q2 2017, with the pregnant solutions being collected and pumped some 12km to the SX-EW Plant located at the Eastern Dumps. All of these units of operation were seen installed during WAI's site visit.

The works completed by the pilot scale SX-EW trial undertaken at the Eastern Dumps (yielding a recovery of 50.2%) has been confirmed in practice over the last five years, where a leach recovery of 51% has been adopted for Dumps 6,7,9 and 10 while a leach recovery level of 42% was adopted for Dumps 2 and 5.

In addition, a pilot scale trial was also performed at the Western Dumps in 2012. Unfortunately, some operational issues were encountered which resulted in the trials lasting for a shorter duration than when testing the Eastern Dumps.

Although the trial had not delivered the same quality of data required for the development of the Western Dumps, it has however shown that the copper is recoverable via acid leaching with a recovery of >50% being obtained.

The required design data for the plant expansion, was subsequently obtained from undertaking large diameter column tests at site, this was also used to develop a kinetic model for leaching for the Western Dumps. It is known, and expected, that this can only be a best approximation, based upon the data presently available. Two curves were produced for the Western Dumps, the low grade (<0.05% Cu_{Total}) and high grade (>0.5% Cu_{Total}) material, where final recoveries of 35%, and 42% respectively were predicted after 20 months of leaching.

The Western Dumps, being more refractory to acid leaching (due to the presence of sulphide material), are expected to respond less favourably to leaching with leach recoveries ranging from 35 (sulphide material) and 42% (mixed material) being adopted. However, It is entirely feasible (and expected) that material will yield higher recoveries due to the natural biological oxidation of the copper sulphide minerals.

Ideally, the pilot plant trial would have run for a longer period in order to acquire additional data and operational understanding, however, during the recent H1 2017 operations, the reality of producing saleable copper cathode from the Western Dumps has been demonstrated.

Once the majority of the copper is being generated from the Western Dumps, the annual production rate is expected to be some 12,000t copper cathode. This is higher than that scheduled in BGRIMM's FS of 2013 where a production rate of 10,400t copper cathode was scheduled. CAML based its most recent production model from the accumulation of actual operational experience gained since the issue of the 2013 FS.
In addition, the selected recoveries used in the original (2012) financial model are considered conservative having later obtained better than expected actual recoveries from the Eastern Dumps over the last five years.

The revised leach model, as supported by Dr Phil Crane (external hydrometallurgical expert), is now believed to be more accurate. Of course, due to the nature of the leaching Kounrad Project, it is not possible to have complete confidence in likely performance, but WAI believes that the assumptions made are valid, and are as robust as they can be, with present data and five years of actual operational experience.

Based on CAML's most recent financial model, the Eastern Dumps is expected to recover a further 20,897t (79,843t originally available) of copper during its remaining operational life (11 years).

Successful leaching of the Western Dumps recently commenced in Q2 2017. Over the operational life of the Western Dumps, it is expected that some 173,173t of copper will be recovered. This is significantly higher than the copper that will be recovered from the Eastern Dump because the Western Dumps contains significantly more material.

The quantity of material remaining in the dumps (most notably the Western Dumps), the copper content, and its amenability to leaching, are all positive for the future success of the project. In addition, given the five years operational experience gained from running the Project at full production since 2012, and the high calibre of the management team and industrial specialists involved on the project, WAI considers that this combination, allows for the best opportunity for the Kounrad Project to continue with its ongoing success.

8 ENVIRONMENT & SOCIAL, H&S

8.1 Introduction

This section reviews the environmental and social performance of the Kounrad operations and is based on desk top review of documentation provided by Kounrad and discussions with CAML's Corporate Social Responsibility Director.

This chapter aims to highlight key issues and any red flags/fatal flaws associated with the Environmental Health and Safety ("EHS") aspects of the Project and their associated risk and should not be considered as a full Technical Due Diligence.

8.2 Environmental Permitting System

The Project is required to comply with State Laws for Nature Protection, which stipulate a process of impact assessment for all Projects. Baseline data are collected by ecological contractors employed to undertake the OVOS procedure (Kazakh equivalent of Environmental and Social Impact Assessment (ESIA)). Maximum Allowable Concentrations (MACs) and Maximum Allowable Emissions (MAEs) are set by the State for operations, calculated for the Project based information collected for the OVOS. Discharge permits with stated limits are then issued for the Project, usually on a three-year basis. An Ecological Passport for the Project is usually also compiled and State Permits for Nature Management are issued.

8.3 Environmental Report Status

CAML has commissioned the State approved independent ecological contractors "Ecolimit", based in Almaty, to satisfy all state requirements as detailed above.

An Initial Environmental Assessment and Audit for the Solvent Extraction – Electro-winning (SX-EW) Project was prepared by Sary Kazna in 2006, using existing reference information. No field surveys were undertaken as part of this study.

OVOS reports were produced by Ecolimit in 2008 for the pilot-scale leaching operations and the pilot plant (with a separate OVOS for each area). Baseline data were collected for atmosphere, soil, surface and groundwater, flora and fauna, cultural heritage and socioeconomic information. It was reported to WAI that apart from technical project information, all data was collected via field survey campaigns.

Baseline data has been captured in a 2008 OVOS for the pilot plant operations with further OVOS report in 2010 and 2014.

As part of the OVOS process, public hearings were held, and minutes of a hearing held in Balkhash, attended by agency representatives and inhabitants in Kounrad village were reviewed.

WAI considers that the 2014 OVOS for the Kounrad operations appears to comprehensively review baseline conditions at the site, and has been prepared in line with Kazakh legislative requirements.

With regard to progress in addressing previous WAI recommendations, concerns reported in WAI previous reports (dated 2006, 2008 and 2011) have been addressed. CAML has employed a CSR Director to oversee the environmental and social and health and safety team and address recommendations for international compliance and a comprehensive suite of management plans and systems have been developed for the Project.

8.4 Environmental Liability

Contracts between the Ministry of Natural Resources, Sary Kazna and Kazakhmys state that since the Kounrad site has already been disturbed and contaminated by natural leaching, previous operations of Balkhashmed, and other local industry, the current owners are only responsible for additional pollution which may occur in the course of the proposed operations (not historic contamination) and are required not to worsen existing conditions.

Ecolimit performed a baseline assessment of the site, including baseline monitoring in 2007, to provide an environmental benchmark, including soil, surface and groundwater quality. The conceptual closure plan for the dumps includes the removal of infrastructure and some dump flushing with water, but no re-vegetation or re-profiling. Six months of post closure monitoring is envisaged. WAI is satisfied that historical liability is not the responsibility of CAML.

Further closure measures will be required to ensure that the dumps do not pose an ongoing environmental liability which may include some dump detoxification, post closure monitoring, and ideally some re-profiling. CAML is aware this will be required and is in the process of actioning a new closure plan.

8.5 Land Ownership

Site tenure is limited by the JV agreement entered into by CAML and the leaching operations are managed by their local subsidiary Sary Kazna, with the large-scale plant operations operated by Kounrad Copper Company, a 100% owned subsidiary of CAML.

8.6 Description of Natural Environment

The climate in the Project area is typical of open semi-desert, characterised by extreme summer and winter temperatures. Vegetation growth with no frosts occurs for about 160 days from May to mid-September. Freezing depth, depending on soil type, is between 160 and 215cm. Rainfall is low. Air quality is reported to be generally good, but strong winds result in increased dust content from nearby abandoned mining operations. The nearest habitation is the local village of Kounrad, with a population of approximately 2,000, and the settlement of eastern Kounrad, with four dwellings.

8.7 Corporate EHS Management

8.7.1 Policies and Practice

The company currently employs an in-country CSR Director managing a team of 13 Safety Environment and Social staff, with all environmental legislative requirements being satisfied by Ecolimit, and site monitoring controlled as part of operations, with the company hydrogeologist being the responsible person. Ecolimit will continue as retained consultants for the life of the Project. There is currently an Environmental Management Plan (EMP) outlining some mitigation measures alongside specific environmental issues. For Health and Safety, tasks and responsibilities are described, and assigned to different team members. There are health and safety plans and procedures, and appropriate training is delivered. The company is required to report annually on environmental performance to State authorities.

A CAML CSR Director was appointed in 2010 to develop environmental policy, environmental targets and objectives to encourage continuous environmental improvement at operations, an Environmental Action Plan (EAP) and Environmental Management System (EMS).

8.7.2 Security

A fence and security control point is present at the entrance to the site, and site areas, such as the raffinate ponds are also fenced and danger/ warning signs are posted. Reagent storage and plant areas are also appropriately secured. Given the large dump areas, it is not considered possible to fence the whole site area.

WAI considers that current site security is adequate to restrict personnel access, and that hazardous areas have been made safe.

8.7.3 Fire Safety

Fire safety training is included within the CSR programme of training presentations and is delivered by the Chief Fire Department. CAML has a fully equipped fire team on site on a permanent basis with fire engine and firefighting equipment. There are State fire inspections on a regular basis, with no recent contraventions.

Moreover, a fire suppression system is installed in both the SX and EW sections of the processing plant.

8.7.4 Contingency Plans and Emergency Procedures

The company 2008 Health and Safety Plan included contingency plans and emergency procedures. Staff are given appropriate training to implement these plans, and awareness is also tested via drills.

Emergency response plans are reviewed regularly by department managers to ensure they meet site requirements and comply with both Kazakh law and international best practice with the next revision due this year.

8.7.5 Staff Training and Supervision

In line with Kazakh laws and standards, health and safety training programmes are delivered to company staff. Further environmental and social training is also provided for staff and contractors at Kounrad in compliance with international requirements.

8.8 Internal and External Stakeholder Dialogue

8.8.1 Internal Employee Consultation Practice

An internal and external communication plan is in operation at Kounrad, last reviewed in July 2016. This plan includes an operating complaints and grievance mechanism for staff. Training is also used as means of communication.

8.8.2 External Stakeholder Dialogue

Under Kazakh law, there is no on-going requirement for public consultation, after the OVOS process is completed, however, CAML developed a Stakeholder Engagement Plan as part of their CSR procedures in August 2014 last updated in 2016. A complaints and grievance management system is in operation at Kounrad and records are maintained in a grievance register that is monitored by the CSR department.

It is reported that the local communities are very positive about the leaching operations and associated job opportunities. As part of the Social Management system, external communications and expectation management and commitment procedures have been developed for the Project.

CAML has made large improvements in the social management of the Project since 2011, and WAI believes the CSR team have developed robust procedures to manage this aspect of the Project in line with international best practice.

8.9 Environmental Monitoring and Compliance

8.9.1 Internal Monitoring

No non-compliance issues were reported to WAI. Monitoring of groundwater is performed and analysed internally at the company laboratory and external monitoring of the atmosphere, surface and groundwater, soils, vegetation and fauna is carried out by Ecolimit.

The company hydrogeologist is responsible for groundwater monitoring which occurs on a continual basis. There are permanent ground level loggers at strategic locations to record groundwater level,

depth of borehole and water temperature, with values compiled in a spreadsheet. CAML has purchased a MonitorPro which provides a comprehensive database for all data.

Groundwater level measurements are taken three times per month, and water temperature – once a month by an external lab.

Additionally, monitoring occurs to assess irrigation/leaching influence via six boreholes near the interceptor trench by the dumps. Additionally, there will be somewhere in the region of 300 boreholes in three lines around the edge by the end of 2017 used to monitor any signs of seepage from the dumps. Water is sampled once per week and is tested for Cu, pH, Fe total and Cl. The catchment area for the site covers approximately 400km^2.

Given the local geology, results indicate a low filtration coefficient, and slow groundwater flow, with precipitation being the main inflow. The boreholes are cased, with a filter located just below the groundwater table. This is considered to allow water in and allow both surface and deeper flows to be monitored.

8.9.2 External Monitoring

External monitoring is performed by Ecolimit and other licensed contractors and results area stated in the monthly monitoring report. It is understood that there have been non-compliances reported that are thought to be based on background levels which are exceeded due to historic contamination at the site. There were three inspections in 2016 from which a number of non-compliances were reported although none were reported as particularly onerous. Non-compliance is assessed based on an average of all contaminants and whether they exceed, or fall below the thresholds. Exceedances consider whether the sum total of the average exceeds an order of magnitude threshold rather than reviewing contaminants on an individual basis.

Following previous audit recommendations, the groundwater model was updated in 2014 to allow for greater understanding of the potential for dump leaching and ensure mitigation actions could be implemented.

Based on the data available it was shown that the waste at Kounrad is prone to acid generation and that there is some legacy of metalliferous contamination of groundwater. Drainage and process manholes are routinely monitored.

8.10 Inputs, Products and Waste Streams

8.10.1 Raw Materials – Consumption and Source

Various reagents are used in the SX-EW process. Sulphuric acid for leaching is sourced from the local smelter at Balkhash, and the limited quantity of diesel currently used, in addition to Escaid 110 imported from Belgium for the process, is also obtained locally. LIX, the organic component in the

process is stored in a bunded area, and is imported from Ireland. Cobalt sulphate is stored as a powder in bags in a locked container. Tyres are obtained from a company in Karaganda.

Audits of raw materials consumed, handled or stocked on site are performed to assess usage and look for options to recycle, or reduce consumption where possible.

8.10.1.1 Water Consumption and Source

CAML sources water by an installed pipeline from Lake Balkhash. Water abstraction levels are measured and reported monthly, April 2017 recorded a water consumption figure of 33,678m^3 from the mine shaft at East Kounrad and potable water abstraction.

8.10.2 Energy Consumption and Sourcing

Power supply to the Project is via an overhead 35kV line to a substation where it is stepped down to 10kV. A coal fired boiler is also used at the site to heat buildings during the winter and coal is sourced locally and stored at site.

An audit of energy use and supply options has been undertaken for the Project and monthly CSR Reporting includes Energy consumption figures, greenhouse gas emissions from onsite coal burning and emissions from diesel and gasoline.

Total emissions for Kounrad in April 2017 is recorded as 8,741.32 tonnes of CO_2 equivalent (January to April 2017) according the Kazakhstan method. The requirements under Kazakh legislation include emissions limits of 20,000 tonnes CO_2 equivalent. CO_2 figures are reported using this Kazakh method but are also reported these as per international method i.e. IFC calculation methodology.

8.10.3 Intermediate Products Arising

Waste dumps are leached in-situ and all intermediate wastes (such as spent, or spilled raffinate) recycled back into this process.

Crud, the solid waste residue from the hydrometallurgical process in the SX section, is removed and placed back on the dump. Approximately 1tpa is expected to be produced. Slag and dust from the coal-fired boiler, recovered via de-dusting cyclones and slag removal system, is disposed of in the Kounrad municipal landfill facility. Approximately 70 tonnes were produced in April 2017 to be transferred to the landfill in May. However, much of the ash that is produced is taken by the community to make bricks for construction, therefore very little is actually transferred to landfill.

8.10.4 Effluent Volume and Quantity

A septic tank for sewage treatment is currently present at the site, which is periodically emptied by a local contractor (Balkash Su). Waste solutions, or spills in the processing plant are collected and

recycled back to the raffinate pond, which is fully lined. The processing circuit is reported to have zero liquid discharge to the environment.

WAI considers that the zero-discharge policy is sound as CAML has modelled and assessed potential losses to groundwater (JH Groundwater) which showed a very low percentage of loss and have in place a series of mitigation measures in the event of contamination. In addition to the collection trench, a first line of boreholes acts as technical abstraction boreholes which feed any water back into the trench.

8.10.5 Air Emissions

It is considered that the main potential sources of air pollution are windblown dust particles from leach piles and drops of raffinate from the spraying of leach piles due to commence summer 2017. Any vehicle movement on site will also generate dusts and watering of roads is undertaken during summer months. The SX-EW has virtually no gaseous emissions other than in the EW circuit where the release of oxygen at the anodes can result in the production of a fine acid mist. The cells are covered, and small PVC balls are added to each unit to reduce the problem and CAML add FC1100 solution into the system which reduces gaseous emissions.

Emissions also result from the burning of coal for the boiler system, however, these emissions currently fall below emissions limits and no exceedances have been reported.

Noise generation in the hydrometallurgical process is low, averaging 65dB. Additionally, the local community has grown up around mining and given the nature of the proposed operations, it is not expected that noise generation would be an issue. Workers are provided with appropriate Personal Protective Equipment (PPE).

8.10.6 Solid Wastes

Tyres are disposed of by a licenced Karaganda based company. Domestic waste is sent to the local landfill. Materials packaging and waste reagents are reported to be sorted into recyclable and non-recyclable materials, with any non-recyclable materials being taken by licensed contractor to licensed disposal sites.

8.11 Handling and Storage

As part of the process circuit, PLS, leachate and raffinate are collected in trenches or ponds lined with welded HDPE liners, on compacted bases, with sufficient capacity to deal with snow melt, or a full plant failure. An 'emergency' pond is also available for use. ESCAID, a reagent in the SX-EW process is stored in two tanks with a volume of 75m^3 each. The tanks are placed in a concrete bund of respective volume in case of leakage. The concrete bund is currently being covered with viniplast. LIX, an organic process reagent is stored in intermediate bulk containers ("IBC") at the commodities and materials storage area and covered with textile. Plans have been developed for installation of a concrete pad and shed within the next month.

A special storage facility, in the form of a bunded cage, within a special storage container, is used for sulphuric acid, which has automatic monitoring of levels. There is a plan in place to cover this area in Viniplast. The limited amount of diesel used on site is stored in a fuel tank truck with the capacity of 6.5m^3, the maximum volume of diesel delivered on site is 3m^3, with diesel deliveries 2-3 times per week.

Cobalt sulphate and guar, also used in the process, are stored in plastic bags in the reagent warehouse. A special storage area for coal for the boiler is in operation. PPE was worn by all personnel viewed during the site visit and generally appeared to be appropriate to the task being undertaken.

8.12 General Housekeeping Issues

Housekeeping was generally good at the site, and areas were tidy and well managed.

8.13 Soil, Surface and Groundwater Contamination

The dumps are leached in-situ, using sulphuric acid. Metal contamination is historically present in the groundwater, and in surface soils from former operations.

The dumps are unlined, and collection measures for PLS are via a lined interceptor trench, a retention berm, and pumping wells. Reports indicate that the majority of leached solution is intercepted by the interceptor trench, and that pumping wells downstream of the leach piles, operated at regular intervals, intercept all PLS and prevent further contamination of groundwater.

A revised groundwater conceptual model was developed in 2014 (JH Groundwater, May 2014) for the Eastern Dumps. This study included a risk assessment to groundwater from PLS migration. The study concluded that the revised model indicates PLS migration will occur down gradient of the dumps, and that the risk associated with dumps 5, 6 and 7 is classified as High, whilst areas adjacent to Dumps 9 and 10 is lower risk (Medium to High). Based on this, water monitoring and control is carefully managed at the site with the use of interceptor boreholes for containment. Review of the Western Dumps by SRK indicate a low risk of impact from this hydrogeological unit.

Latest monitoring results in April 2017, showed elevated concentrations of copper, chloride and sulphides in four of the manholes and low pH (3.3). However, these are considered to be associated with zones of historic contamination and not from the plant and its operations. The levels recorded are reportedly within expected concentrations for the spring period.

No major spills or losses of any PLS or chemicals used in the process have been recorded during the period the reporting covers.

CAML has instigated a number of studies to develop a detailed understanding of the issues associated with historic contamination. WAI believes this aspect of the operations is given sufficient consideration and the risks associated with potential contamination are well managed.

8.14 Current Environmental Expenditure

Ecolimit consultants are paid per invoice and any extra works are paid on an ad hoc basis. The internal monitoring budget is assessed by the CSR Director and reported monthly within the CSR reporting.

Total environmental capex/opex spending at Kounrad in April 2017, according to the latest monthly report available, was 530,566KZT which consisted of 375,000KZT capex costs for the purchase of containers for temporary storage of oily rags and filters at the garage, and opex spending of 155,566KZT for sampling on the ponds. Further environmental opex expenditure in April consisted of 560,002KZT at Sary Kazna, and further expenditure on hydrogeology which is reported in a separate budget.

8.15 Health and Safety Management and Compliance

A company Health and Safety Manager, is responsible for the health and safety management of site personnel, supported by two safety engineers and full-time medics. There is also a full time firefighting team on site with fire engine and equipment.

There is an approved Health and Safety Plan that was updated in March 2017, designed in compliance with Kazakh State requirements, and in line with international best practice which covers all aspects of H&S management. Formal accident statistics are collected and reported monthly in the CSR reporting. The Health and Safety Management plan is comprehensive and covers induction and training, emergency response plan, health and safety communications plan as well as community health and safety.

CAML operates a detailed risk assessment process, which has so far identified around 250 safety risks for which mitigation measures have been identified.

Site safety recording was updated in 2014 to include incidents and near misses as required by international best practice in excess of state requirements. WAI considers this, as well as the conscientious efforts by management has changed the culture with respect to health and safety and commends the team for the works undertaken.

All staff are provided with PPE appropriate to the tasks that they will be performing, and were wearing appropriate PPE during WAI's visit.
There is a clinic at Kounrad, and the company has a contract with them to deal with any accidents. There is also a first aid point and medics at the site. All staff has medical insurance, and access to medical facilities in Balkhash.

WAI considers that H&S management is good at the site, and that the company is operating in line with both Kazakh legislative requirements and international best practice.

8.16 Closure, Reclamation and Rehabilitation

Closure requirements are briefly mentioned in the OVOS, and it is noted that a closure fund and resources will be required. Whilst there are no formal legal requirements to set aside funding for closure, KCC has a formal closure plan and currently pays 48,075.7KZT into a separate account on a quarterly basis.

The closure fund, into which monies (generally 1% of capital expenditure) are invested is in compliance with Kazakhstan legal requirements. The fund is held externally to the company, and is a protected fund in the event of unplanned company closure. In 2013 a closure study for Sary Kazna was commissioned and submitted to the regulator, however to date the study has not been approved due to changes in legislation.

The current operational plan does not involve closure of the Eastern or Western Dumps for a number of years. Practice has shown after leaving (resting) the blocks for some time they can then leach again. The capacity for leaching will diminish over time, however this practice means the Company will likely return several times to each leached block until it is considered no longer productive.

Closure monies should be allocated in response to tasks outlined in the detailed closure plan, rather than on a per tonne mined basis, such that realistic amounts have accrued (not currently considered to be the case). WAI considers that the early estimates may be low, and would suggest developing a new estimate, based on actual closure tasks, and amending fund investment accordingly. CAML is aware a more detailed closure plan is required.

8.17 Community Development

The majority of the workforce comes from Balkhash, however where possible workers are taken from Kounrad located within a couple of kilometres from the site.

It was reported that people are very positive about the operation, and in general the Project enjoys support from the local community. A stakeholder engagement plan is in operation at the Project which includes a grievance mechanism, and any grievances received are reported in the Monthly CSR Reporting. On the basis of a sample of reports reviewed by WAI, no grievances were reported.

By law, the company is required to set aside funds, or perform social development activities as a requirement of the Sub Soil Contract. In addition to its central government obligations CAML also sets aside funds for social development focused on the neediest, and is in the process of registering its own foundation.

The latest CSR report showed stakeholder engagement, including the organisation of a festival dinner and congratulation of employees on the 5th anniversary of copper production held in April 2017.

WAI is impressed by the current social development initiatives being performed by the company, and its proactive attitude to working with local groups.

8.18 Conclusions and Recommendations

A considerable amount of work has been undertaken at Kounrad to bring the Project in line with international best practice on environmental, social and health and safety practices. A CSR committee which includes the Chairman and Directors of CAML regularly meets in London (quarterly) to review all CSR activities and a mechanism of continuous improvement is in action.

The legacy of mining at Kounrad since the 1930's has meant that the area is not only dominated by the waste dumps, but also the environmental impact of such a large-scale former open pit operation.

Environmental studies, assessments and procedures are being performed in line with State requirements. The Health and Safety aspects of the Project are well managed, and the company has developed and implemented some good social development initiatives, and these more recently have been structured into a Community Development Plan.

Groundwater monitoring at the Project has been significantly increased and a number of studies commissioned to gain a better understanding of the legacy contamination from waste dumps. Some of the boreholes indicate low pH, not attributable to sulphuric acid, however, this is not considered to be derived from the current operations.

It is recommended the closure plan is revisited to review compliance with changes in legislation, and international best practice, with realistic closure estimates, to include post-closure monitoring, site remediation and recultivation. CAML has recognised that this needs to be undertaken and has plans to review.

9 ECONOMIC ANALYSIS

WAI has performed a technical valuation of the Kounrad copper dump leach project using a Discounted Cash Flow (DCF) analysis. The operating costs and sustaining capital requirements were estimated by the Client based on the actual operational results and approved Company budgets. WAI finds these costs to be reasonable for the scale and the location of the operation.

Based on the financial analysis performed by WAI, the Kounrad Project generates a strongly positive Net Present Value (NPV) of US$355M at 10% discount rate (Base Case). As a part of a sensitivity analysis, NPVs based on various discount rates ranging between 8% and 20% were also calculated.

9.1 Life of Mine Production Schedule

Based on the current resource estimate, the remaining project life comprises 17 years, with annual copper production in a range between 13-14ktpa for 2017 to c.12ktpa by 2031, and full depletion in year 2033.

Overall "reserves" considered in the financial analysis were estimated at 198.5kt, from which 25.1kt are fed from Eastern Dumps and 173.2kt from the Western Dumps.

9.2 Capital Costs

As the Kounrad copper project is currently in operation, only minor capital investments are required to sustain operations. Thus, overall LOM capital cost was estimated at US$31.2M based on annual capex of US$2M for the period to 2031.

9.3 Depreciation

Salvage value from previous periods was included in the project depreciation as per data supplied by the Client.

The CAML depreciation policy is outlined below.

Property, plant and equipment Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

The cost of the item also includes the cost of decommissioning any buildings or plant and equipment and making good the site, where a present obligation exists to undertake the restoration work.

Following receipt of the regulatory approvals required for the Kounrad Stage 2 Expansion in November 2015, management has extended the useful economic lives of certain property, plant and equipment. The original estimate of 10 years useful economic life has now been increased through to 2034 which

represents the end of the subsoil user licence. IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors accounts for a change in an assets useful economic life as a change in estimate and therefore the change is calculated prospectively to the depreciation of the asset at the date of change. This change in estimate was applied from 1 January 2016.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its total expected useful life. As at 31 December 2016 the remaining useful lives were as follows:

¡ Construction in progress – not depreciated
¡ Plant and equipment – over 5 to 18 years
¡ Mining assets – over 2 to 18 years
¡ Motor vehicles – over 5 to 10 years
¡ Office equipment – over 2 to 10 years

Construction in progress is not depreciated until transferred to other classes of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required, these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the income statement.

9.4 Operating Costs and Cash Costs

Project cash costs have been provided for WAI to review and were based on the actual operations and costs of supplied materials, and WAI considers these reasonable.

The total life of mine cost and average life of mine C1 Cash Cost summary is shown in Table 9.1 below.

Table 9.1: Project Cash Costs (C1) Summary

C1 Cash Cost	US$ M	US$/lb
Reagents	24	0.05
Power	35	0.08
Payroll	58	0.13
Materials	25	0.06
Consulting & Other	26	0.06
Cost of Production of cathodes	168	**0.38**
Distribution & Selling	38	0.09
Local G&A (excl. all Taxes)	29	0.07
Total C1 costs	**235**	**0.54**

9.5 Metal prices

The final product from Kounrad project operations is a copper cathode. The base case of the project valuation was performed using the following price forecast (Table 9.2):

Table 9.2: Selected Project Copper Price Forecast*

	Units	2017E	2018E	2019E	2020E	2021E	LT
Cu Price	US$/t	5,401	5,512	5,908	6,393	6,415	6,283
	US$/lb	2.45	2.50	2.68	2.90	2.91	2.85

* Broker consensus copper price forecasts, supplied by Bloomberg

9.6 Selling and Distribution

As per CAML's current off-take agreement, the final product is distributed between up to 10% being allocated to domestic and at least 90% to international customers. The financial model considers distribution between 5 and 95%, respectively.

Domestic sales are discounted at 5.5% from LME price for the recovered content. International sales are through an international metal trader, which charges a fixed fee per tonne.

A summary of the LOM selling and distribution costs is provided below:

- International buyer's fees – US$34.9M;
- Payroll and related taxes – US$1M;
- Railway costs – US$2.4M;
- Other – US$0.04M; and
- **Total Selling Cost – US$38.4M**

9.7 Closure Cost

As per the data provided by the Client, a closure and reclamation cost of US$3M was allocated to the last year of the project life.

9.8 Taxation Regime and Royalty

In accordance with State legislation of the Republic of Kazakhstan the Mineral Extraction Tax (mining royalty) of 5.7% shall be paid based on the value of copper sold.

The rate of Corporate Income Tax at 20% was applied to net income, taking into account carried forward losses.

All other taxes are covered by the project general and administration costs.

9.9 Discounted Cash Flow Model

9.9.1 Currency and Exchange Rate

All project costs are expressed in United States Dollars (US$) and are based on 2017 market conditions with no provision carried in the estimate for inflation or escalation beyond this date. Currency costs have been converted to US$ at a Kazakhstan Tenge (KZT) exchange rate of 340.

9.9.2 Discount Rate

The purpose of the discount rate is to reflect both the time value of money and the investment risk of the project. Traditionally resources projects use higher than average discount rates, in the 10-15% range. According to the Note for mining and oil and gas companies listed on London Stock Exchange (AIM), a 10% discount rate should be applied to the cash flow to estimate net present value of the reserves.

Therefore, WAI has used 10% discount rate as a base case for financial results.

Additionally, a sensitivity analysis of NPVs was performed on various discount rates ranging between 8% and 20%.

9.9.3 Cash Flow Model Summary and Results

A post tax cash flow model has been constructed based on the WAI mining schedule and processing schedule prepared as of 2017.

The Base Case scenario indicates a positive post-tax NPV at a 10% discount rate of US$355M over 17 years, using an average copper price of US$2.72/lb (or US$5,986 per tonne). As the project is in operation, with no major capital investments being required, it generates positive cash flows.

All revenue and costs estimates are expressed in US Dollars. Cost inflation has not been applied to the cash flow model, operating or capital costs.

WAI understands that the selection of discount rate is subjective, and therefore in order to better demonstrate the project performance, NPVs at various discount rates were estimated. A summary of the key project indicators is given in Table 9.3.

Table 9.3: Project NPV Summary

NPV @ Discount Rate of 8%	US$ M	401
NPV @ Discount Rate of 10%	**US$ M**	**355**
NPV @ Discount Rate of 15%	US$ M	271
NPV @ Discount Rate of 20%	US$ M	215

9.10 Sensitivity Analysis

A sensitivity analysis was performed on several key parameters within the financial model to assess the impact of changes upon the Net Present Value of the project (at a 10% discount rate). These parameters are as follows:

- Copper Price;
- Project Production Costs; and
- Project Sustaining Capital Costs.

Each factor was increased and lowered between -25% and +25% to examine the sensitivity of the model to changing economic and operational conditions.

The results of this analysis are shown graphically in Figure 9.1 to Figure 9.4.

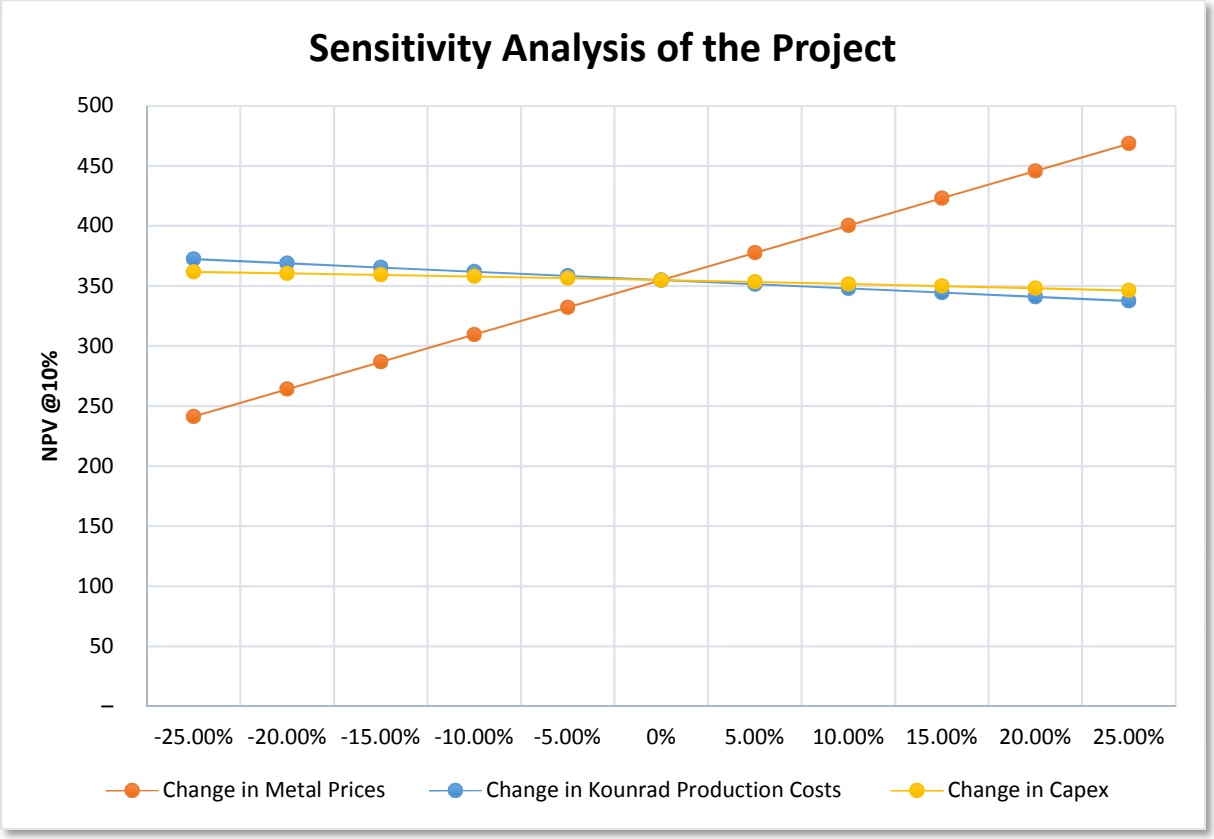


Figure 9.1: Sensitivity Analysis Chart

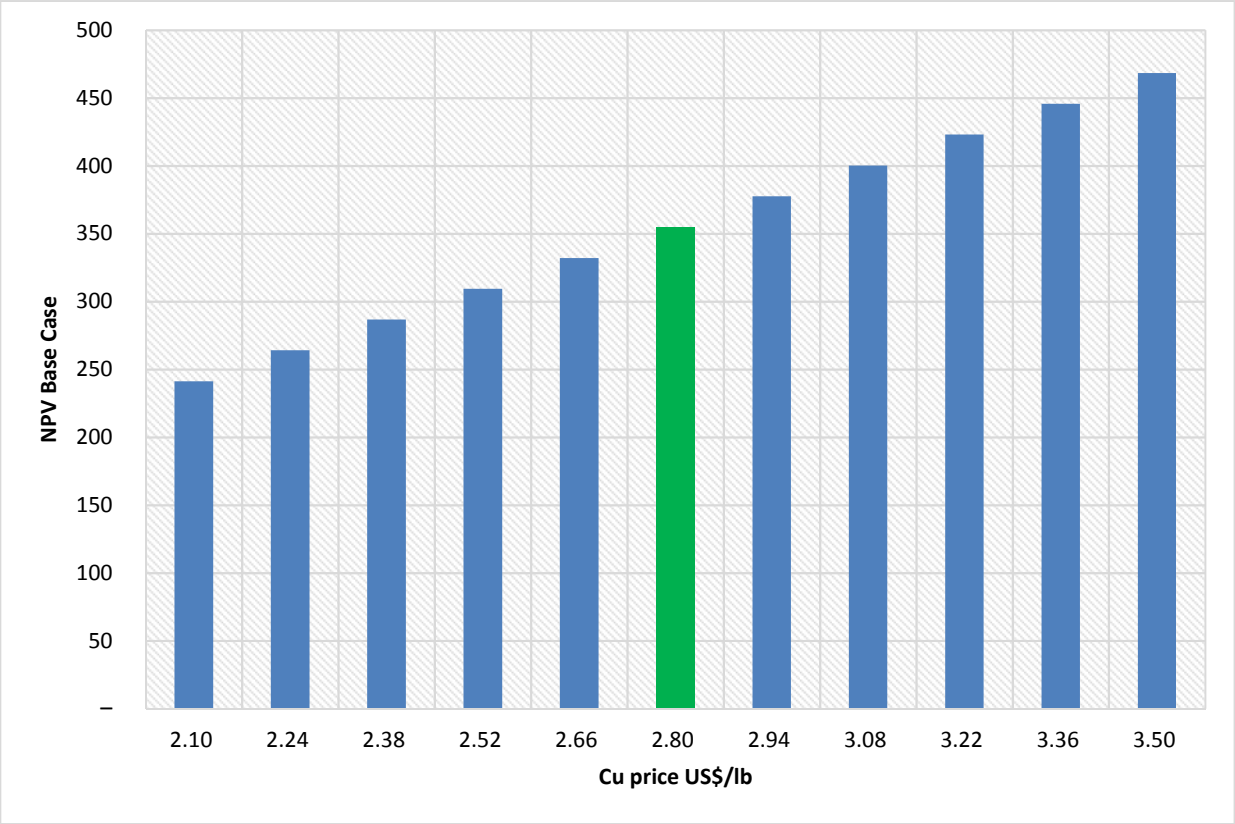


Figure 9.2: Project Sensitivity to Copper Price

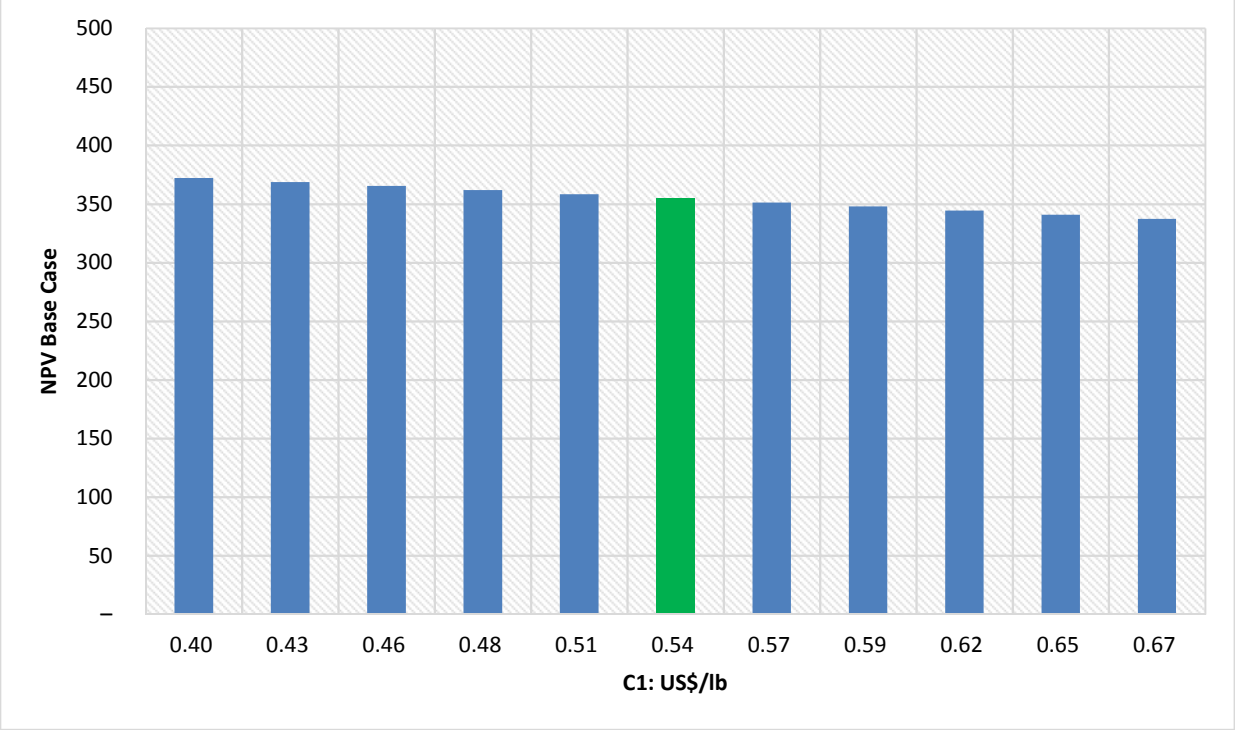


Figure 9.3: Project Sensitivity to change in Kounrad Production Costs

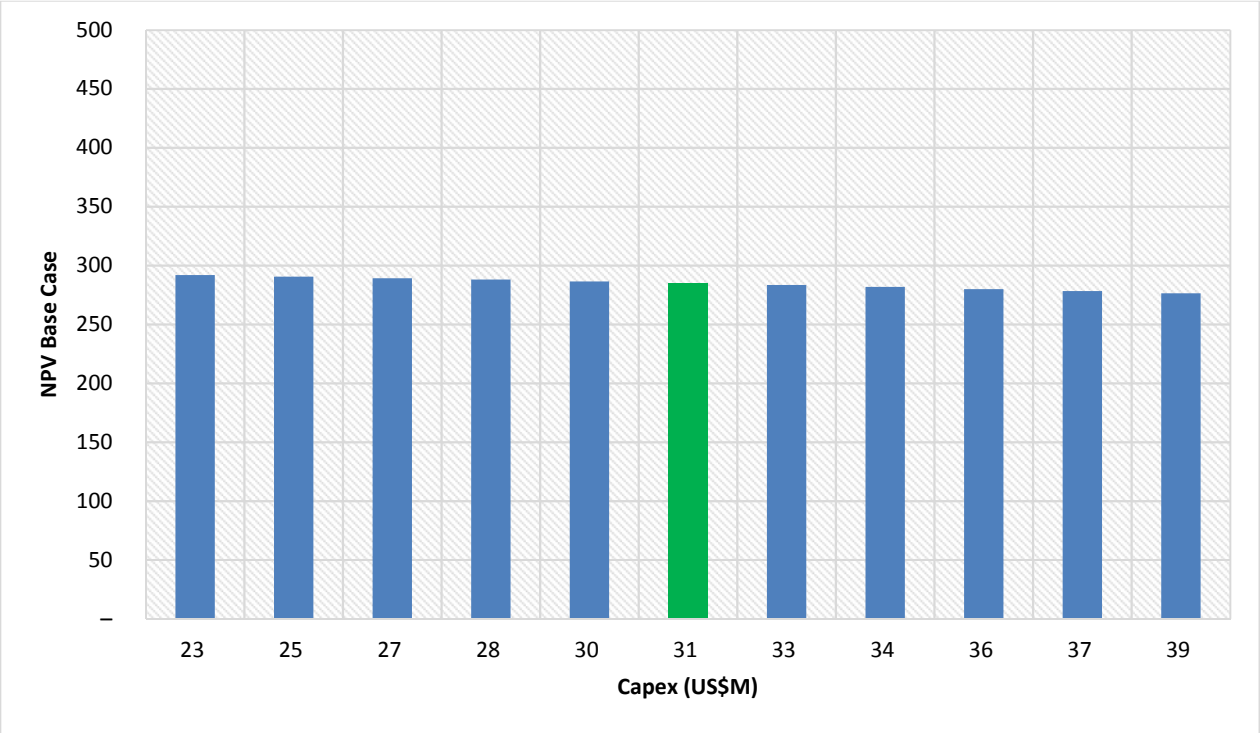


Figure 9.4: Project Sensitivity to change in Sustaining Capital Costs

Based on the sensitivity analysis results, the Kounrad project is most sensitive to changes in copper price, which is typical for mining projects. Should the price be increased by 25% (up to US$3.50/lb) the Project NPV would increase to US$468M. In the event of the copper price falling by 25% (US$2.10/lb), the NPV would reduce to US$241M.

The project is less sensitive to the change in operating costs and almost insensitive to the sustaining capital costs, owing to insignificant proportion of capex in generated project cash flow.

WAI notes, that none of the considered changes in the technical parameters leads the project to become negative.

10 JORC CODE, 2012 EDITION – TABLE 1 REPORT

10.1 Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• Sampling of the Kounrad copper dumps has comprised trenching, pitting and Reverse Circulation (RC) drilling, in addition detailed dump development records have been kept from the periods during which the dumps were constructed. • During production from the Kounrad open pit, grade control works comprised sampling of the blast holes on a 6m x 6m grid. Samples were assayed and logged according to whether they were oxide, sulphide or mixed. The mine production department kept records of material exiting the pit noting what material it was, approximate grade and where the material was sent, this includes material sent to the dumps. • 2007 exploration work programme comprised 10 Reverse Circulation (RC) drillholes located within dumps 6, 7, and 9-10. Samples were assayed for total copper (Cu_{total}) and acid soluble copper (Cu_{acid}). • 2008-2009 exploration works comprised 85 RC drillholes and 10 channel trenches with samples assayed not only for Cu_{total} and Cu_{acid} but also for cyanide soluble copper (Cu_{cyan}). • 2010 exploration works included 137 pits, 9 surface trenches plus a further 13 pits excavated for metallurgical sampling, samples were assayed for Cu_{total}, Cu_{acid} and Cu_{cyan}. • In 2011, RC holes were drilled in Western Dumps, 1, 15 and 16, as well as the Eastern Dumps 5, 6, 7, 9 and 10. A total of 98 holes were carried out and drilled through the full depth of the dumps. Samples were assayed for Cu_{total} and Cu_{acid}. • Following the 2011 drilling programme additional RC drilling works were conducted in 2012 totalling 131 holes, drilled in dumps 2, Northern, 13, 20, 15, 16, 20, 21 and 22. • Sampling has been done on 3m intervals. • The majority of assays have been conducted at the VNIITSvetmet laboratory in Ust-Kamenogorsk. Pit and trench samples from 2010 were assayed at CenterGeoAnalyt in Karaganda.

Criteria	JORC Code explanation	Commentary
		• Although QA/QC procedures have been implemented for all exploration works since 2007, only results since 2010 have been obtained and reviewed by WAI.
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	• All drilling of the Kounrad dumps has been undertaken using RC drilling. • The majority of drilling works has been conducted in 2011 and 2012 by the drilling contractor AK Niyet Burga using Nemek 814 BE and HYDCO – 300 trailer drill rigs, with a hole diameter of 125mm. • Due to the challenges faced by drilling the dump material, in particular the wide range of material sizes AK Niyet Burga developed a method which yielded reasonable samples for used in a Mineral Resource Estimate. Following drilling a 3m run the drill bit was raised and lowered several times before flushing to recover the RC chips.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• Based on the drilling method used by AK Niyet Burga RC sample recoveries averaging 76% were obtained. • Sample recoveries are based on the recovered sample weight of a 3m drill run compared to the theoretical sample weight for 100% recovery from a 3m run. • Given the challenges with drilling unconsolidated dump material, WAI considers the sample recoveries obtained to be reasonable. • No relationship between grade and core recovery has been identified by WAI.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	• Following sampling, small piles of RC chips corresponding to each of the 3m drill runs were set aside adjacent to the drill rig. The RC chips were then logged by Mr Zsolt Peregi a consultant geologist to the project. • Samples were sieved, washed and placed into chip boxes. • Logging included: o Dump ID; o Depth to base of dump; o Drill bit size; o Start/End dates; o Drill rig; o Contractor; o Dump composition (oxide/mixed/sulphide) o RC chip geology descriptions; o Primary minerals; o Moisture; and o Sample structure (coarse, fine etc).

Criteria	JORC Code explanation	Commentary
		• Logging was carried out for the whole of the RC drill holes, through the entire thickness of the copper dumps.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	**2007-2009** • Sub-sampling and sample preparation methods for samples from 2007-2009 are unknown. **2010** • A total of approximately 2t was extracted from each metallurgical pit which was subsequently sub-sampled to a weight of 150kg using the following methodology: o Sampled material being placed on a level area; o Particles greater than 150 mm being broken down by hammer or using the excavator bucket; o Mixing of the sample three times by hand shovel; o Placing material in the shape of a disc approximately 20-30cm in depth; o Division of the sample into four equal quarters; o Discarding of the two opposite quarters; o Hand mixing of the two remaining quarters; and o Repetition of the process until a sub-sample of approximately 150kg was obtained. **2011-2012** • Due to the quantity of sample material recovered from each 3m drill run initial sub-sampling was carried out at the drill rig site, comprising: o Sampled material being placed on to nylon sheet; o Mixing of the sample three times by hand shovel; o Placing material in the shape of a 70cm x 70cm quadrangle approximately 8cm in depth; o Division of the sample into 16 equal sections using a 4 by 4 sampling grid; and o Obtaining an approximately 5kg sub-sample by taking a specific amount of material from each of the 16 sections. • Two sub-samples were obtained for each 3m drillhole interval; one to be sent to the laboratory and one to be retained as reference material. • Samples were then transported to the VNIITSvetmet laboratory in Ust-Kamenogorsk,

Criteria	JORC Code explanation	Commentary
		where additional sample preparation was carried out. • At VNIITSvetmet laboratory samples were crushed to initially passing <2mm in a jaw crusher, before a second round of crushing to <1mm. The sample was then reduced to in weight to <0.5kg, during several sub-sampling phases. The remaining sample was then pulverised to 74µm before a 250g sub sample was taken for assay. • For oxide samples the final 250g sub-sample was further split with 30g of sample being used for assay and the remainder for spectral analysis. • It is considered that all sub-sampling and laboratory preparations are satisfactory for the intended purpose. • Details of the QA/QC procedures are described in the next paragraph. • The sample size (3m for RC drillholes) is considered as appropriate for the type of material being sampled.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	**2007-2009** • Samples have been assayed at the VNIITSvetmet laboratory in Ust-Kamenogorsk. • WAI understands that samples would have been subjected to the same assay methods as subsequently used in the 2011-2012 exploration works. • Although QA/QC sample submissions are understood to have been carried out for the 2007-2009 exploration works details of the QA/QC procedures and results for this phase of works are not available. **2010** • Samples were sent for preparation and assay at the Centergeoanalit LLP laboratory in Karaganda. • A total of 40 samples and 11 group samples have been assayed via chemical assay. • Internal and external duplicate samples have been used as part of the QA/QC procedures. • Internal duplicate assay results show good levels of sample precision. • Thirty QA/QC duplicate samples were submitted to VNIITSvetmet laboratory in Ust-Kamenogorsk. • The external duplicate assay results show a poor correlation, indicating a potential issue, either with the principal laboratory and/or the external check laboratory. Whilst the poor correlation for the external check analysis represents a risk, there are a total of 379 Cu_{total} samples from the 2010 exploration programme in the sample

Criteria	JORC Code explanation	Commentary
		database representing only 6% of the Mineral Resource database. The significant deviation between the primary and external duplicate results may be due to different sample preparation and assay methods applied by the respective laboratories. **2011-2012** • Samples have been assayed at the VNIITSvetmet laboratory in Ust-Kamenogorsk. • Total copper analyses have been carried out using aqua regia acid digestion with ICP-MS finish. • Analysis of acid soluble copper was carried out on 50g samples. Samples were treated with a 5% solution of sulphuric acid, and heated for 30 minutes. The leach residue was washed with water and the sample analysed by ICP. The difference in the total copper and copper in the leach residue is calculated as the acid soluble copper content. • As part of the QA/QC procedures in 2011-2012 sample submissions included blank granite samples inserted at a rate of 1 in 60, as well as external duplicate assays (approximately 8% of samples submitted) which were assayed at Alex Stewart, Moscow. • Results of the QA/QC submissions show there is no significant sample contamination, and sample precision is good for both Cu_{Total} and Cu_{Acid}.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• WAI visited the project in November 2012 and reviewed the drilling procedures, sampling and logging methods first hand. • Data was recorded initially in hard copy before entry into digital format. • Although no dedicated twin hole verification works have been carried out, the WAI Mineral Resource Estimate has been correlated against the historical dump development records which were based on grade control drilling and production records. Excluding the Northern Dumps the WAI estimates fall within 2% of the production records. • The greatest difference between the WAI Mineral Resource Estimate and the previous production records is for the Northern dumps. This is due to a significant volume discrepancy between the WAI March 2013 estimate (15,325,000m^3) and the Balkashmed (2006) estimate (48,900,000m^3). Calculation of the average height of the dumps based on the Balkashmed (2006) volume and area data implies an average height of approximately

Criteria	JORC Code explanation	Commentary
		48m. This is significantly in excess of the height determined from recent onsite surveys. WAI has not been able to establish the reason for this difference. • WAI has not taken any check samples as Kounrad has been in operation since 2012 and verification can be sought through production data and reconciliation. • No holes have been twinned. • No adjustments have been made to the assay data.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• During the 2011-2012 exploration works each completed drillhole was marked by a wooden stake with corresponding bore hole ID. Survey of drill hole collars were initially undertaken using a hand-held GPS but subsequently updated using a total station. • Updated surveys of the dumps were conducted using a total station. • Although no specific details have been provided regarding the pre-2011 sample surveys, WAI notes that the sample collar elevations correspond to the latest dump surveys, providing support to their validity. • The base of the dumps was defined from a digitised historical topographic survey pre-dump development; this was supported through logging of the 2011-2012 drillholes which intercepted the base of the dumps. • No downhole surveys were carried out; however, WAI is of the opinion that the relatively short drill hole lengths, the vertical orientation of all drill holes, and the type of dump material being drilled, is unlikely to have caused hole deviations material to the Mineral Resource Estimate. • The topographic data appear adequate and reliable.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• No exploration results, resource drilling only. • Geological continuity is defined by the copper dump total station surveys, historical surveys pre-dump development denoting the base of dumps supported by the logging from the 2011-2012 RC drilling. • Average sample spacing is 100-200m; WAI considers this sufficient to demonstrate spatial and grade continuity within the dumps to support the definition of Inferred and Indicated resources. • Raw sample data has not been composited.
Orientation of data in relation to	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and*	• The drillhole orientation is such that the dumps are intersected with vertically drillholes and pits, so no bias is likely to generated by the drilling.

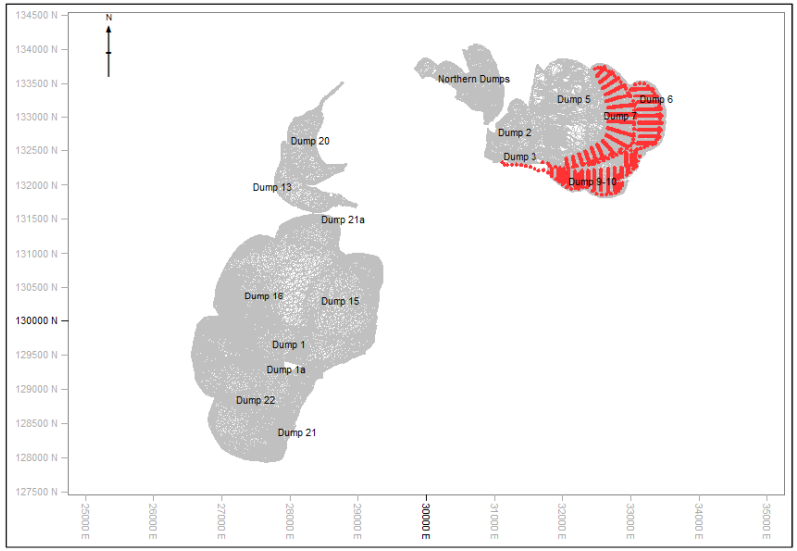
Criteria	JORC Code explanation	Commentary
geological structure	*the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	
Sample security	• *The measures taken to ensure sample security.*	• No specific details regarding sample security from the 2007-2010 works have been identified by WAI. • Samples from 2011-2012 were sub-sampled and placed into sample bags with the corresponding sample ID at the drill rig site. Sample bags were then grouped into batches of 8-10 samples and placed into large rice bags and transported to two locked shipping containers at the Sary Kazna pilot plant facility by CAML, for storage prior to transporting to the VNIITSvetmet laboratory in Ust-Kamenogorsk. • Each sample bag is labelled with the appropriate sample ID, the same sample ID was written on a cardboard tag which was placed inside the sample bag.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• No independent audits or reviews have been conducted.

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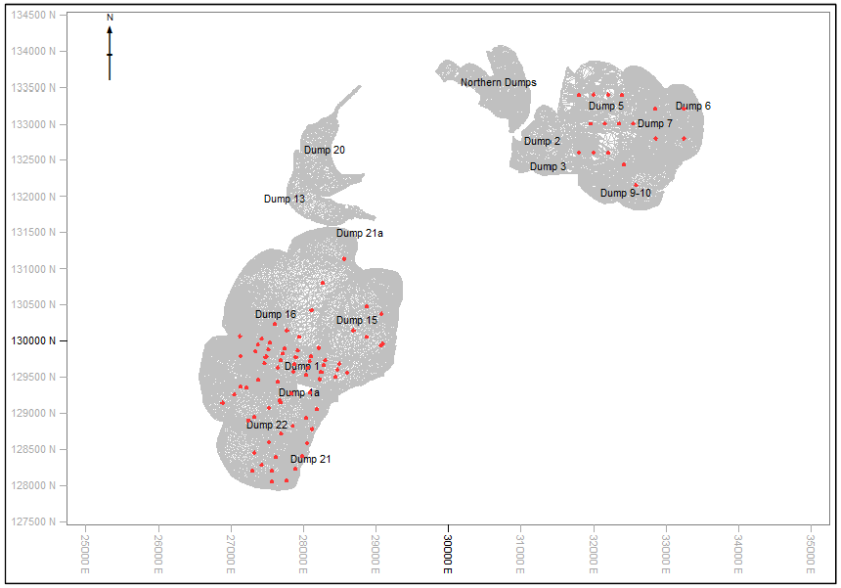
10.2 Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• CAML, through the operating subsidiary Sary Kazna LLP, originally had a 60% interest in the Kounrad mineralised dumps, although in 2014, this was increased to 100%. • The exploration and processing licence for the mineralised dumps (Sub Soil Contract number 2447) covers an area of 22.5km^2 (2,350ha) and expires 20 August 2034.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• All exploration works of the copper dumps from 2007-2012 have been undertaken by CAML.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The Kounrad open pit copper mine is located in the Balkhash metallogenic belt within the Balkhash-Junggar orogenic belt of the Central Asian Metallogenic Domain (CAMD). The geology encompassing the deposit comprises porphyry copper mineralisation related to techtono-magmatism during the Devonian and Carboniferous-Permian volcano-magmatic arcs. • Following the start of open pit mining operations at the Kounrad mine in 1936, the copper sulphide ore was selectively mined, material classified as waste and uneconomically treatable materials at the time were dumped at designated areas adjacent to the open pit, thus forming the current copper dumps. • The waste materials were classified into four groups by this technique, three of which are based upon the amount of acid soluble copper present and the fourth being related to the sulphide grade as follows: o Oxide Waste – any material with greater than 20% acid soluble copper; o Mixed Waste – any material with greater than 10% but less than 20% acid soluble copper; o Sulphide Waste – any material below the cut-off grade and with less than 10% acid soluble copper; and o Waste – any material with less than 0.15% total copper grade.

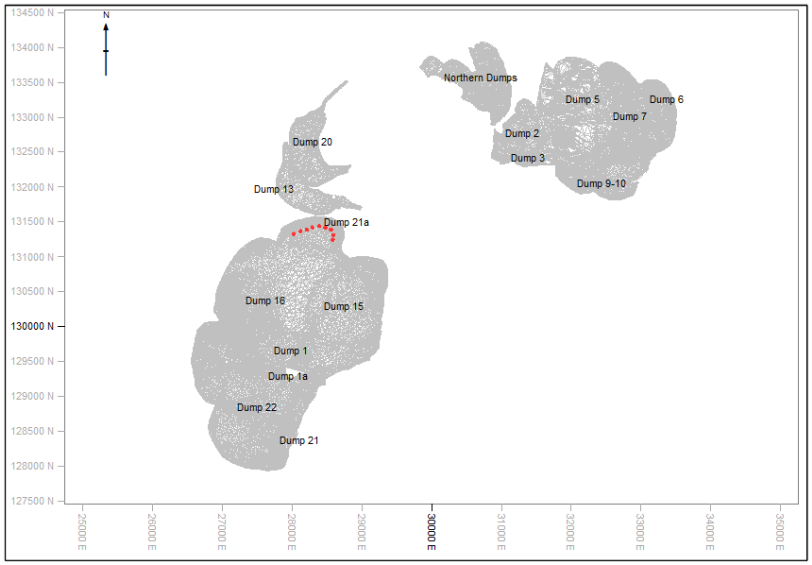
Criteria	JORC Code explanation	Commentary
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* o *Easting and northing of the drill hole collar;* o *Elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar;* o *Dip and azimuth of the hole;* o *Down hole length and interception depth; and* o *Hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	• All drill holes have been drilled vertically. • All drilling has been carried out using Reverse Circulation. • 2007 Pitting comprised 2,409 pit samples taken from an average depth of 0.5m in dumps 6, 7, 9 and 10, highlighted in red in the figure below.  • In 2008, a total of 85 holes were drilled to depths of between 8m and 30m dumps 1, 1a, 5, 6, 7, 9-10, 15, 16, 21 and 22 as shown in the figure below.

Criteria	JORC Code explanation	Commentary



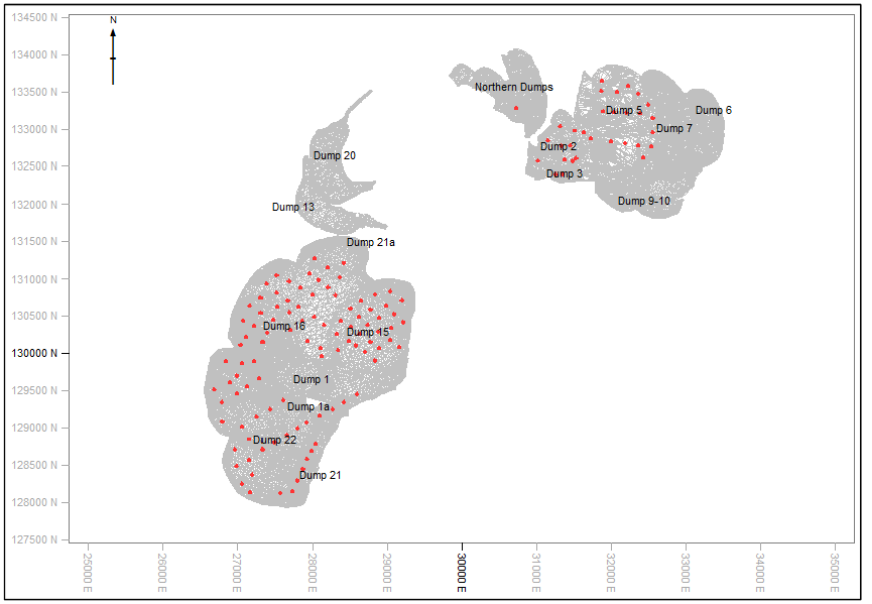
- Nine surface trenches, each 100m long were undertaken in 2010 on dump 21a as shown in the following figure.

Criteria	JORC Code explanation	Commentary



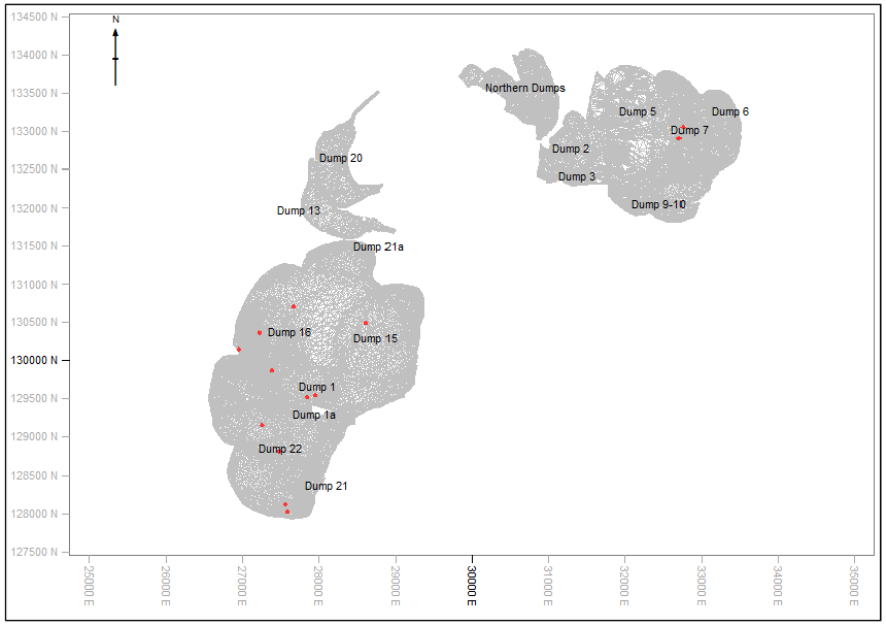
- 137 pits were excavated in 2010 to an average depth of 3m. Locations of the pits is shown in the figure below.

Criteria	JORC Code explanation	Commentary



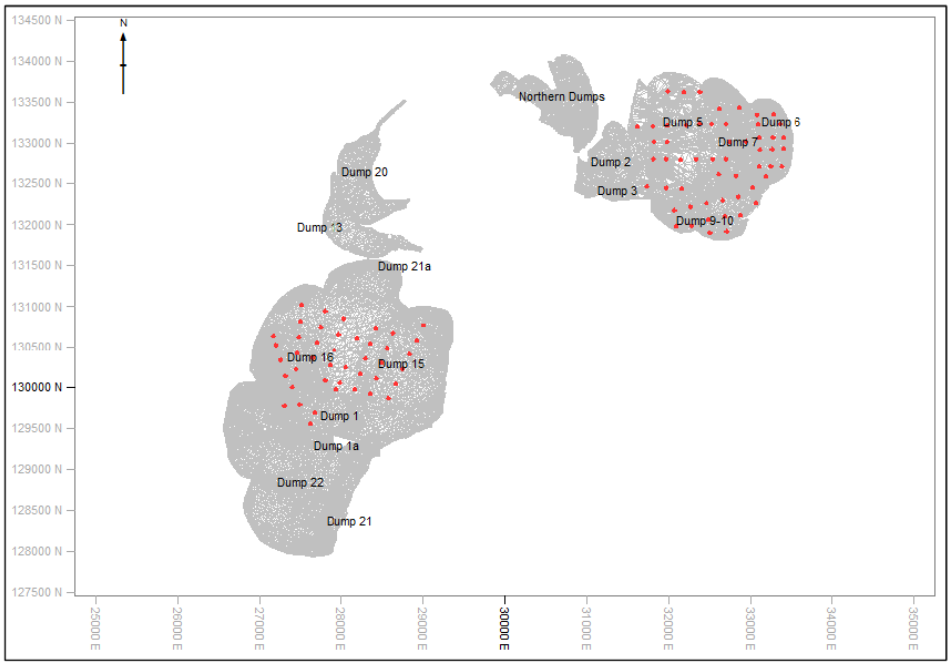
- 13 pits were also excavated in 2010 for metallurgical samples, with depths ranging between 8-11m.

Criteria	JORC Code explanation	Commentary

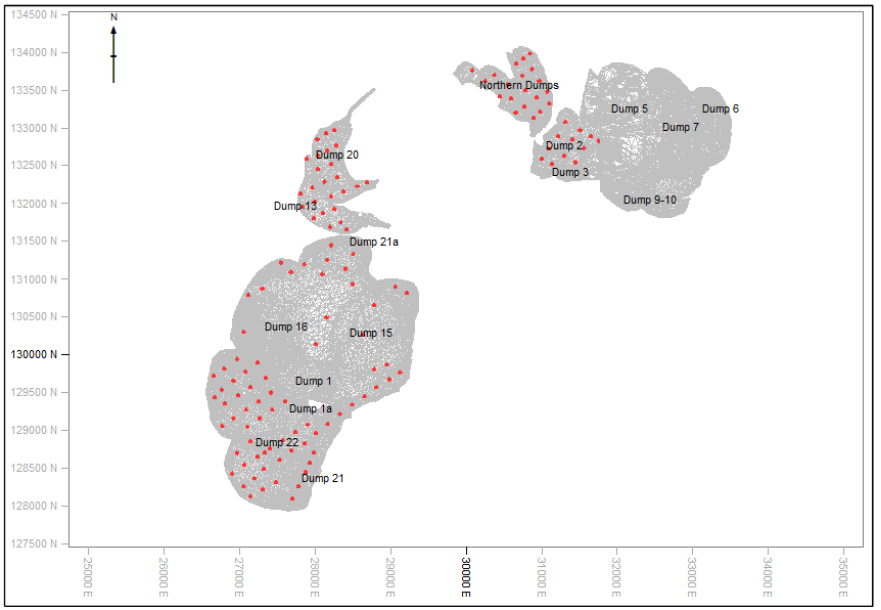


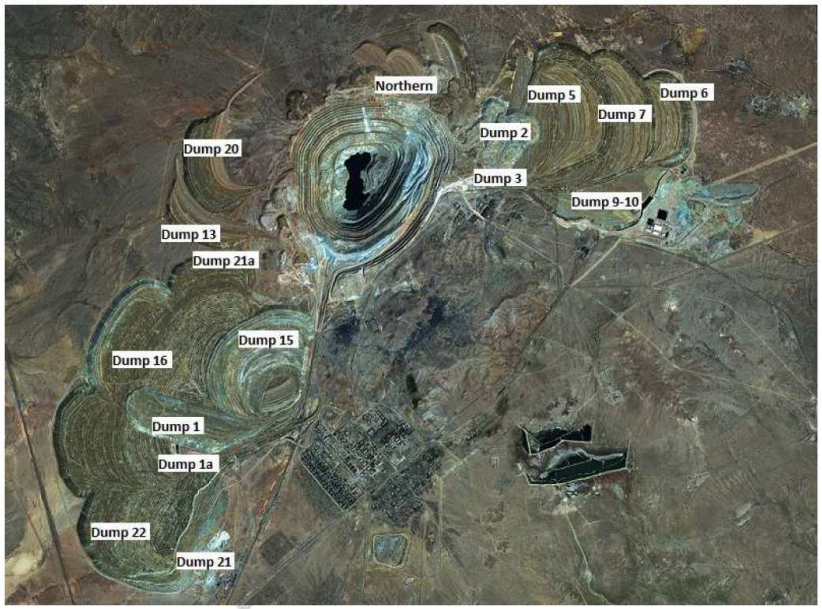
- In 2011, 98 RC drillholes were carried out. The drillholes intersected the full thickness of the dumps and were drilled vertically.

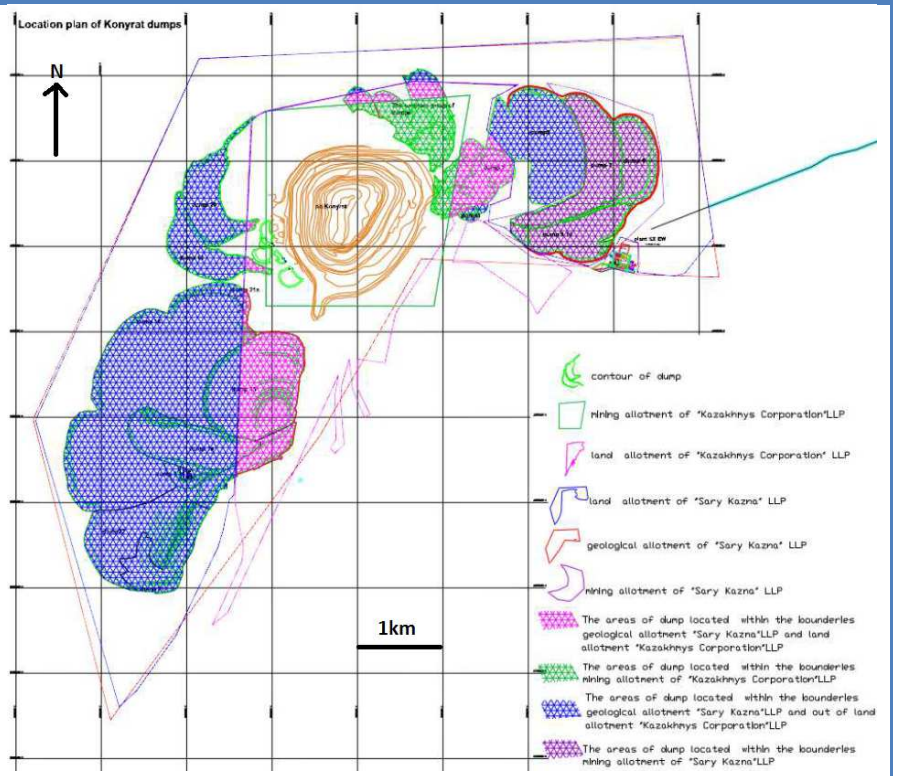
Criteria	JORC Code explanation	Commentary



- The most recent drilling works were carried out in 2012, comprising 131 RC drillholes.

Criteria	JORC Code explanation	Commentary
		 • Given the number of drill holes at Kounrad it is not practicable to report all drill hole collar co-ordinates in this section. The figures above show the coverage of drill hole locations for the various dumps
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	• No metal equivalents have been used at the Kounrad project. • Sample lengths vary depending on the sampling method. Where RC drilling has been carried out the sample length averages 3m. • The raw sample database has not been top-cut. • Sample data has only been top-cut at part of the Mineral Resource estimation process.

Criteria	JORC Code explanation	Commentary
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	• Only drilling conducted in 2011-2012 has intersected the full thickness of the copper dumps. • Holes have been drilled vertically and represent the true thickness of the copper dumps.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	 **Aerial Photograph of Kounrad Site Showing Dump Locations**

Criteria	JORC Code explanation	Commentary
		 **Plan View of Kounrad Licence and Land Allotment Areas**
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• Given the quantity of sampling that has been carried out by CAML it is not practicable to include detailed reporting in this section. • The mineralisation at Kounrad is hosted in a series of manmade copper dumps from low grade mineralisation extracted from the adjacent Kounrad open pit. • Sampling via surface trenching and pitting has only intercepted the near surface dump material, RC drilling in 2011 and 2012 was carried out through the full thickness of the dumps, representing full dump depth profiles. • The table below provides a summary of the minimum and maximum sample grades by dump prior to top-cutting and compositing.

Criteria	JORC Code explanation	Commentary
		Table 8.5: Statistics for Samples Falling within the Dump Wireframes

Dump	Field	Min	Max	Range	Mean	Variance	Std Dev	Skewness	Kurtosis
1	Cu_{total}	0.000	0.612	0.612	0.18	0.01	0.11	1.44	2.23
2	Cu_{total}	0.008	0.390	0.383	0.08	0.00	0.07	2.39	6.50
3	Cu_{total}	0.124	0.455	0.331	0.24	0.02	0.15	0.71	-1.49
5	Cu_{total}	0.010	1.010	1.000	0.09	0.01	0.09	5.74	50.50
6	Cu_{total}	0.010	1.050	1.040	0.12	0.01	0.08	3.34	29.94
7	Cu_{total}	0.010	0.740	0.730	0.14	0.01	0.09	2.29	8.65
9-10	Cu_{total}	0.020	1.500	1.480	0.32	0.02	0.14	0.91	4.75
1a	Cu_{total}	0.016	0.092	0.076	0.04	0.00	0.02	1.15	0.61
13	Cu_{total}	0.004	0.167	0.163	0.03	0.00	0.03	2.11	4.27
15	Cu_{total}	0.000	0.400	0.400	0.07	0.00	0.06	2.47	7.01
16	Cu_{total}	0.002	0.700	0.698	0.08	0.00	0.06	3.04	18.83
20	Cu_{total}	0.003	0.268	0.265	0.03	0.00	0.03	4.03	25.01
21	Cu_{total}	0.009	0.460	0.451	0.19	0.01	0.11	0.24	-0.61
22	Cu_{total}	0.007	0.565	0.558	0.09	0.01	0.08	2.67	9.80
Northern	Cu_{total}	0.005	0.171	0.167	0.05	0.00	0.04	1.09	0.75
21a	Cu_{total}	0.035	0.490	0.455	0.16	0.01	0.08	1.59	3.31

Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• Prior to the commencement of the mining operation a pilot scale SX-EW trial was undertaken at the Eastern Dump yielding a recovery of 50.2%, a pilot scale trial was also performed at the Western Dumps in 2012. • Large diameter column tests have also been undertaken at site. • As part of the 2012 exploration works bulk density measurements were taken for 11 dumps to supplement the previous density testwork carried out in 2009. The 2012 bulk density testwork involved the excavation of pits with the subsequent weighing of the recovered material and adjustment for the moisture content. The volume of the pits was determined using detailed surveys of the pits by total station and the calculation of the pit volumes by WAI from DTM wireframes produced by the surveys.
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Other than the ongoing leaching activities at Kounrad WAI is unaware of any additional planned exploration activities.

10.3 Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in Section 1, and where relevant in Section 2, also apply to this section)

Criteria	JORC Code explanation	Commentary
Database integrity	• *Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.* • *Data validation procedures used.*	• The sample data was supplied as Microsoft Excel spreadsheets from CAML. • Seven different database files were supplied to WAI representing different phases of the exploration works. • Data recorded in the databases included: o Collar coordinates; o Down hole surveys; and o Assays. • The Excel spreadsheets were used to regenerate separate collar, survey, assay and geology files in CAE Studio v3® (Datamine) software. These in turn were used to create a single de-surveyed sample file. • Verification was carried out on the digital database to check for erroneous sample positions, absent data fields, and to ensure there were no duplicate or overlapping samples. • From the measures taken, WAI considers the sample database suitable for use in the Mineral Resource Estimate
Site visits	• *Comment on any site visits undertaken by the Competent Person and the outcome of those visits.* • *If no site visits have been undertaken indicate why this is the case.*	• As part of the 2013 Mineral Resource Estimate by WAI the project and sampling works were visited by Mr Nick Szebor, BSc, MSc (MCSM), CGeol, EurGeol, FGS, **Associate Director** of WAI in November 2012. • A subsequent site visit has more recently been carried out by Dr Phil Newall, BSc (ARSM), PhD (ACSM), CEng, FIMMM, **Managing Director** of WAI, Barrie O'Connell, CEng, PhD, BEng (MCSM), **Principal Mineral Processing Engineer**, and Ruslan Erzhanov, **General Director, WAI KZ** conducted a personal inspection of the Project on 13 June 2017, primarily covering historical sampling and resource estimations, processing, production, supporting infrastructure, and environmental and social measures. • In the opinion of the competent persons, the drilling, sampling and recovery practices used on site are of a good industry standard.

<table>
<tr><th>Criteria</th><th>JORC Code explanation</th><th>Commentary</th></tr>
<tr><td>Geological interpretation</td><td>• Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.
• Nature of the data used and of any assumptions made.
• The effect, if any, of alternative interpretations on Mineral Resource estimation.
• The use of geology in guiding and controlling Mineral Resource estimation.
• The factors affecting continuity both of grade and geology.</td><td>• Copper dump wireframes have been constructed based on surveys carried out by personnel at site using a total station and fixed with known base stations.
• The base of the dumps has been defined from digitized historical topographic surveys pre-dump development supported by the RC chip logging carried out during the 2011 and 2012 drilling.
• A different grade interpretation, if used in the Mineral Resource Estimate, may affect the results of the Mineral Resource Estimate slightly. As the entire waste dump is leached there is no real alternative to volume interpretation.
• The copper dump volumes have been robustly defined through appropriate techniques.
• Due to the dump construction methods the distribution of grades throughout the dumps may be variable, but possibly could display tabular characteristics corresponding to successive dump raises. Given the age of the dumps some remobilization of the copper may have occurred due to environmental factors.</td></tr>
<tr><td>Dimensions</td><td>• The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</td><td>
<table>
<tr><th>Dump</th><th>Drillhole spacing</th><th>Average thickness (m)</th><th>Area (m²)</th></tr>
<tr><td>1</td><td>100m x 200m</td><td>41</td><td>679,180</td></tr>
<tr><td>1a</td><td>250m (only two drillholes)</td><td>11</td><td>63,047</td></tr>
<tr><td>2</td><td>150m x 200m</td><td>33</td><td>567,695</td></tr>
<tr><td>3</td><td>100m x 100m</td><td>16</td><td>33,477</td></tr>
<tr><td>5</td><td>200m x 200m</td><td>28</td><td>1,332,109</td></tr>
<tr><td>6</td><td>150m x 150m
Channel samples 100m spacing</td><td>19</td><td>420,352</td></tr>
<tr><td>7</td><td>200m x 200m
Channel samples 100m spacing</td><td>27</td><td>701,328</td></tr>
<tr><td>9-10</td><td>200m x 200m
Channel samples 50-100m spacing</td><td>15</td><td>508,867</td></tr>
<tr><td>13</td><td>200m x 200m</td><td>11</td><td>401,289</td></tr>
<tr><td>15</td><td>150m x 150m</td><td>32</td><td>1,145,391</td></tr>
<tr><td>16</td><td>150m x 150m</td><td>38</td><td>2,929,570</td></tr>
<tr><td>20</td><td>150m x 200m</td><td>18</td><td>521,484</td></tr>
</table>
</td></tr>
</table>

Criteria	JORC Code explanation	Commentary

21	150m x 200m	20	420,586
21a	100m	21	122,305
22	100m x 200m	27	1,084,375
Northern Dumps	150m x 200m	22	705,586

Estimation and modelling techniques

- *The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.*
- *The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource Estimate takes appropriate account of such data.*
- *The assumptions made regarding recovery of by-products.*
- *Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).*
- *In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.*
- *Any assumptions behind modelling of selective mining units.*
- *Any assumptions about correlation between variables.*
- *Description of how the geological interpretation was used to control the Mineral Resource Estimates.*
- *Discussion of basis for using or not using grade cutting or capping.*
- *The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.*

- The Mineral Resource estimation has been carried out using CAE Studio v3® software.
- The Mineral Resource model is based on a geological model using the copper dump volumetric wireframes produced based on the topographic surveys. The model and sample data was domained on a dump by dump basis.
- The sample data has been statistically reviewed for each dump to assess for any additional domaining requirements. Sample data was also statistically reviewed by sample type to determine any bias exerted by one method compared to others. No bias was shown by the various sampling methods, nor was any need for further domaining identified.
- During production from the Kounrad open pit, grade control works comprised sampling of the blast holes on a 6m x 6m grid. Samples were assayed and logged according to whether they were oxide, sulphide or mixed. The mine production department kept records of material exiting the pit noting what material it was, approximate grade and where the material was sent, this includes material sent to the dumps.
- The greatest difference between the current WAI Mineral Resource Estimate and the previous production records is for the Northern Dumps. This is due to a significant volume discrepancy between the WAI March 2013 estimate (15,325,000m^3) and the Balkashmed (2006) estimate (48,900,000m^3). Calculation of the average height of the dumps based on the Balkashmed (2006) volume and area data implies an average height of approximately 48m. This is significantly in excess of the height determined from recent onsite surveys. WAI has not been able to establish the reason for this difference.
- Only Cu_{Total} and Cu_{Acid} grades are estimated.
- Currently there are no geostatistical estimations made on deleterious elements.
- Decile analysis in conjunction with probability plots were used to ascertain the need for top-cutting, to reduce the influence of high grade outliers. Based on the results WAI applied the following top-cuts:

Criteria	JORC Code explanation	Commentary
		o Dump 2 topcut of 0.25% Cu; o Dump 13 topcut of 0.12% Cu; o Dump 15 topcut of 0.3% Cu; o Dump 20 topcut of 0.1% Cu; and o Dump 22 topcut of 0.4% Cu. • To ensure all samples have equal support samples have been composited to 3m. • A non-rotated volumetric block model with a parent cell size of 50m x50m x 3m has been used with each dump coded separately. The block spacing compares to an average sample spacing of 100m x 100m over the majority of the deposit. • Variography has been carried out for the selected top-cut and composited sample data. No robust anisotropic variograms could be produced, WAI therefore produced isotropic variograms for the copper dumps. • Grade estimation was carried out using Inverse Distance Weighted Cubed (IDW^3) as the principle interpolation method. Nearest Neighbour (NN) was also used for comparative purposes. • Grade estimations have been carried out on a three pass plan with each successive estimation increasing the search ellipse size to estimate blocks not estimated on the previous passes. The estimation search ellipses (along strike/down dip/across strike) are typically: o First search 50m x 25m x 1m (along strike/down dip/across strike); o Second search 200m x 100m x 4m; and o Third search >200m x >100m x >4m. • The minimum number of sample composites was set to 5 for the first run, 4 for the second and 1 for the final pass. The maximum number of composites set to 12 for the first and second passes and 16 for the final third pass. • Search radii were determined based on the sample spacing. • Mineral Resources have been classified as ***Indicated*** where sample spacing is less than 200m x 100m. and with a minimum of 5 samples required from a minimum of 2 drillholes. • Mineral Resources which were estimated but did not fulfil the criteria for *Indicated*

Criteria	JORC Code explanation	Commentary
		classification were assigned an ***Inferred*** classification. • Visual, statistical, and grade profile validations of the block model against the composite grades show a good correlation, and that the block model is representative of the sample data. • WAI has carried out a comparison of the WAI Mineral Resource Estimate against the dump development records. Excluding the Northern dumps the WAI estimates are within 2% of the reported metal content in the dump development reports. • The updated topographic surveys show that the Northern D • Dumps have typically been over reported historically due to the height of the dumps being over stated. • Mineral Resources have not been adjusted for metallurgical recovery and are reported in-situ. • No deleterious elements have been included in the Mineral Resource Estimate. • Since the commencement of production at Kounrad circa 61kt of copper has been extracted to produce copper cathode, as of the end of Q1, 2017. Due to the leaching method it is not possible to clearly define where within the dumps copper mineralisation has been leached, with leached solutions tending to propagate through several dumps before being sent to the process plant. • For the purpose of accounting for depletion and for the sake of transparency the Mineral Resource statement has been revised to not only include the resources reported as of 2013, but also to show the contained metal recovered.
Moisture	• *Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.*	• Mineral Resource tonnages have been reported on a dry basis.
Cut-off parameters	• *The basis of the adopted cut-off grade(s) or quality parameters applied.*	• Due to the leaching method employed by CAML, dumps are not selectively leached. WAI has therefore reported the Mineral Resources on a total in-situ basis with no cut-off applied.
Mining factors or assumptions	• *Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the*	• CAML operate a commercial in-situ leaching process followed by SX-EW process at Kounrad whereby acid is sprayed over the copper dump surface, propagates through the dump material scavenging copper as it passes through. The pregnant solution is

Criteria	JORC Code explanation	Commentary
	process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.	then collected in a series of lined trenches and pumped to the SX-EW plant where copper cathode is produced. • To date circa 61kt of copper cathode has been produced, predominantly from dumps 5, 6, 7, 9 and 10.
Metallurgical factors or assumptions	• *The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.*	• Metallurgical testwork, pilot scale testing together with operational data, has been compiled for the leaching of the Eastern and Western Dumps at Kounrad. • A pilot scale Solvent Extraction Electro Winning (SX-EW) trial was undertaken at the Eastern Dump (yielding a recovery of 50.2%) in 2011. • Pilot scale trial was also performed at the Western Dumps in 2011-2012. • The pilot testwork has shown that copper is recoverable via acid leaching with a recovery approaching 50% being obtained. • In 2012, the SX-EW Plant was commissioned and later expanded in 2015 in readiness for the treatment of the Western Dumps. • Since 2012 CAML has produced over 61,000t of copper cathode through the dump leaching and Solvent Extraction Electro Winning (SX-EW). • For the Eastern Dumps, CAML has adopted recovery levels of 51% for Dumps 6,7,9 and 10 while a leach recovery level of 42% was adopted for Dumps 2 and 5. The Western Dumps, being more refractory to acid leaching (due to the presence of sulphide material) are expected to respond less favorably to leaching with leach recoveries ranging from 35 and 42% being adopted.
Environmental factors or assumptions	• *Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental*	• WAI has reviewed the environmental and social performance of the Kounrad operations based on a review of documentation provided by the Client. • The Project is considered compliant with local Kazakh legislation and a considerable amount of work has been undertaken to bring the Project in line with international best practice. • Waste dumps are leached in-situ and all intermediate wastes (such as spent, or spilled raffinate) recycled back into this process. • Crud, the solid waste residue from the hydrometallurgical process in the SX section, is removed and placed back on the dump. • The processing circuit is reported to have zero liquid discharge to the environment.

Criteria	JORC Code explanation	Commentary
	assumptions made.	
Bulk density	• *Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.* • *The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.* • *Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.*	• As part of the 2012 exploration works bulk density measurements were taken for 11 dumps to supplement the previous density testwork carried out in 2009. The 2012 bulk density testwork involved the excavation of pits with the subsequent weighing of the recovered material and adjustment for the moisture content. The volume of the pits was determined using detailed surveys of the pits by total station and the calculation of the pit volumes by WAI from DTM wireframes produced by the surveys. • In total 33 pits were carried out in 2012. • For the current Mineral Resource Estimate a density value of 1.87t/m^3 was used for oxide wastes and 2.04t/m^3 was used for sulphide and mixed wastes, consistent with previous estimates and supported by the 2012 bulk density measurements. Dumps 2, 3, 5, 6, 7 and 9-10 were categorised as oxide waste and dumps 1, 1a, 13, 15, 16, 20, 21, 21a, 22 and northern were categorised as either sulphide or mixed waste.
Classification	• *The basis for the classification of the Mineral Resources into varying confidence categories.* • *Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).* • *Whether the result appropriately reflects the Competent Person's view of the deposit.*	• The model has been classified based on data spacing, for Indicated and Inferred categories. • No Measured category was defined due to confidence in grade continuity based on the current sample spacing, the lack of Certified Reference Materials (CRMs), and the lack of supporting details for exploration works between 2007 and 2010. • Mineral Resources have been classified as ***Indicated*** where sample spacing is less than 200m x 100m. and with a minimum of 5 samples required from a minimum of 2 drillholes. • Mineral Resources which were estimated but did not fulfil the criteria for *Indicated* classification were assigned an ***Inferred*** classification. • The quality of the sample data on which the estimate is based has been reviewed including a review of QA/QC results. Overall the input data is of sufficient quality for the reporting of *Indicated* and *Inferred* Mineral Resources. • Geological continuity is robustly defined through appropriate surveys of the copper dumps. • The classification of the Mineral Resource Estimate reflects the Competent Person's view of the deposit.

Criteria	JORC Code explanation	Commentary
Audits or reviews	• *The results of any audits or reviews of Mineral Resource estimates.*	• No audits or reviews have been carried out.
Discussion of relative accuracy/ confidence	• *Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource Estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.* • *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.* • *These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.*	• The topographic survey works of the current dumps and surrounding topography has been carried out to a high level of accuracy and covers the area under consideration sufficiently. • Geological continuity and volumes of the copper dumps is well established through appropriate surveying. • WAI considers that the current sample spacing is sufficient to assume or infer grade continuity between sample points. • QA/QC results available for the 2010-2012 exploration works show reasonable levels of precision and no noticeable sample contamination issues, with the exception of the external 2010 duplicate assays. External 2010 duplicates show a poor correlation indicating a possible issue, either with the principal laboratory and/or the external check laboratory. This may be related to the digestion methods used for the assay. • Based on the QA/QC results WAI is of the opinion that the sample data is sufficient for use in a Mineral Resource Estimate, however, given the lack of Certified Reference Materials (CRMs), the issue identified with the 2010 external samples. WAI is of the opinion that no Measured Resources can be assigned to the Mineral Resource Estimate. • The relative accuracy and confidence is reflected in the assigned Mineral Resource classification. • Limited grade support is available based on the current sampling, however, the final estimates of contained metal compare well with the historical dump development reports indicating that the grade estimates are reasonable. • Those areas defined by Indicated and Inferred Mineral Resources are considered global estimates only.

11 GLOSSARY

Glossary	
Term	**Definition**
"alteration"	Changes in the chemical or mineralogical composition of a rock, generally produced by weathering or hydrothermal solutions.
"Au"	Chemical symbol for the element gold
"C"	Degrees Celsius
"CAML"	Central Asia Metals Plc
"Cgeol"	Chartered Geologist of the Geological Society
"chalcopyrite"	The mineral sulphide of iron and copper, $CuFeS_2$; sometimes called copper pyrite or yellow copper ore
"CPR"	Competent Persons Report
"Cu"	Chemical symbol for copper
"Cut-off grade"	The minimum concentration of a valuable component in a marginal sample of the mineral. The cut-off grade is used to delineate parts of the deposit to be mined
"Cuacid"	Acid Soluble Copper
"CuTotal"	Total Copper ("CuTotal")
"deposit"	A body of mineralisation that represents a concentration of valuable metals.
"dilution"	Waste rock that is, by necessity, removed along with the ore in the mining process subsequently lowering the grade of the ore
"disseminated"	Mineral deposit in which the desired minerals occur as scattered particles in the rock, but in sufficient quantity to make the deposit an orebody
"DTM"	Digital Terrain Models
"Ecolimit"	Independent ecological contractors
"EHS"	Environmental, Health & Safety
"ESIA"	Environmental and Social Impact Assessment
"Fe"	Chemical symbol for iron.
"feasibility study"	Technical and financial study to assess the commercial viability of a project
"FGS"	Fellow of the Geological Society
"g/t"	gramme per metric tonne
"grade"	Relative quantity or the percentage of ore mineral or metal content in an orebody
"hematite"	Hematite is the mineral form of iron(III) oxide (Fe_2O_3), one of several iron oxides
"hydrothermal"	Refers in the broad sense to the process associated with alteration and mineralisation by a hot mineralised fluid (water).
"IDW^3"	Inverse Distance Cubed
"IFC"	International Finance Corporation
"Indicated resource"	An economic mineral occurrence have been sampled (from locations such as outcrops, trenches, pits and drillholes) to a point where an estimate has been made, at a reasonable level of confidence, of their contained metal, grade, tonnage, shape, densities, physical characteristics.
"JORC Code"	Joint Ore Reserve Committee Code; the Committee is convened under the auspices of the Australasian Institute of Mining and Metallurgy
"kg" "km(s)"	Kilogramme (1,000kg = 1t) kilometres
"km^2"	square kilometres
"lb"	Unit of mass, pound (1 metric tonne = 2,204lb)
"leached"	A rock that is subject to the process of being broken down by the action of substances dissolved in water.
"LOM"	Life of Mine
"m"	metre
"malachite"	$Cu_2CO_3(OH)_2$; bright green; occurs in oxidised zones of copper deposits and a source of copper.
"mine"	A mineral mining enterprise. The term is often used to refer to an underground mine.
"mineral deposit"	A body of mineralisation that represents a concentration of valuable metals. The limits can be defined by geological contacts or assay cut-off grade criteria.
"mineral resource"	a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such a form that there are reasonable prospects for the eventual economic extraction; the location, quantity, grade geological characteristics and continuity of a mineral resource are

Glossary	
Term	**Definition**
	known, estimated or interpreted from specific geological evidence and knowledge; mineral resources are sub-divided into Inferred, Indicated and Measured categories
"mineralisation"	Process of formation and concentration of elements and their chemical compounds within a mass or body of rock.
"mining method"	A combination of technical solutions that define the geometry, technology and sequence of mining.
"mm"	millimetre, one thousandth of a metre.
"MRE"	Mineral Resource Estimate
"Mt"	Million tonnes.
"NN"	Nearest Neighbour
"open pit"	A mine that is entirely on surface; also referred to as open-cut or open-cast mine.
"ore"	Naturally occurring material from which a mineral or minerals of economic value can be extracted profitably or to satisfy social or political objectives.
"ounce" or "oz"	troy ounce (= 31.1035 grammes)
"oxide"	Mineral formed by the union of an element with oxygen; the portion of an orebody near the surface that has been leached by percolating water carrying oxygen, carbon dioxide, or other gases.
"ppb"	Parts per billion
"ppm"	Parts per million
"processing"	A combination of processes for primary treatment of solid minerals in order to extract the products amenable to further technically and economically feasible chemical or metallurgical treatment or use.
"pyrite"	Mineral compound of iron and sulphur, sulphide mineral, iron sulphide, chemical symbol FeS_2.
"QA/QC"	Quality assurance/quality control.
"quartz"	Mineral composed of silicon dioxide.
"RC"	Reverse Circulation
"sampling"	The process of studying the qualitative and quantitative composition and properties of natural formations comprising a deposit.
"sulphide"	Mineral containing sulphur in its non-oxidised form; that part of a sulphide deposit that has not been oxidised by near-surface waters. Ore which is in its primary mineralised state and has not undergone the process of natural oxidation.
"SX-EW"	Solvent extraction and electrowinning (SX-EW) is a two-stage hydrometallurgical process that first extracts and upgrades copper ions from low-grade leach solutions into a solvent containing a chemical that selectively reacts with and binds the copper in the solvent. The copper is extracted from the solvent with strong aqueous acid which then deposits pure copper onto cathodes using an electrolytic procedure (electrowinning).
"t"	metric tonne (1,000kg)
"tailings"	Liquid wastes of mineral processing with valuable component grade lower than that of the initial material.
"US$"	United States Dollars
"vein"	Tabular deposit of minerals occupying a fracture, in which particles may grow away from the walls towards the middle.
"WAI"	Wardell Armstrong International
"XRF"	X-ray fluorescence; emission of characteristic "secondary" (or fluorescent) X-rays from a material that has been excited by bombarding with high-energy X-rays or gamma rays; widely used for elemental analysis.
"Zn"	Chemical symbol for zinc
"$"	United States Dollars
"%"	Percent

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PART B:

MACEDONIAN COMPETENT PERSON'S REPORT

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A COMPETENT PERSONS' REPORT ON THE SASA LEAD-ZINC MINE, REPUBLIC OF MACEDONIA

Prepared For

Central Asia Metals PLC

Peel Hunt LLP

J.P. Morgan Securities PLC

Report Prepared by



SRK Consulting (UK) Limited

UK7322

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EXECUTIVE SUMMARY
A COMPETENT PERSONS' REPORT ON THE SASA LEAD-ZINC MINE, REPUBLIC OF MACEDONIA

1 INTRODUCTION

1.1 Background

SRK Consulting (UK) Limited ("SRK") is an associate company of the international group holding company, SRK Consulting (Global) Limited (the "SRK Group"). SRK was requested by Central Asia Metals PLC ("CAM", hereinafter also referred to as the "Company" or the "Client") to undertake technical due diligence in respect of the "Mineral Assets" (defined below) of Lynx Resources Ltd and in addition to prepare a Competent Persons' Report ("CPR") in accordance with the AIM Rules (as defined below).

Lynx Resources Ltd is a private company, registered in Bermuda, which was established by Fusion Capital and Orion Mine Finance Group to acquire the SASA lead-zinc mine in Macedonia in November 2015. Lynx Resources manages its interests through its wholly owned subsidiary, Rudnik "SASA" DOOEL ("SASA Mine"). The Mineral Assets which are the subject of the CPR are the SASA lead zinc mine (the "SASA Mine"), in the Former Yugoslav Republic of Macedonia ("Macedonia").

CAM proposes to acquire the SASA Mine through the acquisition of Lynx Resources Ltd.

For the 12-month period ended 31 December 2016, Lynx Resources reported the following key operating statistics for the Mineral Assets: saleable products comprising: 39,507 dmt Pb concentrate and 45,548 dmt Zn concentrate from 782,823 dmt mined and 779,231 dmt processed. For the first 6 months of 2017 ("H1 2017") these statistics are: 20,301 dmt Pb concentrate and 21,719 dmt Zn concentrate from 391,043 dmt mined and 392,257 dmt processed.

The current Life of Mine Plan ("LoMp") (starting H2 2017, limited to end-2037) assumes ore production of 15.98 Mt ore to the process plant, with saleable products comprising 357.2 kt Zn in concentrate, 559.8 kt Pb in concentrate and 6,949 koz Ag in concentrate.

SRK has been informed that the Company is intending to publish an AIM Admission Document in connection with the proposed acquisition of the SASA Mine and seek readmission of the Company's shares on the London Stock Exchange's Alternative Investment Market ("AIM") as required under the AIM Rules and that as part of this it is required to include a report on the SASA Mine.

This report is addressed to Central Asia Metals PLC, its Nominated Advisor, Peel Hunt LLP and its financial advisor J.P. Morgan Securities PLC. SRK understands that this report will be included as part of an AIM admission document to be published by CAM (the "Admission Document"). For the purposes of the AIM Rules for Companies, SRK is responsible for this report as part of the Admission Document and declares that it has taken all reasonable care

to ensure that the information contained in this report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import and no material change has occurred from 1 July 2017 to 22 September 2017 that would require any amendment to the CPR. SRK consents to the inclusion of this report, and reference to any part of this report, in the Admission Document.

This CPR reports on the Mineral Resource and Ore Reserve estimates of the Mineral Asset as of 01 July 2017, in accordance with the terms and guidelines of the JORC Code (2012).

A number of site visits were undertaken by the SRK Competent Persons for the purposes of the CPR and Mineral Resource and Ore Reserve Assessment, covering Geology, Geotechnical, Mining, Geochemistry, Mineral Processing, Tailings, Hydrology and Environmental from February 2016 through to July 2017.

1.2 The Mineral Assets

The SASA Mine is located in northeastern Macedonia (Figure ES 1), approximately 150 km from the capital city of Skopje and 10 km to the north of the small village of Makedonska Kamenica.

SASA Mine comprises an operating underground lead-zinc mine and flotation plant, which allows for the production of separate zinc and lead concentrates. Concentrates are currently transported by truck for treatment in smelters in the surrounding region.

The mine is located in the Osogovo Mountains of eastern Macedonia at the head of the deeply incised Kamenica River valley, with an elevation range of approximately 975 to 1,600 m above sea level. The mine site is subject to continental and Mediterranean climatic influences, with hot dry summers and cold winters. Underground mine infrastructure is extensive, as shown in Figure ES 2, with many historic worked out areas. A number of restored and operational tailings storage facilities (“TSF”) are located in the valley below the processing plant. A new TSF, TSF 4, is currently under construction, immediately downstream of the active TSF 3.2. Active and legacy waste rock dumps are located around the property. Waste rock from the active mine is transported to the surface for capping of the TSFs as part of the rehabilitation plan or is stored for future use in TSF construction

A summary of all licences related to the SASA Mine is included in Table ES 1. SRK notes that whilst the current exploration licence expires on 13 December 2017, the application for renewal is already in progress. SRK has every reason to expect that the licence will be renewed as a matter of course within the allowable 12-month period following the expiry of the licence.

Table ES 1: Summary Table of Mineral Assets

Asset	Holder	Interest	Status	Licence expiry date	Licence area	Comments
SASA Mine, Macedonia	Rudnik SASA DOOEL	100%	Production	28 September 2030	4.22 km^2	Current annual run of mine production is 780 kt, producing lead and zinc concentrates.
SASA Mine, Macedonia	Rudnik SASA DOOEL	100%	Exploration	Expires on 13 December 2017[1)]	1.42 km^2	

1) For further details regarding the renewal status refer to Section ES1.5.

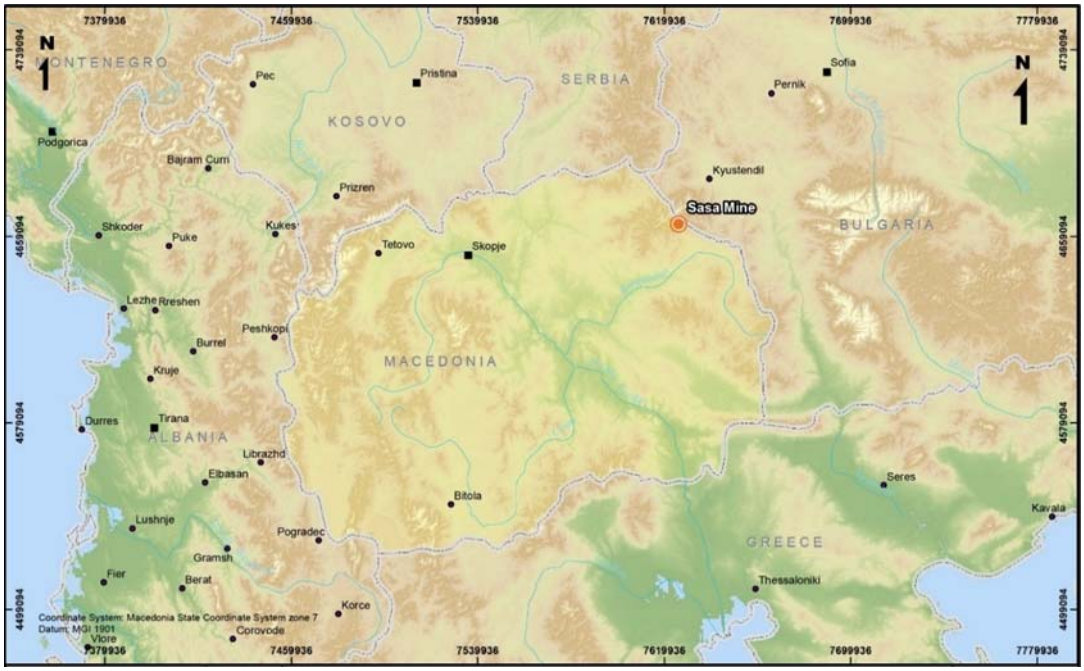


Figure ES 1: SASA Mine location in Macedonia and wider Balkans region

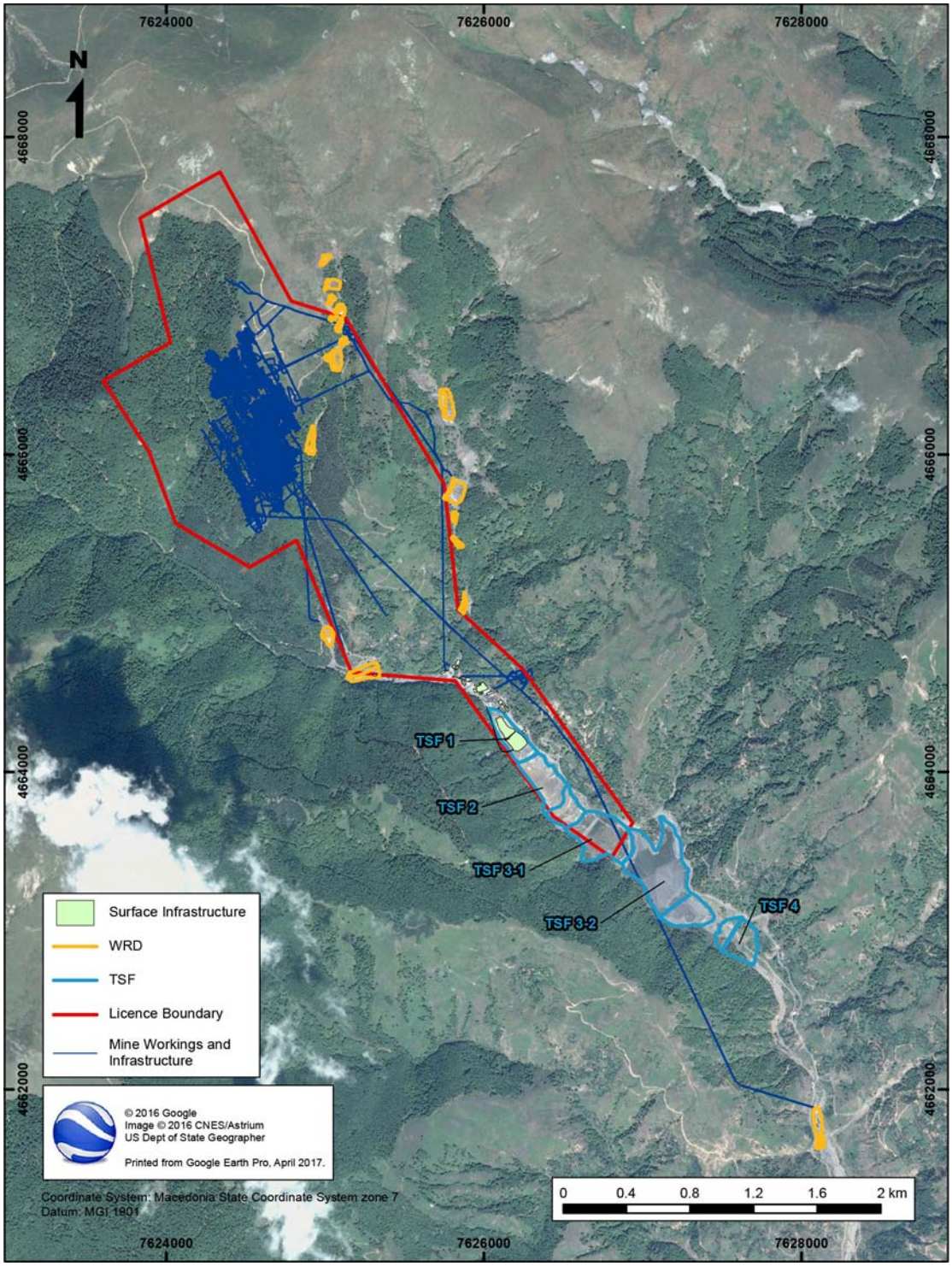


Figure ES 2: Aerial view showing layout of the SASA Mine site and facilities

1.3 Competent Persons

This CPR has been prepared based on a technical and economic review by a team of consultants sourced from SRK's offices in the United Kingdom. These consultants have extensive experience in the mining and metals sector and are members in good standing of appropriate professional institutions. The consultants comprise specialists in the fields of: geology and resource estimation; mining engineering and ore reserves; mining geotechnical engineering; hydrogeology/hydrology; waste and tailings engineering; geochemistry; water

management; environmental and social; occupational health and safety and financial evaluation (hereinafter the “Technical Disciplines”).

The Mineral Resource Estimate (“MRE”) and report was undertaken by SRK UK, and the Competent Person is Mr Guy Dishaw, BSc, who is a full time employee of and Principal Consultant (Resource Geology) at SRK. Mr Dishaw is a Professional Geoscientist registered with the Association of Professional Engineers and Geoscientists of Saskatchewan, a ‘Recognised Overseas Professional Organisation’ (“ROPO”) included in a list promulgated by the Australian Stock Exchange (“ASX”) from time to time. Mr Dishaw has 17 years’ experience in the mining and metals industry and also has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012). The full Mineral Resource Report has been prepared separately to this CPR and a summary is presented in Section 3.

The Competent Person who has reviewed the Ore Reserves and the Life of Mine Plan (“LoMp”) as reported by Lynx Resources is Mr Chris Bray, BEng, MAusIMM (CP), who is a full time employee of and Principal Consultant (Mining) at SRK. He is a Member of and Chartered Professional in the Australasian Institute of Mining and Metallurgy, a ROPO. Mr Bray is a Mining Engineer with 20 years’ experience in the mining and metals industry, including operational experience in underground lead-zinc mines, and as such qualifies as a Competent Person as defined in the JORC Code (2012). He has also been involved in the reporting of Ore Reserves on various properties internationally for over 10 years.

The Competent Person who has overall responsibility for the CPR is Mr Richard Oldcorn, MSc, CGeol, who is a Corporate Consultant and Managing Director of SRK. He is a Fellow of the Geological Society of London and a Chartered Geologist, a ROPO. Mr Oldcorn has 27 years’ experience in the mining and metals industry and also has been involved in the preparation of Competent Persons’ Reports comprising technical evaluations of various mineral assets internationally during the past five years, which is relevant to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012).

Table ES 2 provides a summary of the designated Competent Persons and other key contributors for completion of this CPR.

Neither SRK nor the authors of this report are qualified to provide comment on any legal issues associated with the SASA Mine. Assessment of these aspects has relied on information provided by Lynx Resources and its advisors, and has not been independently verified by the authors.

The technical work and economic modelling for the Ore Reserve estimate has been completed by Lynx Resources and other third party consultants with SRK working in an independent review capacity.

Table ES 2: Competent Persons and Other Experts

List of Competent Persons					
Competent Person	**Position / Company**	**Responsibility**	**Independent of Rudnik SASA DOOEL**	**Date of Last Site Visit**	**Professional Designation**
Guy Dishaw	Principal Consultant (Resource Geology), SRK Consulting (UK) Ltd	Mineral Resources Estimate	Yes	January 2017	BSc, P.Geo
Christopher Bray	Principal Consultant (Mining), SRK Consulting (UK) Ltd	Ore Reserve Estimate	Yes	March 2017	BEng, MAusIMM(CP)
Richard Oldcorn	Corporate Consultant (Due Diligence), SRK Consulting (UK) Ltd	Overall CPR	Yes	March 2017	BSc, MSc, CGeol
Other Experts who assisted the Competent Persons					
Expert	**Position / Company**	**Responsibility**	**Independent of Rudnik SASA DOOEL**	**Date of Last Site Visit**	**Professional Designation**
Neil Marshall	Corporate Consultant (Geotechnical Engineering), SRK Consulting (UK) Ltd	Geotechnical Assessment	Yes	July 2017	CEng, MSc (DIC), MIMMM
Dr David Pattinson	Corporate Consultant (Minerals Processing & Metallurgy), SRK Consulting (UK) Ltd	Mineral Processing Review	Yes	March 2017	PhD, CEng, MIMMM, BSc
Richard Martindale	Principal Consultant (Geotechnical and Tailings Engineering), SRK Consulting (UK) Ltd	Tailings Management Review	Yes	February 2016	CEng, BSc, MSc, MCSM, MIMMM, FGS
Carl Williams	Senior Consultant (Geochemistry), SRK Consulting (UK) Ltd	Geochemistry Review	Yes	March 2017	MSc BEng, Grad MCIWEM
Fiona Cessford	Corporate Consultant (Environment), SRK Consulting (UK) Ltd	Environmental & Social Review	Yes	March 2017	BSc, MSc, Pr.Sci.Nat.
Samantha Barnes	Consultant (Hydraulic Engineering), SRK Consulting (UK) Ltd	Water Management Review	Yes	March 2017	BSc, BESc,
Jamie Spiers	Senior Consultant (Tailings and Closure), SRK Consulting (UK) Ltd	Conceptual Closure Cost Estimate	Yes	none	BSc, MSc
Inge Moors	Senior Consultant (Mineral Economics), SRK Consulting (UK) Ltd	Financial Model Review	Yes	none	MSc, MAusIMM

1.4 Historical Mining

The initial mining and geological surveys of the Osogovo Mountains' ore-bearing massif and the SASA Mine locality date from 1954. The period between 1954 and 1960 was a period of exploration and the mine construction took place between 1960 and 1965. In November 1965, the mine was opened for trial processing with a projected production capacity of 0.3 Mtpa of lead-zinc ore.

The SASA Mine commenced operation from 1966 as a state-owned entity. During the 1990s, ore production levels at SASA Mine were roughly 0.5 Mtpa and, in 2002, the mining and milling operation was shut down due to lack of operating capital on the part of the Macedonian government, which owned the mine. Subsequently, the mine was put into bankruptcy and closed. The Solway Group subsequently purchased the mine and operations were restarted in 2006.

Table ES 3 provides a summary of the recent annual mine and processing production at the SASA Mine.

Table ES 3: Historical Production at the SASA Mine

Description	Units	2010	2011	2012	2013	2014	2015	2016	H1 2017
Mine Performance									
Total Ore Mined	(kt wet)	838	788	784	807	809	806	807	402
	(kt dry)	809	759	753	777	780	780	783	391
Lead grade	(% Pb)	4.05	3.83	3.93	4.13	4.16	4.04	3.95	4.01
Zinc grade	(% Zn)	3.81	3.43	3.35	3.47	3.48	3.52	3.41	3.20
Process Plant Performance									
Ore Processed	(kt wet)	840	787	785	804	809	803	803	404
	(kt dry)	811	758	754	774	780	777	779	392
Lead grade	(% Pb)	4.05	3.83	3.93	4.13	4.16	4.04	3.95	4.01
Zinc grade	(% Zn)	3.81	3.43	3.35	3.47	3.48	3.52	3.41	3.20
Lead Concentrate									
Lead Concentrate	(kt dry)	41.3	37.1	38.0	41.0	41.6	40.2	39.5	20.3
Lead Recovery	(%)	94.4	95.1	94.4	94.4	94.5	94.1	94.1	94.6
Lead Grade	(% Pb)	75.15	74.32	73.64	73.62	73.73	73.51	73.29	73.29
Zinc Grade	(% Zn)	2.82	2.66	2.43	2.59	2.59	2.86	2.71	2.56
Lead Contained	(kt)	31.0	27.6	28.0	30.2	30.7	29.5	29.0	14.9
Zinc Concentrate									
Zinc Concentrate	(kt dry)	52.8	44.6	43.1	46.2	46.9	47.2	45.5	21.7
Zinc Recovery	(%)	86.0	86.6	86.2	86.3	86.5	85.8	84.6	85.6
Lead Grade	(% Pb)	1.13	1.05	1.08	1.06	1.33	1.64	1.33	1.10
Zinc Grade	(% Zn)	50.36	50.56	50.51	50.14	50.13	49.78	49.43	49.45
Zinc Contained	(kt)	26.6	22.5	21.8	23.2	23.5	23.5	22.5	10.7

1.5 Mineral Tenement and Land Tenure Status

A plan showing the current Exploitation Concession area (No.24-2413/1) and the current Exploration Concession area (No.24-497/10) is provided in Figure ES 3.

The exploitation concession (24-5550/1) covers an area of 4.22 km^2 and comprises sub-areas labelled by year, which relate to expansions of previous licence boundaries. The current exploitation concession was most recently issued to Lynx Resources on 13 November 2014 and is valid until 28 September 2030, with the possibility of extending for another 30 years.

The exploration concession (24-4971/1) covers an area of 1.42 km^2, was issued to Lynx Resources on 13 December 2013 and expires on 13 December 2017. Lynx Resources is currently in the process of applying to renew the exploration concession. A study detailing the results of exploration between 2013 and 2017 is going to be submitted by October 2017, and following revision of the study by the Geological Department of the Ministry of Economy, Lynx Resources will apply for an extension of the mining concession to include the current exploration concession area. Once this extended mining concession is approved, a new application for an exploration concession area will be submitted. Lynx Resources has 12 months from the date of expiration in which to complete the applications for both the extension of the mining concession and the new exploration concession.

SRK notes that 12% of the Inferred Mineral Resources of the Svinja Reka deposit fall outside the current exploitation licence, but within the exploration licence. A total of 2.1 Mt of material is to be mined at Svinja Reka from the Inferred category from 2029 to 2034, 12% of which corresponds to only 0.25 Mt of material outside the exploitation licence area. SRK notes that

there is potential to extend the mine life by further defining and potentially extending the Svinja Reka and Golema Reka resources at depth, and by delineating and quantifying extents of the Kozja Reka deposit, combined with further licence extensions, and that such studies are ongoing or planned.

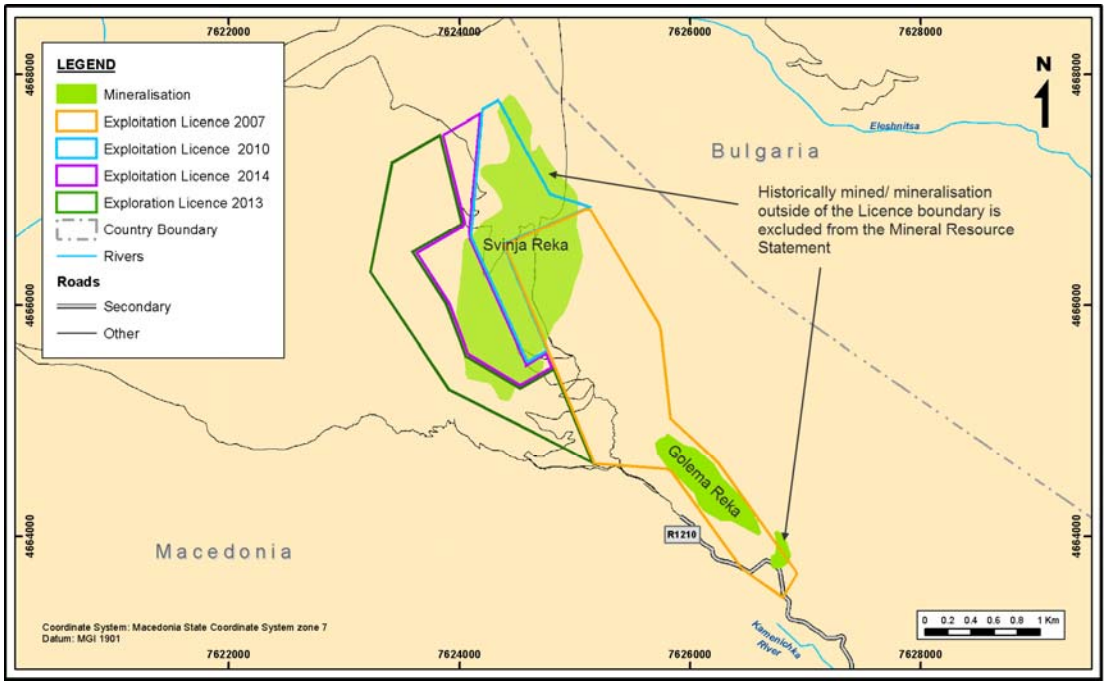


Figure ES 3: Current SASA Mine Licence Boundaries with mineralisation wireframes

2 MINERAL RESOURCE STATEMENT

2.1 Regional and Local Geology, Deposit Type and Mineralisation

SASA Mine comprises the Svinja Reka, Golema Reka and Kozja Reka lead-zinc-silver deposits, which lie within the Serbo-Macedonian Massif, a belt which extends through Serbia, Macedonia, Bulgaria, and eastern Greece into Turkey and hosts a large number of lead-zinc deposits. The mineral deposits are located on the eastern flank of a Tertiary intermediate intrusive complex and related porphyry Cu-Mo system, within which a northwest striking stockwork alteration zone is developed. Lead-zinc-silver mineralisation occurs as stratiform deposits hosted predominantly by quartz-graphite schist and marbles of Lower Palaeozoic age at Svinja Reka and by gneisses at Golema Reka. The mineralisation is considered to relate to the intrusion of Tertiary volcanics. High-temperature hydrothermal fluids and bedding-parallel faulting are responsible for metasomatism of the host sediments, producing skarn and base metal mineralisation.

The well-defined, partially exploited, lenses of lead-zinc-silver mineralisation dip at approximately 35° to the south-west and typically range in true thickness from between 2 and 30 m. The mineralised lenses are present in parallel sheets (typically two or three bodies, namely the hanging wall, central and footwall orebodies), separated by an interburden with thicknesses of 1 to 10 m. The lenses pinch and swell along strike and down-dip. The mineral deposits are considered to be metasomatic skarn-hydrothermal deposits with replacement and bedding-parallel fault controlled mineralisation. The skarns occur in the form of replacement of marble, whereas the hydrothermal lead-zinc-silver mineralisation appears as

replacements and as open-space fillings. The hydrothermal association, which is superimposed onto the skarn assemblages, contains argentiferous galena, sphalerite, pyrite and minor chalcopyrite.

Only Svinja Reka and Golema Reka form part of the Mineral Resources as described in this report. Kozja Reka was mined previously but has not been further evaluated at this stage.

2.2 Mineral Resource Estimation

The SASA Mine has been explored since 1954 including geophysics, mapping, trenching, and drilling from both surface and underground excavations. The Mineral Resource models at the SASA Mine consider 1,442 underground and surface diamond drillholes and 15 underground channels conducted between the years of 1974 and 2016 for the Svinja Reka deposit and 104 underground and surface diamond drillholes and 51 underground channels conducted between the years of 1974 to 2010 for the Golema Reka deposit. The resource database was reviewed and verified by SRK before use in the Mineral Resource Estimates.

Whilst no routine external assay Quality Assurance/Quality Control ("QAQC") procedures are currently implemented, SRK has previously completed an independent check by selecting 400 duplicate pulp samples, from SASA Mine drilling intercepts, which were submitted to the Eurotest Control Sofia laboratory. Analysis of the results indicates in general the reasonable quality of results, albeit with a slight bias toward lower grade. The SASA Mine laboratory is annually audited by the Macedonian Accreditation Institute and also acts as control for the plant concentrate shipment. The SASA Mine laboratory also regularly submits check samples to a laboratory in Sofia, Bulgaria as part of its own internal QAQC programme.

A number of historical Mineral Resource Estimates, in accordance with the JORC guidelines, have been completed by international consulting groups (SRK in 2006, Wardell Armstrong in 2011 and MRA in 2015).

In addition, SASA Mine is required to undertake reporting of Reserves in accordance with the Macedonian State Reporting System every four years. The State Reporting for the SASA Mine is prepared by a local design institute and was last completed as at 01 April 2015. Classification and categorisation of State Reserves is defined by the Macedonian Law for mineral raw materials and is prescriptive, with many similarities to other resource and reserve reporting systems developed in Eastern Europe and the Former USSR. Silver grade estimates are not provided in the State Resources and Reserves.

Block model tonnages and grade estimates for the Svinja Reka and Golema Reka deposits have been classified in accordance with the guidelines of the JORC Code (2012). In addition to the quality and quantity of exploration data supporting the estimates, the confidence in the geological continuity of the mineralised structures and the confidence in the tonnage and grade estimates is considered in assigning the Resource classification. Depletion due to mining has been accounted for in the models.

The geological interpretation used to generate the Mineral Resource is generally considered to be robust; however, there are areas of lower geological confidence which may be subject to further revision in the future.

At Svinja Reka, SRK considers that the quality and spatial distribution of the data used, the geological continuity of the mineralisation and the quality of the estimated block model is

sufficient for the reporting of Indicated and Inferred Mineral Resources. At Golema Reka, Mineral Resources have been limited to the Inferred category due to the lower confidence in the geological model and absence of any historical core or accessible mineralisation exposures. Areas of mineralisation in Golema Reka that contain less than 2% Pb+Zn over a 3.5 m width, remain unclassified and are excluded from the Mineral Resource.

To determine that the Mineral Resources have reasonable prospects for economic extraction by underground mining methods, they have been evaluated based on a minimum Net Smelter Return ("NSR") cut off value based on Pb, Zn, and Ag credits, using a Pb price of USD2,550/t, a Zn price of USD2,800/t and a silver price of USD25/oz. These prices are based on typical long-term consensus forecasts with a 30% premium (to reflect the requirement for "reasonable prospects" for eventual extraction) and a set of assumed technical and economic parameters, which were selected based on the current mining operations. The Mineral Resources comprise volumes that are generally considered to be wider than the minimum mining width (3.5 m).

SRK considers that the blocks with a NSR value greater than USD30/t at Svinja Reka and USD35/t at Golema Reka have "reasonable prospects for eventual economic extraction" and can be reported as a Mineral Resource according to the definitions of the JORC Code (2012). (Figure ES 3).

Table ES 4: SRK Mineral Resource Statement for Combined Svinja Reka and Golema Reka Deposits, SASA Mine, as at 01 July 2017 reported at USD30/t and USD35/t NSR cut-off, respectively

Classification/ Deposit	Density	Tonnage	Pb		Zn		Ag		NSR	Pb + Zn
	(t/m^3)	(Mt)	Grade (%)	Metal (kt)	Grade (%)	Metal (kt)	Grade (g/t)	Metal (koz)	(USD/t)	Grade (%)
Indicated Mineral Resources										
Svinja Reka	3.4	13.30	4.59	611	3.68	490	22.0	9,403	126	8.28
Golema Reka	0	-	0	0	0	0	0	0	0	0
Total Indicated	**3.4**	**13.30**	**4.59**	**611**	**3.68**	**490**	**22.0**	**9,403**	**126**	**8.28**
Inferred Mineral Resources										
Svinja Reka	3.2	2.67	3.16	84	2.08	56	16.6	1,426	82	5.24
Golema Reka	2.9	7.4	3.69	273	1.52	112	18.6	4,424	94	5.21
Total Inferred	**3.0**	**10.07**	**3.55**	**357**	**1.67**	**168**	**18.1**	**5,849**	**91**	**5.22**
Total Indicated and Inferred Mineral Resources	**3.2**	**23.37**	**4.14**	**968**	**2.81**	**658**	**20.3**	**15,252**	**111**	**6.96**

In reporting the Mineral Resource Statements, SRK notes the following:

- Mineral Resources have an effective date of 1 July 2017. The Competent Person for the declaration of Mineral Resources is Guy Dishaw, P.Geo., of SRK Consulting (UK) Ltd. The Mineral Resource estimate was prepared by a team of consultants from SRK considering drilling data up to 01 October 2016 and has been depleted by excavation volumes representing mining to 1 July 2017;
- Mineral Resources are reported within the Exploitation and Exploration Licences only;
- Mineral Resources are reported as undiluted. No mining recovery has been applied in the Statement; and
- The Indicated Mineral Resources are inclusive of those Mineral Resources modified to

produce Ore Reserves, i.e. they are reported on an 'inclusive basis'.

SRK has made a number of recommendations to improve the quality of the Mineral Resource Estimates going forwards, including:

- Routinely assay for Ag in future drilling programmes to improve confidence in the local-scale variability of the Ag grades in block model which may, in places, be independent from Pb grade. There may be locally secondary controls on silver mineralisation that are not currently realised due to the limitations of sampling.
- Regularly collecting additional density samples and increasing the size of the database to add confidence to the modelled density values.
- Implementation of full assay QAQC procedures for sampling and assay (including blanks, duplicates and standards) for all future drilling campaigns.
- An underground mapping programme by a structural geologist to investigate the potential for additional controls on mineralisation, to better understand the distribution and exploration implications for the high grade lead-zinc-silver mineralisation.

SRK is aware that SASA Mine has planned a campaign of surface, and possibly underground drillholes at the Golema Reka deposit to confirm the current model, and add additional intersections to improve the confidence in the geological model. The drilling programme has been submitted for permitting and is expected to commence in late H2 2017 or early H1 2018.

3 GEOTECHNICAL

SRK has undertaken a geotechnical assessment of the SASA mine using empirical and preliminary two dimensional finite element numerical modelling. The analysis has confirmed the appropriateness of the current mine design parameters being used.

The assessment has also shown that the rock mass lies at the boundary of a caving and marginally caveable material and SRK recommends that horizontal mining front is maintained across all orebodies in order to reduces the magnitude of mining induced stresses down dip of the mining front.

In order to improve the geotechnical model, actual mine performance will need to be compared to results of the 2D modelling and the input parameters and/or the mining sequence modified to better reflect the actual mine performance.

SRK has undertaken a review of rock support and geotechnical practices at SASA Mine. Whilst generally the support of permanent development is being carried out to a satisfactory level, the stability of temporary ore drives could be further improved. SRK has made a number of suggestions for improvement to ore drive stability. Improvements to the support methods and materials used can be made to assist the mine to work towards international best practice standards and some progress has already been made.

4 MINING

From a mining method perspective, the approach used at the SASA Mine has been successful in achieving in excess of the planned production rate in the current LoM plan. Due to the low level spacing there are reasonable opportunities to achieve the mining dilution and

loss parameters used in the mine plan.

The defined stope shapes extend from the 1,054 mRL to a lowest elevation of 797 mRL on a level spacing of 7 m, over a strike length of 835 m. The main lower access of the existing mine development is an exploration decline ramp some 24 m below the 830 mRL (approximately 837 mRL in the vicinity of the orebody) which is only 20 m above the lower elevation of the stope shapes considered in the mine design. Figure ES 4 provides a view of the existing mine development and mined stopes (brown) and the stope design based on the optimised shapes from a NSR breakeven operating cut-off of USD30/t for Indicated classified resources (green) and Inferred classified resources (blue).

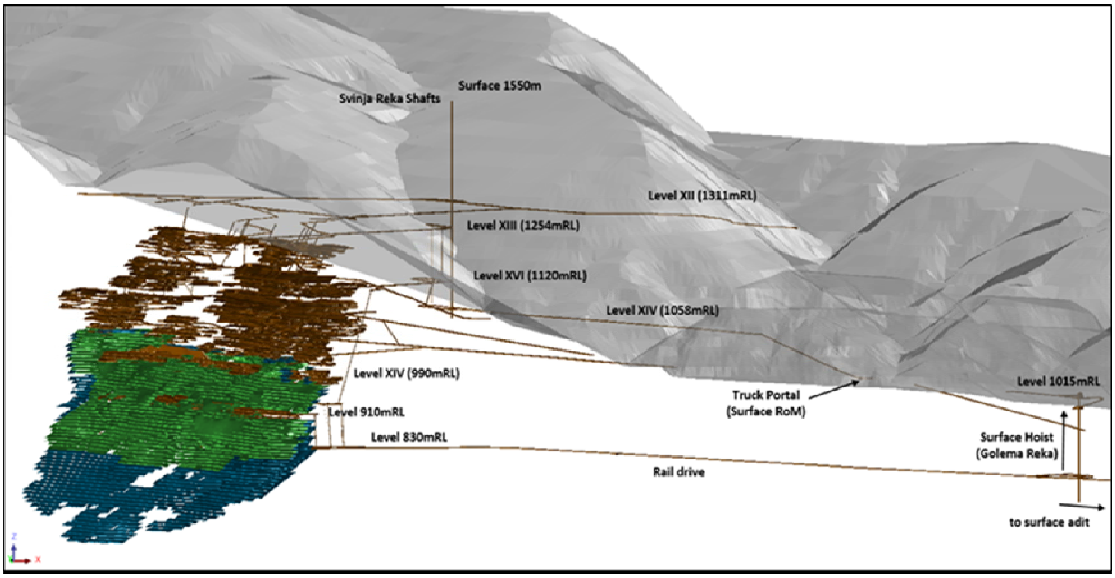


Figure ES 4: Oblique view showing existing development and mined stopes (brown) and planned stopes using Indicated (green) and Inferred (blue) Resources, looking north

The mine benefits significantly from having access development to upper and lower levels of the planned stoping areas as well as established materials handling systems. This existing development also allows for easy management of water ingress into the mine, although water ingresses were not observed to be significant during the March 2017 site visit.

The sub-level caving method currently in use at the SASA Mine, utilises a top-down approach without the use of backfill with development and production drilling being undertaken using single boom.

Whilst this method is one of the few underground mining methods that can be applied to this type of shallow dipping, stacked, variable thickness lead-zinc-silver lens system, the cut and fill method (which was historically used on the Golema Reka deposit) should be re-assessed in selected future mining areas to determine whether this is a more suitable method for the mine from a dilution, recovery, safety, production rate, and economic perspective.

The mine development and production physicals have been reported on 3.5 m levels from the design and block model, with the modifying factors applied prior to scheduling with the Deswik software. The LoMp relies predominantly on the Indicated Resources at the Svinja Reka deposit (to support the declaration of Ore Reserves), but also includes Inferred Resources from Svinja Reka and Golema Reka deposits. The LoMp schedule extends over a period of

just under 22 years (H2 2017 to Q1 2038), commencing at an ore production rate of 770 ktpa (dry) in 2017, followed by 20 years (2018 to 2037) at 780 ktpa (dry) and a small amount of production in 2038 (approximately one month). The historical production indicates that there is typically an average moisture content of 3.6%. Figure ES 5 provides a graph of the projected ore production with lead and zinc grades schedule over the LoMp. Silver grades are estimated based on a correlation with lead grades within the ore and average 18.1 g/t Ag over the mine life.

The underground waste development (including rehabilitation) has been categorised and is scheduled annually over the mine life, as shown in Figure ES 6. Development waste generated from mining activities is estimated to total 1,395 kt over the LoMp with maximum annual tonnage of 83 kt (in 2017) and average annual tonnage of 65 kt (or 8.7% of total material mined annually). All development waste generated underground is transported to the surface.

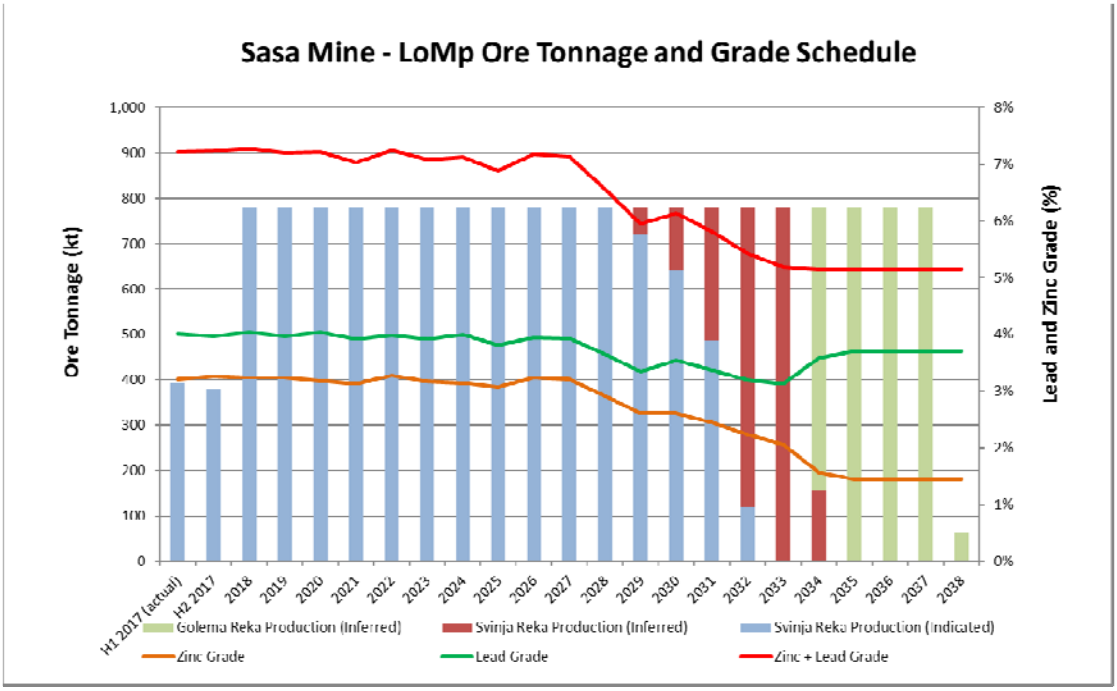


Figure ES 5: LoMp Ore Tonnage and Grade Schedule

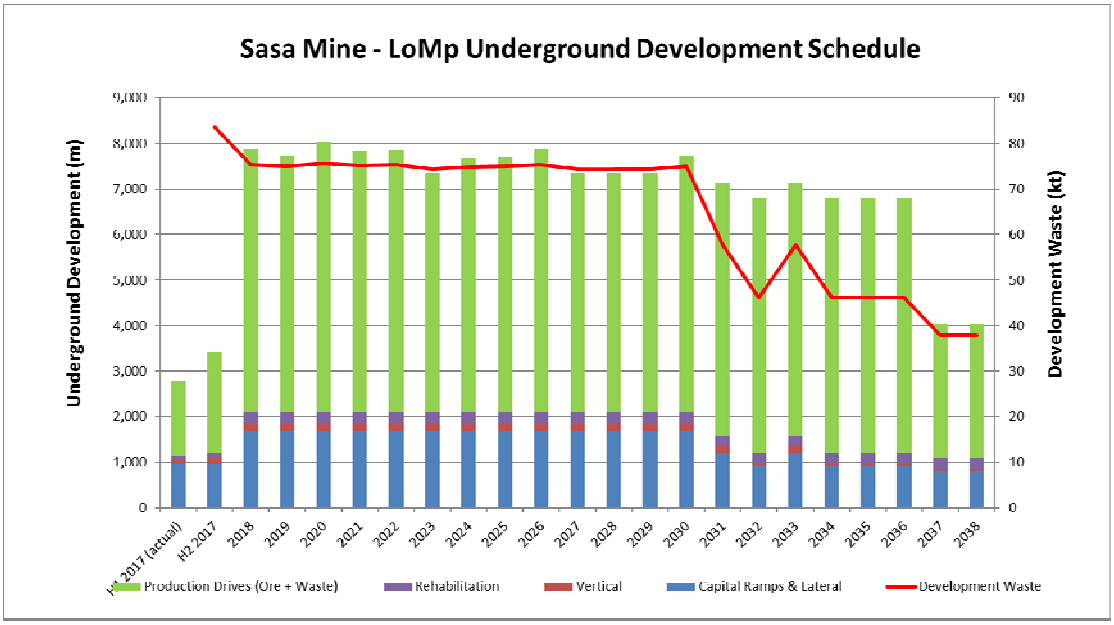


Figure ES 6: LoMp Underground Development Schedule

Since reopening in 2006, the SASA Mine has used a similar mining method approach as that proposed for the LoMp going forward and the planned production rate of 780 ktpa (dry) is conservative, given that the mine production has averaged 797 ktpa over the last 8 years, with a peak of 860 ktpa in 2009. SRK notes that in the last 8 years the mine achieved less than 780 ktpa in two of those years (759 kt in 2009 and 753 kt in 2010); however, this is not considered a material difference (less than 3%).

The sub-level cave mining method has been utilised for many years at the SASA Mine and, given the low level spacing (7 m), there are reasonable opportunities to achieve the mining dilution and loss parameters used in the mine plan.

SRK recognises that the LoMp includes material from the Inferred category of Mineral Resources, both in the lower levels of the Svinja Reka deposit and also the Golema Reka deposit, and that achievement of the LoMp is based on the conversion of Inferred Resources to Indicated or Measured Resources. At Svinja Reka, given the continuation of the sub-level caving method and the similar development profile, there do not appear to be any technical impediments to mining this material, assuming that additional drilling and sampling and geological analysis improves the Resource category to at least Indicated.

At the Golema Reka deposit, a cut and fill method will be adopted. This historically used method is geotechnically acceptable and the existing backfill plant can be recommissioned. In addition, the cost of backfill has been considered in the operating costs and subsequent NSR cut-off estimate for Golema Reka, therefore exploitation of the final years of the LoMp at Golema Reka are considered to be technically feasible, again assuming that the Inferred Resources in this deposit are converted to either Indicated or Measured category through additional geological investigations and analysis.

SRK considers it likely that the additional Inferred portions of the Svinja Reka and Golema Reka deposits will be converted to Indicated during the LoM operations and that the full LoMp will be delivered, on the understanding that the appropriate technical investigations and studies are undertaken in advance of proposed mining of these areas.

5 MINERAL PROCESSING

The process plant is conventional and the metallurgy for both lead and zinc, based on historical performance, is straightforward and well understood.

Ore from Golema Reka has been processed historically and the metallurgy is known. As with any mine, if new ore zones are to be mined and processed, metallurgical testwork should be performed to establish circuit operating parameters and to ascertain specific metallurgical performance.

The forecast plant throughput of 780 ktpa is conservative and is not a limiting factor in terms of mine output. The plant has proved that it can process up to 850 ktpa.

The lead metallurgy recovery of 94% is close to the historical performance of the plant and considered by SRK to be above the average typically achieved by similar operations.

The new zinc regrind mill should alleviate the issues with some overloading of the pumping systems in the zinc cleaner circuit and should increase the overall zinc recovery to the projected 87.5%.

A silver recovery to lead concentrate of 80% is used in the assessment. This is in line with recent historical performance. The calculated silver content of the lead concentrate is 287 to 320 g/t Ag and payable as part of the NSR. The silver grade in lead concentrate is below that historically achieved and is dependent on the tonnage of lead concentrate produced.

The zinc concentrate grade has been set at 49.3% in the model. SRK considers this to be conservative as it is lower than historical performance. A lower zinc grade in concentrate is likely to be beneficial for zinc recovery to zinc concentrate, as would be expected with a typical grade-recovery relationship. The zinc recovery included in the model assumes the installation of the new zinc regrind circuit during 2017 and includes an increased zinc recovery to zinc concentrate of 2% from 85.5% up to 87.5%, supported by recent lock-cycle testwork. Based on the predicted head grade and typical losses of zinc to the lead concentrate this zinc recovery would result in a final concentrator tailings of 0.3% Zn. This is lower than historically achieved, average 0.4% Zn since 2010, but reflects the tailings that would have been achieved if an additional recovery of 2% had been achieved. SRK considers that the higher recovery is reasonable, based on the testwork performed. The zinc feed grade is predicted to fall from 2028 and SRK recommends a reduction in zinc recovery based on a fixed tail calculation from this year to the end of the LoMp.

Historical performance would suggest that the lead grade in the zinc concentrate will not be an issue and should be less than 2% Pb.

A silver recovery to zinc concentrate of 10% included. Historically, this has been around 11%. The silver content of the zinc concentrate is typically around 40 g/t Ag and is not payable.

The operating costs included in the model for the process plant are based on actuals and are split in to fixed and variable costs, for electricity, reagents and consumables, labour, maintenance materials and miscellaneous costs, and are considered reasonable.

The new zinc SMD mill package has been included in the 2017 budget, with SMD mill capital of EUR597k out of the total 2017 plant budget of EUR1.4m (with EUR0.5m spent during H1

2017). It is estimated the SMD mill will be commissioned in Q4 2017.

From 2018 onwards, only sustaining capital has been provided for. This totals EUR12.9m over the remaining life of the mine for the processing plant alone, of which EUR150,000 per year from 2019 onwards has been allocated as a contingency. SRK considers the capital expenditure provided in the model to be appropriate.

6 TAILINGS STORAGE FACILITIES

The TSF complex has been operational since the 1960s, with the successive development of TSF 1, TSF 2, TSF 3.1 and TSF 3.2 (Figure ES 2). All the TSFs are located within the steep sided valley of the Kamenica River. The Kamenica River is carried below the TSF within an engineered river diversion structure.

TSF 1, TSF 2, and TSF 3.1 are inactive and have been rehabilitated with soil cover and vegetation. TSF 3.2 is currently active. Progressive development of the dam comprises downstream raising using cyclones, with coarse underflow to the dam shell and finer grain-size slimes to the impoundment void. Waste rock is transported via the mine access road and deposited at the downstream toe to form a buttress. Seepage water from TSF 3.1 and from the toe area of TSF 3.2 is captured in a sedimentation pond located at the toe of the downstream dam slope. Surplus water in the TSF 3.1 overflows via an overflow concrete collector pipe, which is used to manage the water level in the pond. An emergency spillway will be constructed when the dam reaches its design height at closure. A specific slope stability assessment has been completed for the active facility and in general terms, the methodologies, parameters and scenarios modelled are reasonable in the context of the stated report requirements. Also, recent work undertaken by Golder Associates indicates there to be no credible risk of overtopping in the critical storm-flow condition.

TSF 4 was designed to international standards by the Faculty of Engineering, Skopje, in March 2015. As with TSF 3.2 a specific slope stability assessment has been completed for the proposed facility and the methodologies, parameters and scenarios modelled are considered reasonable and thorough in the context of the stated report requirements. TSF 4 is currently under construction and is designed to provide sufficient containment for requirements between October 2018 and 2026 (predicted lifetime at current processing rate), and will be located directly downstream of TSF 3.2. Construction of the entire facility is planned to be completed by May 2018. TSF 4 will be developed adopting similar waste delivery, placement and operational management methodologies to those that have been adopted for the active TSF 3.2; however, the downstream slope will include a granular rock fill toe buttress that is progressively raised in line with tailings progression.

TSF 4 requires an extension to the Kamenica River diversion structure as a tunnel in the western rock abutment of the dam, which is partiality constructed as well as an open channel diversion of the Petrova stream along the eastern side of the valley. A contractor (Strabag) is currently installing the concrete lining of the tunnel, which is on schedule for completion in Q4 2017. Construction permits have been received for the diversion tunnel and the channel works, and construction is in progress. The approval for the construction of the dam is in progress, including modifications to the design for the lining.

As part of the EIA approval process, the Ministry of Environment and Physical Planning (“MEPP”) recommended that the Minister for Environment approve the EIA, subject to SASA

modifying the design to include a liner. SASA Mine management will install a liner to address this request.

The river diversion structure entrance portal is located at the northern end of TSF 1 at the plant site and the exit is located immediately downstream of the TSF 3.2 dam slope toe. The tunnel has been extended progressively in advance of tailings deposition development and comprises a concrete structure for about 40% of its length constructed under the tailings (culvert section) and 60% constructed in the in situ rock (tunnel section). A new section of tunnel has been constructed beyond the toe of TSF 3.2 to further divert the river around TSF 4. SRK considers that the TSF 4 extension tunnel in its existing condition and the outlet portal area and have been constructed with appropriate support for a long-term structure. Once concrete lined, the tunnel is expected to be very secure.

In 2003, whilst the mine was under State ownership and was not operational, failure of an ancillary structure that diverted captured TSF 3.1 drainage water into the river diversion tunnel resulted in flow of tailings from TSF 3.1 into the water-course and on into the downstream environment. The physical effects of the failure were successfully remediated; the downstream environment was cleared; the culvert was cleared, the ancillary structure for drainage was remediated, and flow of water re-established. Subsequently, a programme of regular visual inspection and maintenance of the diversion tunnel and associated infrastructure has been followed and there have been no further issues since mine re-commissioning in 2006.

In March 2017, SASA Mine commissioned the Faculty of Engineering, Skopje to undertake a Tunnel Integrity Assessment for the entire length of the diversion tunnel, to assess the current state of the tunnel, especially in its older sections and to comment on any potential requirements for additional support/remediation. The study will include visual inspections, in situ testing and sampling for laboratory material testing. Work is currently ongoing and results will be delivered in Q4 2017.

The SASA Mine LoMp extends to Q1 2038, with a planned constant throughput of ore at a rate of 780 ktpa until end-2037. This results in a steady state production of tailings of around 175,000 m^3 per year tailings for dam construction and 230,000 m^3 per year fine tailings (plus sludge) for deposition in the impoundment (total 405,000 m^3 per annum). TSF 4 has capacity for 8 years of deposition, which means that additional TSFs will be required to provide storage for the entire LoMp. SASA Mine intends to construct two further TSFs downstream of TSF 4 to accommodate this additional material (TSF 5 and TSF 6). TSF 5 is planned to be constructed during 2025 and 2026 and is intended to be of a similar size to TSF 4 to provide an additional 8 years' storage. TSF 6 is planned to be constructed during 2033 and 2034 and is intended to be smaller than TSF 4 to provide an additional four years' storage up to 2038. Whilst detailed designs have not yet been prepared for either TSF 5 or TSF 6, SASA Mine has provided capital in the Financial Model in the relevant years. The capital quantum for TSF 5 (EUR7.5m, USD8.2m, which includes EUR2m allowance for the liner) is the same as that for TSF 4, and for TSF 6 the allowance is 50% of TSF 5 given the smaller storage requirement. There is also yearly sustaining capital of USD109k provided. Further preliminary and detailed design work for TSF 5 and TSF 6 will need to be completed, but these TSFs will require similar elements to TSF 4, including extension of the Kamenica River diversion tunnel through the bedrock of the western dam abutment and extension of the Petrova River surface diversion channel along the eastern side of the Kamenica River valley.

SRK notes, however, that to support the Ore Reserves, there is only a requirement for TSF 5.

Lynx Resources intends to commence pre-feasibility study level designs for TSF 5 immediately upon completion of TSF 4, to provide ample time for technical evaluations and permitting preparation.

The closure design for the active TSF 3.2 is detailed within the Waste Management Plan document which covers proposals for both tailings and waste rock. This document is required in accordance with applicable Regulations and the site Permit. The tailings closure design proposed in the Waste Management Plan is similar to that adopted for TSF 1 and comprises a layered cover system including (from the bottom up): waste rock cover; restoration soil layer; and vegetation. A similar arrangement is proposed for TSF 4.

One issue for the SASA Mine closure is the management of long-term water flows in the Kamenica River valley, currently and in the future, via the river diversion tunnel/culvert and surface water diversion channels. For the diversion tunnel, potential closure options are currently being evaluated by SASA Mine, in combination with the Faculty of Engineering, Skopje and SRK. The potential options being evaluated include:

- long-term maintenance of the existing diversion tunnel/culvert;
- maintaining the existing diversion tunnel but engineering bypass sections to replace culverts and ensure long-term flows are within the in-situ rock abutments; and
- relocating flow to surface, necessitating decommissioning (sealing) of the tunnel/culvert and engineering of an open diversion channel at surface.

7 WATER MANAGEMENT

The SASA Mine operations are situated within the Kamenica River watershed. The Kamenica River runs from northwest to southeast. Two smaller drainages connect to the Kamenica River upstream of the current mine operations, the Svinja River and the Kozje River. Both drainages contain legacy mine workings (and surface waste rock dumps), with adit discharges partially captured in pipelines and partially discharged to the rivers. Seepage from the old dumps also enters the rivers.

The process water intake structure is situated upstream of the confluence with the Kozje River. Downstream of the confluences of the Kozje and Svinja rivers, the Kamenica River is captured in a concrete diversion tunnel, which was historically constructed beneath TSF 1, TSF 2 and TSF 3.1, and then extended through the western abutment of TSF 3.2. The University of Skopje prepared a hydrologic and hydraulic analysis, the hydraulic model, prepared as part of the study, states that the existing diversion tunnel for the Saska River is equipped to convey the 10,000-year flood. Additional consideration may be required for the Probable Maximum Flood (“PMF”) event, specifically during closure.

The hydrogeology of the area has not been characterised by means of site specific hydrogeological testwork. Groundwater, other than the alluvial aquifer immediately below TSF 3.2, is not monitored. The existing water collection and pumping infrastructure is considered sufficient for management of groundwater entering the underground workings. While maintenance of existing infrastructure is required to effectively manage groundwater within the mine, SRK’s opinion is that no significant additional investment will be required.

A high-level water balance has been performed by Strength GEC in March 2017, evaluating potential for recycling of mine water in the process plant. The purpose of the water balance was to assess the potential for water recycling across the site. SRK understands, based on discussions while on site, that this balance is an initial step as part of an on-going flow monitoring programme to develop a more seasonally sensitive and refined understanding of water volumes across the site.

The balance suggests the TSF supernatant pond, as well as seepage collected at the TSF 3.2 dam toe and discharges from the Adit 830, be utilized in the plant and for dust suppression on tailings and dams. Improvements to the water balance should include a more detailed depiction of flows in the active and proposed TSF supernatant ponds, specifically examining freeboard limits and the capacity of the decant structure during extreme flood events.

SRK observed opportunities for improvement in the sample collection, handling, analytical suite and data processing aspects of the water quality monitoring. As part of the hydrogeological study outlined in the ESAP, SASA Mine is reviewing its sampling protocols.

8 ENVIRONMENTAL, SOCIAL AND PERMITTING

Lynx Resources maintains a permit register and this indicates the mine is fully permitted for continuing its current operations. Following completion of the requirements stipulated in its Permit for Alignment with the Operational Plan (an interim step in the Integrated Pollution Prevention and Control (IPPC) permit process), SASA Mine received its IPPC permit in October 2016. An Application for Changes to the IPPC permit was submitted in April 2017 (discussions currently in progress) requesting amendments to the permit for minor changes to the operation since March 2014. This application also included a formal request to amend the discharge limits in line with the Macedonian legislation for wastewater discharges, highlighting that the existing limits were created with reference to the Decree for Classification of Waters No 18/1999, which was applicable to in-stream surface water guidelines, and not for discharges of industrial wastewaters.

The mine has an environmental management system certified against ISO 14001:2015. There is also an environmental and social action plan (“ESAP”) developed with the aim of bringing the project into line with good international industry practice over the next three years. A review of the cyanide management practices was undertaken in March 2017 to evaluate current practices with the requirements laid out in the International Cyanide Management Code; procedural opportunities for improvement were identified and are being considered by SASA Mine.

The project reportedly enjoys good relations with the community of Kamenica, which owes its existence to the presence of the mine. It also appears that relationships with employees are good. Therefore, no material risks arising from the current informal management of social issues have been identified. Following on from community complaints regarding dust from the TSFs, additional sprinkler investments were made in 2016. Further plans are underway to increase the amount of sprinklers, evaluate other dust suppression techniques and increase dust monitoring in 2017. The ESAP includes a commitment to develop an air quality management plan to improve dust control at the site.

There is historical contamination arising from the historical mine workings and the associated mine residues (waste rock and tailings), in addition to historical contamination arising from the

tailings emission in 2003, generated when the mine was under state ownership. According to the legal review, the current operators are not liable for any historical contamination. SRK notes that separating the effects of contamination from the historical mine workings above the mine site, and any new contamination generated by current operations, can be challenging. The ESAP recognises a potential opportunity to work with the State to find rehabilitation solutions to address the historical mine workings and associated mine residues upstream of the current mine as part of closure planning.

Improvements in water monitoring (both flow and quality) are currently being implemented as part of the ESAP. Options for further recycling of various water streams are being investigated as part of this. The available monitoring of water quality indicates:

- upstream of the mine, discharges from adits and seepage from waste rock dumps associated with the historical workings (not SASA Mine's responsibility) are contributing to exceedances of the Macedonian Category III environmental water quality standards;
- available data show the quality improves downstream indicating dilution and potentially natural buffering from the surrounding catchments; however, zinc and manganese exceed the Macedonian Category III environmental water quality standards as far as 5 km downstream of the site;
- there are occasional exceedances of the permitted discharge limit, though SRK notes these limits are currently subject to discussion with the regulator; these non-compliances are dealt with via a minor annual permit fee to the MEPP, which incorporates an annualised calculation for exceedances (fee has historically been approximately EUR5,000 per annum, and is expected to be of the same magnitude for calendar 2017); and
- groundwater in the alluvial aquifer downgradient of the TSFs indicates that the water is generally in compliance with drinking water quality standards and the Macedonian Category III environmental quality standards except for zinc.

With no pre-disturbance baseline water quality monitoring (because the mine is 50 years old) and no monitoring of reference sites in unimpacted catchments, the natural background contribution of the deposit on water quality cannot be confirmed and thus the impact of the mine over and above this natural contribution can also not be confirmed. SRK considers that the outcomes of the currently planned hydrology and biodiversity studies, as well as the improved water quality monitoring programme, are needed to confirm potential impacts. SRK also recognises this cannot be done in isolation, as significant contributions are arising from the historical workings that are not the responsibility of SASA Mine. There is, however, significant time in the LoMp before closure to improve the quality, type and quantity of input data, assess this with respect to downstream water user requirements and use this in further evaluating the need for long term water treatment.

In June 2017, SRK prepared a conceptual closure plan ("CCP"), which included a closure cost estimate for the operations with a ±50% level of accuracy. For the purposes of closure design, the CCP considered two potential methods for diversion of surface water flows upstream and in the catchment of the TSFs. These are summarised below as follows:

- Option 1 – Use of the existing river diversion channel to pass a portion of the storm water flows from the upstream catchment area only. In conjunction, a surface channel diversion will be constructed adjacent to the TSFs to divert calculated flows from the adjacent

catchments.

- Option 2 – Construction of an entirely new network of surface water channels designed to pass the cumulative flow from all catchments. All surface water diversions, will be constructed on the surface and the river diversion channel will be decommissioned at closure.

Option 1 requires additional engineering work to prove that use of the existing underground river diversion is feasible. Option 2 represents the lowest risk option to the project at closure and relies upon a series of surface diversion channels to convey flows at closure. The conceptual costs estimated for both options is presented in Table ES 5.

Table ES 5: SASA Mine Closure Cost Summary

Closure Item	Option 1 Cost (EURm)	Option 2 Cost (EURm)
Plant and Surface Infrastructure Demolition	1.71	1.71
Tailings Cover Installation	2.03	2.03
Surface Water Diversion Features	6.92	19.84
Closure of Mine Portal	0.26	0.26
Adit and Tunnel Plugging and Grouting	0.19	0.29
WRD XVIa Removal and Rehabilitation	0.52	0.52
Passive Water Treatment Pond System	0.98	0.98
Post Closure Monitoring	1.15	1.15
Total Base Case Closure Cost	**13.77**	**26.79**

9 OCCUPATIONAL HEALTH & SAFETY

Since Lynx Resources took management of the SASA Mine, they committed to continually reduce the number and severity of injuries and harm to health. The historical safety performance was poor under the previous management however, in 2014 they commissioned a safety management initiative and the safety performance has improved significantly. The mine continues to implement the safety initiative programme under the new management with a goal to further improve the safety performance and culture at the operations.

An integrated health, safety and environment system at the mine, based on OHSAS 18001:2007, ISO 9001:2015, ISO 14001:2015, is audited annually by external parties; accreditation is maintained. Table ES 6 lists the number of Fatal and Lost Time Injuries incurred at SASA Mine since 2013.

Table ES 6: SASA Mine Fatal and Lost Time Injuries per year

Year	Fatal Injuries	Lost Time Injuries
2013	2	27
2014	0	11
2015	0	3
2016	0	6
H1 2017	0	0

10 CAPITAL AND OPERATING COSTS

The Capital and Operating cost estimates for the SASA Mine have been determined by Lynx Resources based on recent historical performance and the current 2017 budget for the mine, a summary of which is presented in Table ES 7.

Whilst capital expenditures are relatively stable, the cost of TSFs are more project based as new TSFs and associated infrastructure are constructed, notably historically during 2016 and H1 2017, and going forward during H2 2017 and 2018 (TSF 4), then assumed in 2025/2026 (TSF 5) and finally in 2033/2034 (TSF 6).

SRK has reviewed the operating and capital cost forecasts, and finds that these are sufficient to support the LoMp. No contingencies have been added to either forecast due to the nature of steady state production. Option 1 for site closure has been incorporated in the financial assessment.

Table ES 7: LoMp Forecast Capital and Operating Costs

	H2 2017	2018	2019	2020	2021	2022	2023-2027	2028-2037	2038	LoMp
Capital Expenditure (EURm)										
Capitalised Development	1.5	2.6	2.6	2.6	2.6	2.6	12.8	19.0		46.0
Mining Equipment	1.3	2.7	2.1	3.2	2.0	1.7	11.3	21.6		45.8
Flotation	0.9	1.0	0.7	0.8	0.8	0.7	3.3	5.5		13.9
Tailings	1.0	2.1	0.1	0.1	0.1	0.1	7.8	4.5		15.8
Other	0.6	0.7	0.7	0.7	0.7	0.7	3.5	6.6		14.2
Total	**5.3**	**9.1**	**6.1**	**7.3**	**6.2**	**5.8**	**38.7**	**57.2**		**135.7**
Operating Costs (EURm)										
Mining	5.9	11.9	11.9	11.9	11.9	11.9	59.4	134.3	-	258.9
Milling	3.5	7.2	7.2	7.2	7.2	7.2	36.0	70.7	-	144.8
G&A	1.8	3.6	3.6	3.6	3.6	3.6	17.9	36.9	-	75.7
Mine Closure	-	-	-	-	-	-	-	-	13.8	13.8
Total	**11.2**	**22.6**	**22.6**	**22.6**	**22.6**	**22.6**	**113.2**	**241.9**	**13.8**	**493.2**
Unit Operating Costs (EUR/t RoM)										
Mining	15.5	15.2	15.2	15.2	15.2	15.2	15.2	17.2	-	16.2
Milling	9.1	9.2	9.2	9.2	9.2	9.2	9.2	9.1	-	9.1
G&A	4.9	4.6	4.6	4.6	4.6	4.6	4.6	4.7	-	4.7
Mine Closure	-	-	-	-	-	-	-	-	-	0.9
Total	**29.5**	**29.0**	**29.0**	**29.0**	**29.0**	**29.0**	**29.0**	**31.0**	**-**	**30.9**

11 PROJECT ECONOMICS

11.1 Overview

SRK has prepared a financial model to evaluate the economics of:

- the Ore Reserves and
- the LoMp (including Inferred material).

Reporting at the mine is in EUR; however, the economic assessment has been carried out in USD. A constant exchange rate of 1.09 USD/EUR has been applied over the LoM. The financial model has been prepared in Microsoft Excel, in USD, in nominal money terms assuming a 2% annual inflation for both the Euro (“EUR”) and USD denominated costs.

A discounted cash flow has been prepared, on a post-tax basis. No financing terms are modelled except for the silver streaming agreement, which forms the basis of the reduced silver price included in the financial model. Lynx Resources’ payment terms have been taken into account in the model.

SRK has applied consensus market forecast prices for lead and zinc, sourced from Bloomberg as at 19 July 2017. The prices applied are the median of the forecasts of a range of analysts as compiled by Bloomberg. The silver price actually used in the financial model is as per the long-term streaming agreement, for the LoM. The streaming agreement included a price of USD5.0/oz of refined silver for the period up to 31 December 2016. In respect of each subsequent calendar year of the agreement, the fixed silver price in respect of the immediately preceding calendar year increased by a percentage equal to the lesser of inflation over the previous calendar year measured by the CPI Index and 3%. The financial model assumes a slightly more conservative approach, with the silver price only increasing after 2021 by the flat inflation of 2% per annum. The consensus market forecast silver price is only used to calculate the concession fee. The commodity prices are presented in Table ES 8.

Table ES 8: Bloomberg Consensus Commodity Prices (nominal)

	Units	Spot (19 July 2017)	2017	2018	2019	2020	2021
Zinc	(USD/t)	2,747	2,665	2,622	2,450	2,398	2,508
Lead	(USD/t)	2,217	2,205	2,150	2,200	2,250	2,300
Silver (CMF)	(USD/oz)	16.3	17.4	18.2	19.3	20.0	20.0
Silver (streaming agreement)	(USD/oz)		5.00	5.00	5.00	5.00	5.00

11.2 Cash Flow Model

The economic assessment presents a solid economic case, with a low risk of any production being cash flow negative. Net present values (“NPVs”) are presented for different discount rates. The NPVs are a measure of economic viability of the operations. They do not constitute a project valuation. SRK notes that the LoMp case includes a proportion of Inferred Mineral Resources, to be mined from 2028 onwards. Table ES 9 presents the overall inputs and outputs of the financial model for the two cases modelled. At the base discount rate of 10%, the LoMp case reports an NPV of USD461m and the Ore Reserve reports an NPV of USD413m.

Table ES 9: Summary of the Cash Flow Model Assessment

	Unit	LoMp	Ore Reserve
Economic Output			
Revenue	(USDm)	2,056	1,467
Operating Costs	(USDm)	724	466
EBITDA	(USDm)	1,333	1,001
Capital Costs	(USDm)	180	127
Non-cash items (due to Ag streaming)	(USDm)	20	20
Working Capital	(USDm)	5	5
Corporate Income Tax	(USDm)	114	85
Net Free Cash (undiscounted)	(USDm)	1,024	773
NPV, discount rate:			
6.0%	(USDm)	610	518
8.0%	(USDm)	527	461
10.0%	**(USDm)**	**461**	**413**
12.0%	(USDm)	408	372
14.0%	(USDm)	364	337
16.0%	(USDm)	327	308
Net Smelter Return (Revenue)			
Pb Concentrate	(USDm)	1,418	937
Zn Concentrate	(USDm)	748	596
Treatment Charges			
Pb Concentrate	(USDm)	95	63
Zn Concentrate	(USDm)	87	69
Mining			
Tonnage	(kt)	15,979	10,927
Pb Grade	(%)	2.65%	3.08%
Zn Grade	(%)	3.73%	3.85%
Processing			
Tonnage	(kt)	15,979	10,927
Pb Grade	(%)	2.65%	3.08%
Zn Grade	(%)	3.73%	3.85%
Recovery			
Pb	(%)	94.0%	94.0%
Zn	(%)	84.5%	87.4%
Concentrate			
Pb Concentrate	(kt conc)	767	542
Pb Content	(kt metal)	560	395
Zn Concentrate	(kt conc)	725	598
Zn Content	(kt metal)	357	295
Operating Costs			
Mining	(USDm)	352	214
Processing	(USDm)	195	126
G&A	(USDm)	102	68
Mine Closure	(USDm)	23	21
Concession	(USDm)	53	38
Total	(USDm)	724	466
Capital Costs			
Capitalised Development	(USDm)	61	46
Mining Equipment	(USDm)	61	42
Flotation	(USDm)	18	13
Tailings	(USDm)	21	12
Other	(USDm)	19	13
Total	(USDm)	180	127

11.3 Sensitivity Analysis

SRK has considered the potential areas of risk to the project and has accordingly run sensitivities on the NPV. For this purpose, SRK has assumed a discount rate of 10% for the runs. SRK has tested the NPV sensitivity to operating, capital costs, and commodity prices. This is illustrated in Table ES 10 for the Ore Reserve case, and in Table ES 11 for the LoMp

case. A sensitivity to the discount rate is already included under Table 13-2.

Table ES 10: Sensitivity Tables, Ore Reserve Case (NPV 10% discount rate, nominal)

Capital Cost							
Sensitivity	-5%	**0%**	5%	10%	15%	20%	25%
NPV (USDm)	416	**413**	410	407	403	400	397
Operating Cost							
Sensitivity	-5%	**0%**	5%	10%	15%	20%	25%
NPV (USDm)	422	**413**	403	394	385	376	367
Commodity Prices							
Sensitivity	-15%	-10%	-5%	**0%**	5%	10%	15%
NPV (USDm)	305	341	377	**413**	449	485	521

Table ES 11: Sensitivity Tables, LoMp Case (NPV 10% discount rate, nominal)

Capital Cost							
Sensitivity	-5%	**0%**	5%	10%	15%	20%	25%
NPV (USDm)	465	**461**	458	454	451	447	444
Operating Cost							
Sensitivity	-5%	**0%**	5%	10%	15%	20%	25%
NPV (USDm)	472	**461**	450	439	428	417	405
Commodity Prices							
Sensitivity	-15%	-10%	-5%	**0%**	5%	10%	15%
NPV (USDm)	338	379	420	**461**	503	544	585

12 MINERAL RESOURCE AND ORE RESERVE STATEMENT

The Ore Reserve estimate for the SASA Mine has been undertaken in accordance with the JORC Code (2012) guidelines and is stated in Table 14-1 as at 01 July 2017. The Ore Reserves are classified as Probable based on the current Mineral Resource classification of Indicated.

In line with reporting an Ore Reserve under the JORC Code (2012), SRK has prepared a financial model to test the economic viability of the Ore Reserve case, taking into account the various technical, operating cost, capital expenditure and corporate income tax parameters (excluding any debt of financing structures). The assessment demonstrates that the Ore Reserve is economically viable, with robust economics that remain positive when tested against appropriate increases in operating and capital costs, and changes in commodity prices.

Table ES 12: Statement of Mineral Resources and Ore Reserves for the SASA Mine at 01 July 2017

Category	Gross							Net Attributable							Operator
	Tonnage	Grade			Content			Tonnage	Grade			Content			
	(Mt)	Pb (%)	Zn (%)	Ag (g/t)	Pb (kt)	Zn (kt)	Ag (koz)	(Mt)	Pb (%)	Zn (%)	Ag (g/t)	Pb (kt)	Zn (kt)	Ag (koz)	
Ore Reserves															
Proved															
Svinja Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Golema Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal Proved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Probable															
Svinja Reka	10.9	3.85	3.08	18.4	421	337	6,447	10.9	3.85	3.08	18.4	421	337	6,447	
Golema Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal Probable	10.9	3.85	3.08	18.4	421	337	6,447	10.9	3.85	3.08	18.4	421	337	6,447	
Total Reserves	**10.9**	**3.85**	**3.08**	**18.4**	**421**	**337**	**6,447**	**10.9**	**3.85**	**3.08**	**18.4**	**421**	**337**	**6,447**	Rudnik "SASA" DOOEL
Mineral Resources															
Measured															
Svinja Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Golema Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal Measured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Indicated															
Svinja Reka	13.3	4.59	3.68	22.0	611	490	9,403	13.3	4.59	3.68	22.0	611	490	9,403	
Golema Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal Indicated	13.3	4.59	3.68	22.0	611	490	9,403	13.3	4.59	3.68	22.0	611	490	9,403	
Inferred															
Svinja Reka	2.7	3.16	2.08	16.6	84	56	1,426	2.7	3.16	2.08	16.6	84	56	1,426	
Golema Reka	7.4	3.69	1.52	18.6	273	112	4,424	7.4	3.69	1.52	18.6	273	112	4,424	
Subtotal Inferred	10.1	3.55	1.67	18.1	357	168	5,849	10.1	3.55	1.67	18.1	357	168	5,849	
Total Resources	**23.4**	**4.14**	**2.81**	**20.3**	**968**	**658**	**15,252**	**23.4**	**4.14**	**2.81**	**20.3**	**968**	**658**	**15,252**	Rudnik "SASA" DOOEL

Source: CP Mineral Resources – Guy Dishaw, CP Ore Reserves - Chris Bray

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A COMPETENT PERSONS' REPORT ON THE SASA LEAD-ZINC MINE, REPUBLIC OF MACEDONIA

1 INTRODUCTION

1.1 Background

SRK Consulting (UK) Limited ("SRK") is an associate company of the international group holding company, SRK Consulting (Global) Limited (the "SRK Group"). SRK was requested by Central Asia Metals PLC ("CAM", hereinafter also referred to as the "Company" or the "Client") to undertake technical due diligence in respect of the "Mineral Assets" (defined below) of Lynx Resources Ltd and in addition to prepare a Competent Persons' Report ("CPR") in accordance with the AIM Rules (as defined below).

Lynx Resources Ltd is a private company, registered in Bermuda, which was established by Fusion Capital and Orion Mine Finance Group to acquire the SASA lead-zinc mine in Macedonia in November 2015. Lynx Resources manages its interests through its wholly owned subsidiary, Rudnik "SASA" DOOEL ("SASA Mine"). The Mineral Assets which are the subject of the CPR are the SASA lead-zinc mine (the "SASA Mine"), in the Former Yugoslav Republic of Macedonia ("Macedonia").

CAM proposes to acquire the SASA Mine through the acquisition of Lynx Resources Ltd.

For the 12-month period ended 31 December 2016, Lynx Resources reported the following key operating statistics for the Mineral Assets: saleable products comprising: 39,507 dmt Pb concentrate and 45,548 dmt Zn concentrate from 782,823 dmt mined and 779,231 dmt processed. For the first 6 months of 2017 ("H1 2017") these statistics are: 20,301 dmt Pb concentrate and 21,719 dmt Zn concentrate from 391,043 dmt mined and 392,257 dmt processed.

The current Life of Mine Plan ("LoMp") (starting H2 2017, limited to end-2037) assumes ore production of 15.98 Mt ore to the process plant, with saleable products comprising 357.2 kt Zn in concentrate, 559.8 kt Pb in concentrate and 6,949 koz Ag in concentrate.

SRK has been informed that the Company is intending to publish an AIM Admission Document in connection with the proposed acquisition of the SASA Mine and seek readmission of the Company's shares on the London Stock Exchange's Alternative Investment Market ("AIM") as required under the AIM Rules and that as part of this it is required to include a report on the SASA Mine.

This report is addressed to Central Asia Metals PLC, its Nominated Advisor, Peel Hunt LLP and its financial advisor J.P. Morgan Securities PLC. SRK understands that this report will be included as part of an AIM admission document to be published by CAM (the "Admission Document"). For the purposes of the AIM Rules for Companies, SRK is responsible for this report as part of the Admission Document and declares that it has taken all reasonable care to ensure that the information contained in this report is, to the best of its knowledge, in

accordance with the facts and contains no omission likely to affect its import and no material change has occurred from 1 July 2017 to 22 September 2017 that would require any amendment to the CPR. SRK consents to the inclusion of this report, and reference to any part of this report, in the Admission Document.

This CPR presents the following key Technical Information as at the Effective Dates (defined below):

- Mineral Resource and Ore Reserve statements reported in accordance with the terms and definitions of the JORC Code (2012) (defined below, section 1.2);
- an opinion on the reasonableness of the technical-economic inputs into the LoMp, specifically: saleable production, operating expenditure and capital expenditure (hereinafter the "Technical Economic Parameters" or "TEPs");
- an opinion on the reasonableness of the environmental liabilities; and
- a summary of the key technical risks and opportunities.

Certain units of measurements, abbreviations and technical terms are defined in the glossary at the end of this CPR. Unless otherwise explicitly stated all quantitative data as reported in this CPR are reported on a 100% basis.

1.2 Reporting Compliance, Reporting Standard and Reliance

1.2.1 Reporting Compliance

SRK has been informed by the Company that the AIM Admission Document is to be prepared in accordance with the following which together comprise the "Requirements":

- The "*Note for Mining and Oil & Gas Companies, June 2009*" (the "Mining Note"): including, and without limitation, the CPR will comply with the content requirements of Appendix 2 and include the summaries set out in Appendices 1 and 3, and SRK accepts responsibility for the CPR in accordance with Schedule 2(a) and paragraphs 1.1 and 1.2 of Annex 1 and paragraphs 1.1 and 1.2 of Annex III of the AIM Rules and consents to its inclusion in the Admission Document; and
- The AIM Rules for Companies, July 2016 published by the London Stock Exchange (the "AIM Rules") – specifically Rule 3 relating to Admission Documents and including the Annexes to the AIM Rules.

Notwithstanding the above, the Company has voluntarily mandated SRK to prepare this CPR which is published in accordance with the appropriate Reporting Standard (defined below) and given the permitted time, focuses solely on the following key items: the updates (by depletion) to the 2016 and 2017 Mineral Resource and Ore Reserve Statements, the reasonableness of the technical and economic inputs to the LoMp, the determination of environmental liabilities and the key technical risks and opportunities relating to the Mineral Asset (collectively the "Technical Information").

1.2.2 Reporting Standard

The Reporting Standard adopted for reporting of the recent Mineral Resource and Ore Reserve Statements for the Mineral Assets in this CPR is that defined by the terms and definitions given in *"The 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee of the*

Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia" (the "JORC Code (2012)"). SRK confirms that the JORC Code (2012) has been aligned with the Committee for Mineral Reserves International Reporting Standards ("CRIRSCO") reporting template.

1.2.3 Reliance on SRK

The CPR is addressed to and may be relied upon by the Directors of the Company and Peel Hunt LLP and J.P. Morgan Securities PLC in support of the proposed readmission, specifically in respect of compliance with the Requirements, the Reporting Standard and as appropriate the AIM Rules.

SRK is responsible for this CPR and for all of the technical information that has been directly extracted from the CPR and reported in the Admission Document to be released by the Company in connection with the readmission and to be dated around the same date as the CPR.

SRK declares that it has taken all reasonable care to ensure that the information contained in the CPR and included in the Admission Document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

In accordance with the AIM Rules SRK confirms that the presentation of information contained elsewhere in the Admission Document which relates to information in the CPR is accurate, balanced and not inconsistent with the CPR.

SRK believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinions presented in this CPR. The preparation of a CPR is a complex process and does not lend itself to partial analysis or summary.

SRK has no obligation or undertaking to advise any person of any development in relation to the Mineral Assets which comes to its attention after the date of this CPR or to review, revise or update the CPR or opinion in respect of any such development occurring after the date of this CPR.

1.3 Base Technical Information Date, Effective Date and Publication Date

The base technical information date, and the effective date of the CPR is 01 July 2017 (the "Effective Date"). The Mineral Resource and Ore Reserve Statements and the Technical Information have been prepared as at the Effective Date in reliance on:

- the Mineral Resource statement as prepared by SRK with a base date of 1 July 2017 (depleted from the prior 30 October 2016 statement by mining production surveys);
- the Ore Reserve statement as prepared by SRK with a base date of 1 July 2017;
- the LoMp as developed by Lynx Resources as at 01 January 2017, updated to start at 1 July 2017 (aligned with the Mineral Resource as depleted to 1 July 2017; and
- the Environmental Liabilities as established by the final closure cost estimate.

As advised by Lynx Resources, as at the publication date 22 September 2017 of this CPR (the "Publication Date") no material change has occurred since the Effective Date. This

includes, inter alia, no material change to the Mineral Resource and Ore Reserve Statements or the Technical Information as reported in this CPR.

1.4 Verification and Validation

SRK has conducted a review (which specifically excludes independent verification by means of re-calculation) and assessment of all material technical issues likely to influence the Technical Information included in the LoMp and the associated TEPs, which included the following:

- Inspection visits to Lynx Resources' mining and processing facilities and associated infrastructure at the SASA Mine undertaken by six consultants over an elapsed period of two weeks commencing 06 March 2017;
- Enquiry of key project and head office personnel of Lynx Resources during H1 2017 in respect of the Mineral Assets, the LoMp and the associated TEPs and other related matters;
- An examination of historical information for the financial reporting periods ended 31 December 2007 through to 31 December 2016, and the six months ending 30 June 2017 of Lynx Resources; and
- An examination, review and where appropriate identification of the key technical risks and opportunities as they relate to the Technical Information reported herein.

SRK has also assessed the reasonableness of the commodity price assumptions as currently assumed in the projections for inclusion in the Mineral Resource and Ore Reserve Statements and the TEPs as incorporated in the LoMp and all other Technical Information reported herein.

Accordingly, Lynx Resources has provided technical data to SRK for the purpose of this review and inclusion in the CPR. SRK confirms that it has performed all necessary validation and verification procedures deemed necessary and/or appropriate by SRK in order to place an appropriate level of reliance on such technical information.

In presenting the Mineral Resource and Ore Reserve Statements, TEPs and other technical information as reported in this CPR the following apply:

- Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce Ore Reserves; that is, they are reported on an 'inclusive basis'; and
- Commodity long-term price assumptions as included in the LoMp and reported in Lynx Resources' Financial Model.

1.5 Limitations, Reliance on Information, Declaration, Consent and Cautionary Statements

1.5.1 Limitations

Ore Reserve estimates are based on many factors and are derived from estimates of future technical factors, operating and capital expenditures, product prices and the exchange rate between various currencies and the United States Dollar ("USD"). The Ore Reserve estimates contained in this report should not be interpreted as assurances of the economic life of the Mineral Assets. As Ore Reserves are only estimates based on the factors and assumptions described herein, future Ore Reserve estimates may need to be revised. For example, if

production costs increase or product prices decrease, a portion of the current Mineral Resources, from which the Ore Reserves are derived, may become uneconomical to recover and would therefore result in lower estimated Ore Reserves. Furthermore, should any of the assumed factors change, the Mineral Resource and Ore Reserve Statements, the TEPs and the Technical Information as reported herein may need to be revised and may well result in lower estimates.

The Mineral Resource and Ore Reserve Statements, the TEPs, and the Technical Information rely on assumptions regarding certain forward-looking statements. These forward-looking statements are estimates and involve a number of risks and uncertainties that could cause actual results to differ materially.

The achievability of the projections of TEPs as included in this CPR and incorporated into the LoMp for the Mineral Assets are neither warranted nor guaranteed by SRK. The projections as presented and discussed herein have been proposed by Lynx Resources' management and cannot be assured; they are necessarily based on economic assumptions, many of which are beyond the control of Lynx Resources.

Future cashflows and profits derived from such forecasts are inherently uncertain and actual results may be significantly more or less favourable.

Unless otherwise expressly stated all the opinions and conclusions expressed in this CPR are those of SRK.

1.5.2 Reliance on Information

SRK has relied upon the accuracy and completeness of technical, financial and legal information and data furnished by or through Lynx Resources.

Lynx Resources has confirmed to SRK that, to its knowledge, the information provided by it (when provided) was complete and not incorrect or misleading in any material respect. SRK has no reason to believe that any material facts have been withheld.

Whilst SRK has exercised all due care in reviewing the supplied information, SRK does not accept responsibility for finding any errors or omissions contained therein and disclaims liability for any consequences of such errors or omissions.

SRK's assessment of Mineral Resources and Ore Reserves, TEPs and the LoMp for the Mineral Assets is based on information provided by Lynx Resources throughout the course of SRK's investigations, which in turn reflect various technical and economic conditions prevailing at the date of this report. In particular, the Ore Reserves, the TEPs and the LoMp are based on expectations regarding the commodity prices and exchange rates prevailing at the Effective Date of this CPR. These TEPs can change significantly over relatively short periods of time. Should these change materially the TEPs could be materially different in these changed circumstances.

This CPR specifically excludes all aspects of legal issues, marketing, commercial and financing matters, insurance, land titles and usage agreements, and any other agreements and/or contracts Lynx Resources may have entered into.

This CPR includes technical information, which requires subsequent calculations to derive subtotals, totals and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error. Where such errors occur, SRK does not consider them

to be material.

1.5.3 Declaration

SRK will receive a fee for the preparation of this report in accordance with normal professional consulting practices. This fee is not dependent on the findings of this CPR and SRK will receive no other benefit for the preparation of this CPR. SRK does not have any pecuniary or other interests that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Ore Reserves, the TEPs, the LoMp for the Mineral Assets and the projections and assumptions included in the various technical studies completed by Lynx Resources, opined upon by SRK and reported herein.

Neither SRK nor the Competent Persons (as identified under Section 1.7, below) who are responsible for authoring this CPR, nor any Directors of SRK have at the date of this report, nor have had within the previous two years, any shareholding in the Company, the Mineral Assets, Peel Hunt LLP, J.P. Morgan Securities PLC, Lynx Resources, or any other economic or beneficial interest (present or contingent) in any of the assets being reported on. SRK is not a group, holding or associated company of the Company, Peel Hunt LLP, J.P. Morgan Securities PLC, or Lynx Resources. None of SRK's partners or officers are officers or proposed officers of any group, holding or associated company of the Company.

Further, no Competent Person involved in the preparation of this CPR is an officer, employee or proposed officer of the Company or any group, holding or associated company of the Company, Peel Hunt LLP, J.P. Morgan Securities PLC, and Lynx Resources.

Consequently, SRK, the Competent Persons and the Directors of SRK consider themselves to be independent of the Company, its directors, senior management, Peel Hunt LLP, J.P. Morgan Securities PLC, and Lynx Resources.

In this CPR, SRK provides assurances to the Board of Directors of the Company, Peel Hunt LLP, and J.P. Morgan Securities PLC, in compliance with the Reporting Standard that the Ore Reserves, the TEPs, including production profiles, operating expenditures and capital expenditures of the Mineral Assets as provided to SRK by Lynx Resources and reviewed and, where appropriate, modified by SRK are reasonable, given the information currently available.

1.5.4 Consent

In Compliance with the AIM Rules, SRK will give its written consent to the inclusion of this CPR in the AIM Admission Document and all of the information to be contained in the AIM Admission Document which has been extracted directly from this CPR.

1.5.5 Disclaimers and Cautionary Statements for US Investors

This CPR uses the terms *"Mineral Resource"*, *"Measured Mineral Resource"*, *"Indicated Mineral Resource"* and *"Inferred Mineral Resource"*. U.S. investors and shareholders in the Company are advised that while such terms are recognised and permitted under JORC Code (2012) and the Requirements, the U.S. Securities and Exchange Commission ("SEC") does not recognise them and strictly prohibits companies from including such terms in SEC filings.

Accordingly, U.S. investors and shareholders in the Company are cautioned not to assume that any unmodified part of the Mineral Resources in these categories will ever be converted into Ore Reserves as such term is used in this CPR.

1.6 Indemnities provided by the Company

The Company has provided the following indemnity to SRK:

- In order to assist SRK in the preparation of this CPR the Company may be required to receive and process information or documents containing personal information in relation to SRK's project personnel. The Company has agreed to comply strictly with the provisions of the Data Protection Act 1998 of the United Kingdom ("DPA 1998") and all regulations and statutory instruments arising from the DPA 1998, and the Company will indemnify and keep indemnified SRK in respect of all and any claims and costs caused by breaches of the DPA 1998.

1.7 Qualifications of Consultants and Competent Persons

The SRK Group comprises over 1,400 staff, offering expertise in a wide range of resource engineering disciplines with 45 offices located on 6 continents. The SRK Group prides itself on its independence and objectivity in providing clients with resources and advice to assist them in making crucial judgment decisions. For SRK this is assured by the fact that it holds no equity in either client companies/subsidiaries or mineral assets.

SRK has a demonstrated track record in undertaking independent assessments of resources and reserves, project evaluations and audits, Competent Persons' Reports, Mineral Resource and Ore Reserve Compliance Audits, Independent Valuation Reports and independent feasibility evaluations to bankable standards on behalf of exploration and mining companies and financial institutions worldwide. SRK has also worked with a large number of major international mining companies and their projects, providing mining industry consultancy service inputs. SRK also has specific experience in commissions of this nature.

This CPR has been prepared based on a technical and economic review by a team of consultants sourced from SRK's offices in the United Kingdom. These consultants have extensive experience in the mining and metals sector and are members in good standing of appropriate professional institutions. The consultants comprise specialists in the fields of: geology and resource estimation; mining engineering and ore reserves; mining geotechnical engineering; hydrogeology/hydrology; waste and tailings engineering; geochemistry; water management; environmental and social; occupational health and safety and financial evaluation (hereinafter the "Technical Disciplines").

The Mineral Resource Estimate ("MRE") and report was undertaken by SRK UK, and the Competent Person is Mr Guy Dishaw, BSc, who is a full-time employee of and Principal Consultant (Resource Geology) at SRK. Mr Dishaw is a Professional Geoscientist registered with the Association of Professional Engineers and Geoscientists of Saskatchewan, a 'Recognised Overseas Professional Organisation' ("ROPO") included in a list promulgated by the Australian Stock Exchange ("ASX") from time to time. Mr Dishaw has 17 years' experience in the mining and metals industry and also has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012). The full Mineral Resource Report has been prepared separately to this CPR and a summary is presented in Section 3.

The Competent Person who has reviewed the Ore Reserves and the LoMp as reported by Lynx Resources is Mr Chris Bray, BEng, MAusIMM (CP), who is a full-time employee of and Principal Consultant (Mining) at SRK. He is a Member of and Chartered Professional in the

Australasian Institute of Mining and Metallurgy, a ROPO. Mr Bray is a Mining Engineer with 20 years' experience in the mining and metals industry, including operational experience in underground lead-zinc mines, and as such qualifies as a Competent Person as defined in the JORC Code (2012). He has also been involved in the reporting of Ore Reserves on various properties internationally for over 10 years.

The Competent Person who has overall responsibility for the CPR is Mr Richard Oldcorn, MSc, CGeol, who is a Corporate Consultant and Managing Director of SRK. He is a Fellow of the Geological Society of London and a Chartered Geologist, a ROPO. Mr Oldcorn has 27 years' experience in the mining and metals industry and also has been involved in the preparation of Competent Persons' Reports comprising technical evaluations of various mineral assets internationally during the past five years, which is relevant to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code (2012).

Table 1-1 provides a summary of the designated Competent Persons and other key contributors for completion of this CPR.

Neither SRK nor the authors of this report are qualified to provide comment on any legal issues associated with the SASA Mine. Assessment of these aspects has relied on information provided by Lynx Resources and its advisors, and has not been independently verified by the authors.

The technical work and economic modelling for the Ore Reserve estimate has been completed by Lynx Resources and other third-party consultants with SRK working in an independent review capacity.

Table 1-1: Competent Persons and Other Experts

List of Competent Persons					
Competent Person	**Position / Company**	**Responsibility**	**Independent of Rudnik SASA DOOEL**	**Date of Last Site Visit**	**Professional Designation**
Guy Dishaw	Principal Consultant (Resource Geology), SRK Consulting (UK) Ltd	Mineral Resources Estimate	Yes	January 2017	BSc, P.Geo
Christopher Bray	Principal Consultant (Mining), SRK Consulting (UK) Ltd	Ore Reserve Estimate	Yes	March 2017	BEng, MAusIMM(CP)
Richard Oldcorn	Corporate Consultant (Due Diligence), SRK Consulting (UK) Ltd	Overall CPR	Yes	March 2017	BSc, MSc, CGeol
Other Experts who assisted the Competent Persons					
Expert	**Position / Company**	**Responsibility**	**Independent of Rudnik SASA DOOEL**	**Date of Last Site Visit**	**Professional Designation**
Neil Marshall	Corporate Consultant (Geotechnical Engineering), SRK Consulting (UK) Ltd	Geotechnical Assessment	Yes	July 2017	CEng, MSc (DIC), MIMMM
Dr David Pattinson	Corporate Consultant (Minerals Processing & Metallurgy), SRK Consulting (UK) Ltd	Mineral Processing Review	Yes	March 2017	PhD, CEng, MIMMM, BSc
Richard Martindale	Principal Consultant (Geotechnical and Tailings Engineering), SRK Consulting (UK) Ltd	Tailings Management Review	Yes	February 2016	CEng, BSc, MSc, MCSM, MIMMM, FGS
Carl Williams	Senior Consultant (Geochemistry), SRK Consulting (UK) Ltd	Geochemistry Review	Yes	March 2017	MSc BEng, Grad MCIWEM
Fiona Cessford	Corporate Consultant (Environment), SRK Consulting (UK) Ltd	Environmental & Social Review	Yes	March 2017	BSc, MSc, Pr.Sci.Nat.
Samantha Barnes	Consultant (Hydraulic Engineering), SRK Consulting (UK) Ltd	Water Management Review	Yes	March 2017	BSc, BESc,
Jamie Spiers	Senior Consultant (Tailings and Closure), SRK Consulting (UK) Ltd	Conceptual Closure Cost Estimate	Yes	none	BSc, MSc
Inge Moors	Senior Consultant (Mineral Economics), SRK Consulting (UK) Ltd	Financial Model Review	Yes	none	MSc, MAusIMM

2 THE MINERAL ASSETS

2.1 Ownership Structure and Acquisition History

On 03 November 2015 it was announced that the Orion Mine Finance Group (“Orion”) had purchased the Mineral Assets from the Solway Investment Group (“Solway Group”). Orion partnered with Fusion Capital AG (a privately-owned company focused on the acquisition, financing and management of base metals mining operations) to establish Lynx Resources Ltd to acquire the SASA Mine (via its wholly owned subsidiary Lynx Europe SPLLC Skopje). SASA Mine is operated by Rudnik SASA DOOEL, a wholly owned subsidiary of Lynx Resources Ltd. Sales of concentrate are undertaken by Lynx Mining Limited. It is proposed that the Company acquires Lynx Resources Ltd.

2.2 Previous work by SRK at SASA Mine and SRK Site Visits for the CPR

SRK has undertaken a number of historical commissions at SASA Mine both for the current and previous owners, including:

- 2006 – Budget and Life of Mine Plan;
- 2006 – Mineral Resource Estimate;
- 2010 – Technical Review to improve operational efficiency;
- 2012 – Due diligence for a third party;

- 2014 – Safety Review;
- 2016 – Geotechnical assessment of underground conditions and support quality, plus geotechnical analysis to support design of underground excavations and support requirements;
- 2016 – Independent Technical Review of the Mineral Assets in support of Lynx Resources' acquisition of the SASA Mine;
- 2016 – Update Mineral Resource Estimate of the Svinja Reka and Golema Reka deposits to form the basis of the updated LoMp by Lynx Resources; and
- April 2017 - Conceptual Closure Plan and Cost Estimate.

A number of site visits were undertaken during February and March 2016 by the SRK Competent Persons for the purposes of the Independent Technical Review and Ore Reserve Assessment in 2016, covering geotechnical, tailings and mining (as listed in Section 2.2). For the Mineral Resource Estimate, SRK's Competent Person visited the mine from 26 September to 11 October 2016 and 24 January to 28 January 2017, as reported in full in the 2016 MRE report.

For this CPR, SRK's technical experts and Competent Persons visited the site between 07 and 08 March 2017 (mining, metallurgy and processing, and the project manager) and between 14 and 15 March 2017 (environment and social, water management, and geochemistry). The remaining disciplines, geotechnical and tailings, were reviewed on a desktop basis following on from the visits in 2016, with additional update input from the Project Manager, who undertook the site visit in 2017. A recent site visit was undertaken by the geotechnical expert in July 2017.

2.3 The SASA Mine

A summary of the Mineral Assets is included in Table 2-1. SRK notes that whilst the current exploration licence expires on 13 December 2017, the application for renewal is already in progress. SRK has every reason to expect that the licence will be renewed as a matter of course within the allowable 12-month period following the expiry of the licence.

Table 2-1: Summary Table of Mineral Assets

Asset	Holder	Interest	Status	Licence expiry date	Licence area	Comments
SASA Mine, Macedonia	Rudnik SASA DOOEL	100%	Production	28 September 2030	4.22 km^2	Current annual run of mine production is 780 kt, producing lead and zinc concentrates.
SASA Mine, Macedonia	Rudnik SASA DOOEL	100%	Exploration	Expires on 13 December 2017[1)]	1.42 km^2	

1) For further details regarding the renewal status refer to Section 2.5.

The SASA Mine (Figure 2-1 and Figure 2-2) is located in northeastern Macedonia, approximately 150 km east of the capital city of Skopje and 10 km to the north of the town of Makedonska Kamenica (pop. 5,147) which lies in the southern foothills of the Osogovo Mountains, near Lake Kalimanci at an altitude of about 500 m.

The Mineral Assets comprise an operating underground lead-zinc mine and flotation plant which allows for the production of separate zinc and lead concentrates. Concentrates are currently transported by truck for treatment in smelters in the surrounding region. There is

also the possibility to transport concentrates by truck to nearby ports for shipping to overseas customers. The mine workings are situated in the Osogovo Mountains with an elevation range of approximately 975 to 1,600 m above sea level. Surrounding mountains rise to 2,030 m around the SASA Mine and the average annual precipitation is approximately 600 mm.

The climate is subject to Continental and Mediterranean influences, with hot dry summers and cold winters. The majority of rainfall is during the spring and autumn and occasionally there are heavy snowfalls on the mountains, rarely in the valleys, from December to February.

The mine operates 24 hours a day, 7 days a week with 3 x 8 hour working shifts in both the underground mine and process facilities. The underground mine is scheduled on 362 working days a year and the process facilities are scheduled on 365 working days per year. The total number of operational employees at the mine during H1 2017 was 683, with 352 working in the mining operation and 71 in the process flotation facilities.

Figure 2-3 shows an aerial view of the mine and surface infrastructure, with the project licence boundary and underground infrastructure superimposed. Figure 2-4 shows the mine and processing surface infrastructure in relation to the existing underground access.

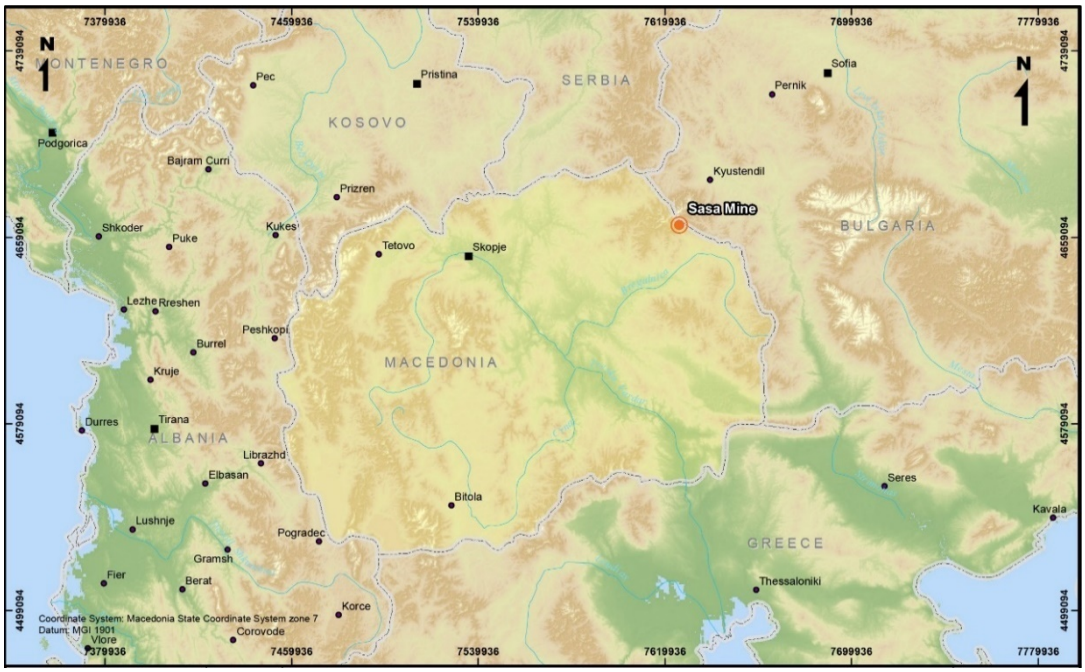


Figure 2-1: SASA Mine location in Macedonia and wider Balkans region

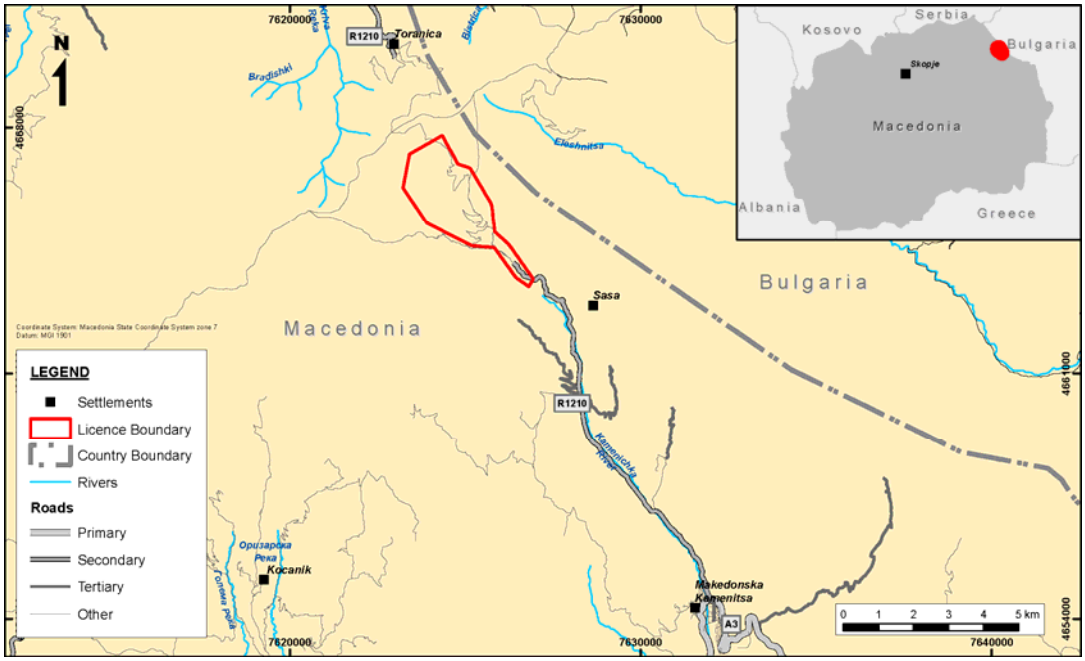


Figure 2-2: SASA Mine location

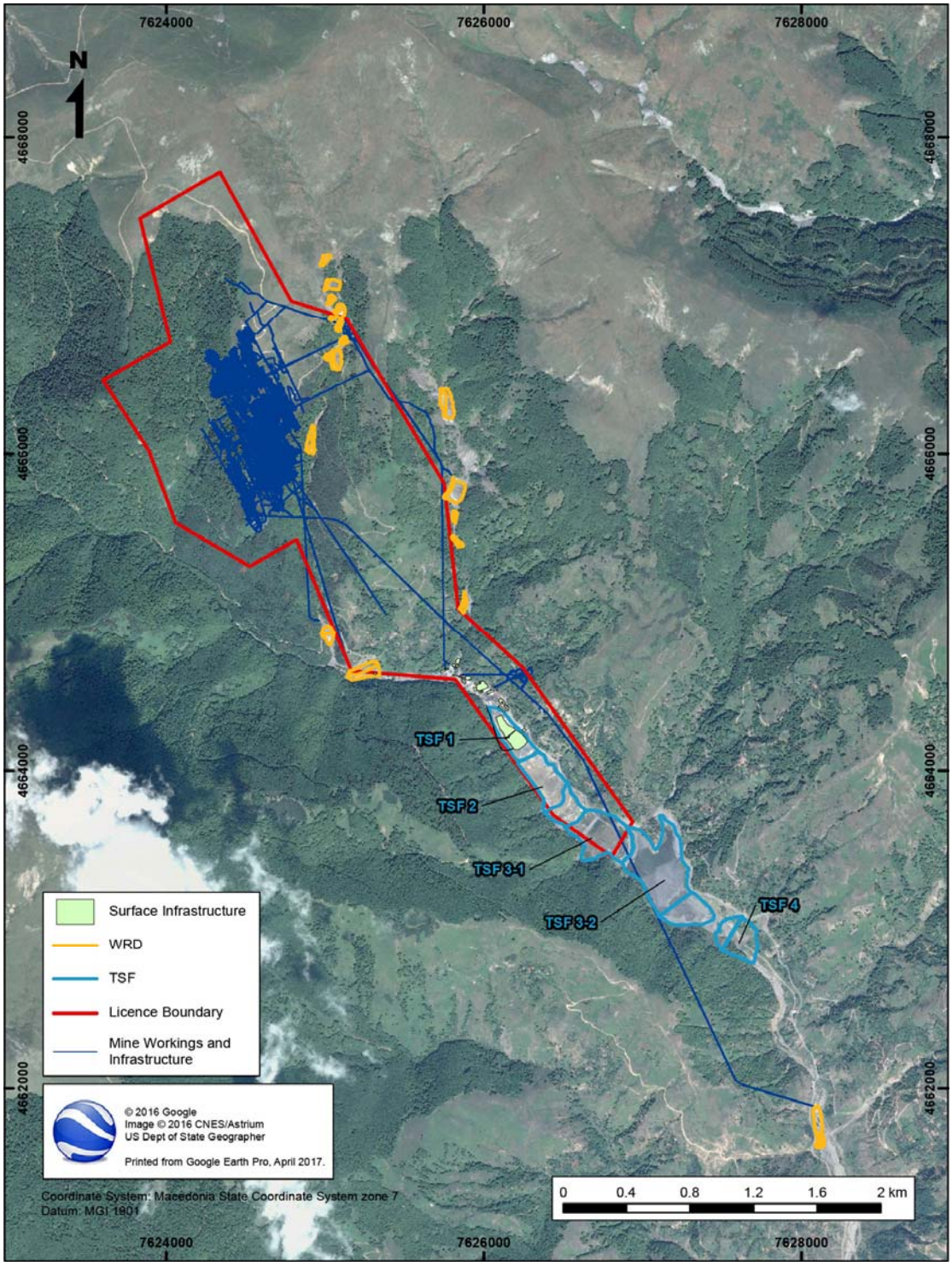


Figure 2-3: Aerial view showing layout of the SASA Mine site and facilities

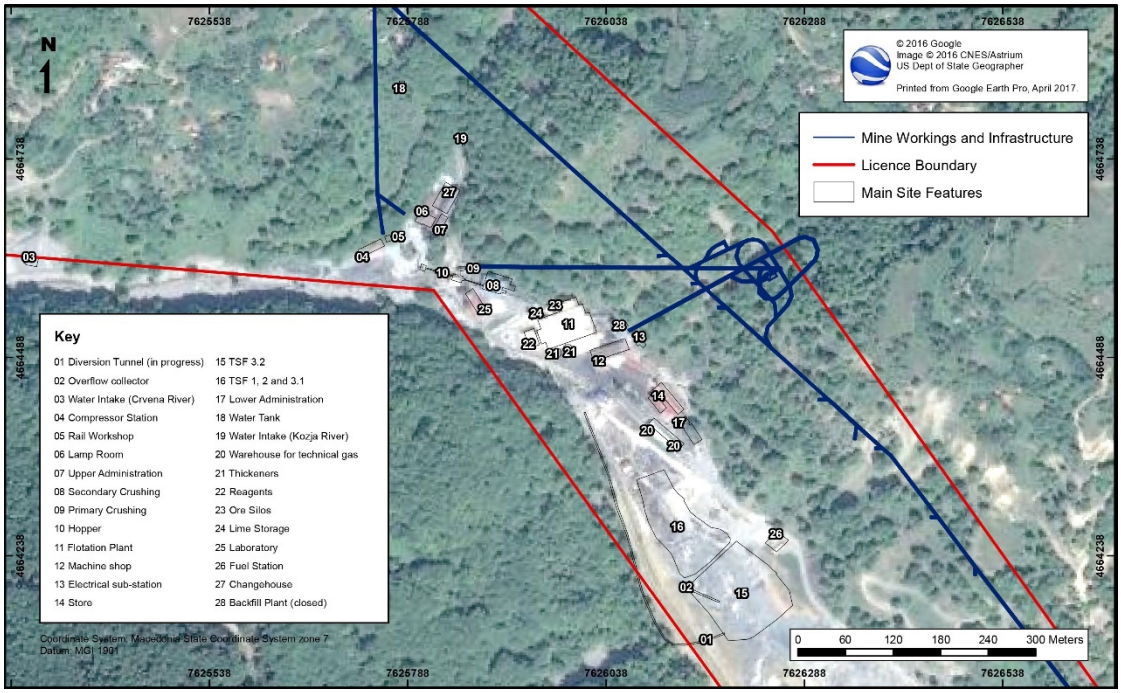


Figure 2-4: SASA Mine Layout

2.4 Historical Mining

The initial mining and geological surveys of the Osogovo Mountains' ore-bearing massif and the SASA Mine locality date from 1954. The period between 1954 and 1960 was a period of exploration and the mine construction took place between 1960 and 1965. In November 1965, the mine was opened for trial processing with a projected production capacity of 0.3 Mtpa of lead-zinc ore.

The SASA Mine commenced operation from 1966 as a state-owned entity. During the 1990s, ore production levels at SASA Mine were roughly 0.5 Mtpa and, in 2002, the mining and milling operation was shut down due to lack of operating capital on the part of the Macedonian government, which owned the mine. Subsequently, the mine was put into bankruptcy and closed. The Solway Group subsequently purchased the mine and operations were restarted in 2006.

Table 2-2 provides a summary of the recent annual mine and processing production at the SASA Mine and Table 2-2 provides a breakdown of the historical workforce and management at the mining operation.

Table 2-2: Historical Production at the SASA Mine

Description	Units	2010	2011	2012	2013	2014	2015	2016	H1 2017
Mine Performance									
Total Ore Mined	(kt wet)	838	788	784	807	809	806	807	402
	(kt dry)	809	759	753	777	780	780	783	391
Lead grade	(% Pb)	4.05	3.83	3.93	4.13	4.16	4.04	3.95	4.01
Zinc grade	(% Zn)	3.81	3.43	3.35	3.47	3.48	3.52	3.41	3.20
Process Plant Performance									
Ore Processed	(kt wet)	840	787	785	804	809	803	803	404
	(kt dry)	811	758	754	774	780	777	779	392
Lead grade	(% Pb)	4.05	3.83	3.93	4.13	4.16	4.04	3.95	4.01
Zinc grade	(% Zn)	3.81	3.43	3.35	3.47	3.48	3.52	3.41	3.20
Lead Concentrate									
Lead Concentrate	(kt dry)	41.3	37.1	38.0	41.0	41.6	40.2	39.5	20.3
Lead Recovery	(%)	94.4	95.1	94.4	94.4	94.5	94.1	94.1	94.6
Lead Grade	(% Pb)	75.15	74.32	73.64	73.62	73.73	73.51	73.29	73.29
Zinc Grade	(% Zn)	2.82	2.66	2.43	2.59	2.59	2.86	2.71	2.56
Lead Contained	(kt)	31.0	27.6	28.0	30.2	30.7	29.5	29.0	14.9
Zinc Concentrate									
Zinc Concentrate	(kt dry)	52.8	44.6	43.1	46.2	46.9	47.2	45.5	21.7
Zinc Recovery	(%)	86.0	86.6	86.2	86.3	86.5	85.8	84.6	85.6
Lead Grade	(% Pb)	1.13	1.05	1.08	1.06	1.33	1.64	1.33	1.10
Zinc Grade	(% Zn)	50.36	50.56	50.51	50.14	50.13	49.78	49.43	49.45
Zinc Contained	(kt)	26.6	22.5	21.8	23.2	23.5	23.5	22.5	10.7

Table 2-3: Workforce and Management

Workforce and Management	Units	2010	2011	2012	2013	2014	2015	2016	H1 2017
Mining	(each)	400	394	385	388	367	364	361	352
Processing	(each)	67	68	69	69	71	71	73	71
Administration	(each)	59	59	67	68	77	80	79	82
Other	(each)	142	141	134	137	146	144	147	147
Laboratory	(each)	26	27	27	27	28	30	30	31
Total	**(each)**	**694**	**689**	**682**	**689**	**689**	**689**	**690**	**683**

2.5 Mineral Tenement and Land Tenure Status

SRK has not reviewed the various agreements (regulatory or third party) relating to mineral rights, surface freeholds, mining authorisations, prospecting licences, exploration licences, claims or other such tenements or titles from a legal perspective. Consequently, SRK has relied on advice by Lynx Resources to the effect that Lynx Resources is entitled to mine all material falling within their respective mineral rights and/or mining rights and that all necessary statutory mining authorisations and permits are in place.

Mineral exploration and exploitation in Macedonia is governed by the State law on Mineral Resources of the Former Yugoslav Republic of Macedonia (Br.132 Gazette of RM/2013) and titles to the SASA Mine exploration and exploitation concessions are held by Rudnik SASA DOOEL.

The concessions were granted following a public auction by the Ministry of Economy and the current areas are shown against the modelled mineralisation in Figure 2-5.

The exploitation concession (24-5550/1) covers an area of 4.22 km^2 and comprises sub-areas labelled by year, which relate to expansions of previous licence boundaries. The current exploitation concession was most recently issued to Lynx Resources on 13 November 2014 and is valid until 28 September 2030, with the possibility of extending for another 30 years.

The exploration concession (24-4971/1) covers an area of 1.42 km^2 and was most recently issued to Lynx Resources on 13 December 2013 and expires on 13 December 2017. Lynx Resources is currently in the process of applying to renew the exploration concession. A study detailing the results of exploration between 2013 and 2017 is going to be submitted by October 2017, and following revision of the study by the Geological Department of the Ministry of Economy, Lynx Resources will apply for an extension of the mining concession to include the current exploration concession area. Once this extended mining concession is approved, a new application for an exploration concession area will be submitted. Lynx Resources has 12 months from the date of expiration in which to complete the applications for both the extension of the mining concession and the new exploration concession.

The boundaries of the exploitation and exploration concessions are defined in the Gauss-Krüger coordinate system (Hermannskogel datum) and are listed in Table 2-4 and Table **2-5**, respectively. SRK notes that 12% of the Inferred Mineral Resources of the Svinja Reka deposit fall outside the current exploitation licence, but within the exploration licence. A total of 2.1 Mt of material is to be mined at Svinja Reka from the Inferred category from 2029 to 2034, 12% of which corresponds to only 0.25 Mt of material outside the exploitation licence area. SRK notes that there is potential to extend the mine life by further defining and potentially extending the Svinja Reka and Golema Reka resources at depth, and by delineating and quantifying extents of the Kozja Reka deposit, combined with further licence extensions, and that such studies are ongoing or planned.

Environmental Permits are issued by the 'Ministry of Environment and Physical Planning' and are referred to in Section 9.4 of this CPR.

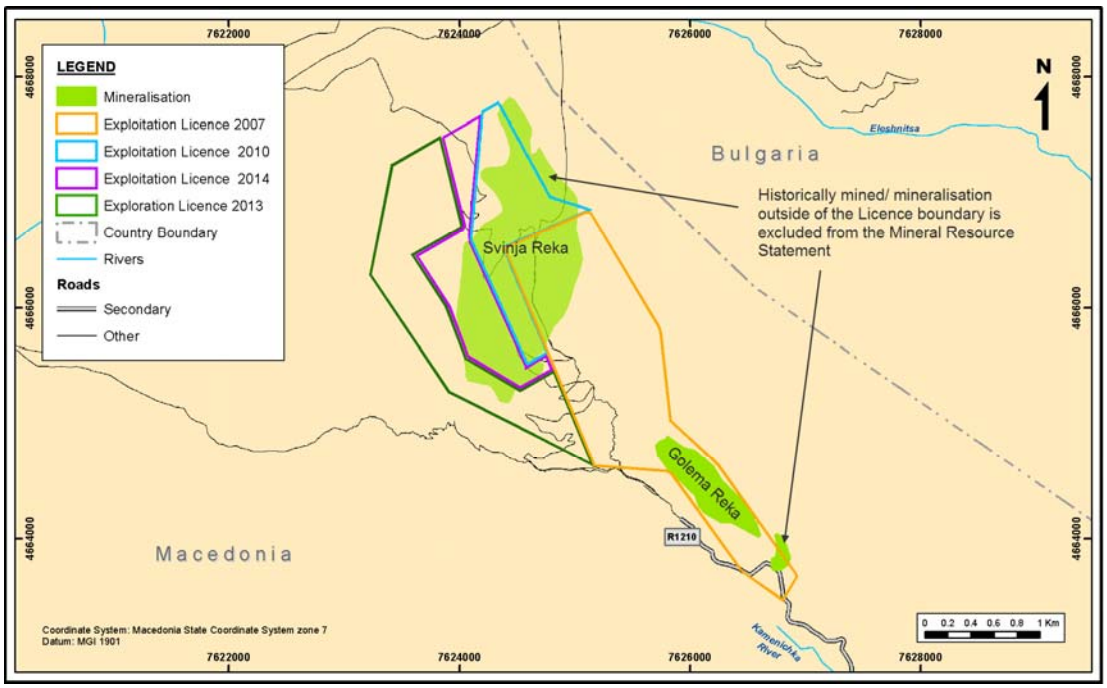


Figure 2-5: Current SASA Mine Licence Boundaries with mineralisation wireframes

Table 2-4: SASA Mine Exploitation Concession 24-5550/1 Boundary Corner Points

Corner Beacon	Easting	Northing
1	7626807	4663459
2	7626437	4663720
3	7625821	4664573
4	7525167	4664627
5	7624820	4665460
6	7624526	4665291
7	7624058	4665567
8	7623888	4666020
9	7623602	4666461
10	7624027	4666706
11	7623836	4667490
12	7624200	4667700
13	7624339	4667778
14	7524786	4666967
15	7625131	4666857
16	7625750	4665811
17	7625838	4665023
18	7626248	4664647
19	7626938	4663678

Table 2-5: SASA Mine Exploration Concession 24-4971/1 Boundary Corner Points

Corner Beacon	Easting	Northing
1	7625167	4664627
2	7624820	4665460
3	7624526	4665291
4	7624058	4665567
5	7623888	4666020
6	7623602	4666461
7	7624027	4666706
8	7623836	4667490
9	7623408	4667246
10	7623221	4666287
11	7623905	4665272

2.6 Historical Resource and Reserve Estimates

2.6.1 Introduction

SASA Mine is required to undertake reporting of Reserves in accordance with the Macedonian State Reporting System every four years. The State Reporting for the SASA Mine is prepared by a local institute 'GEOENGINEERING-M DOOEL SKOPJE' and was last completed as at 01 April 2015, consisting of five Elaborates (Volumes).

A number of historical Mineral Resource estimates, in accordance with the JORC guidelines, have been completed by international consulting groups (SRK in 2006, Wardell Armstrong in 2011 and Mineral Resource Advisors ("MRA") in 2015), which are summarised in Section 2.6.3 below.

It is noted that the full reports for all historic Mineral Resource and Reserves statements need to be read in order to understand the background and context of the estimates.

2.6.2 Macedonian State Reporting System

Classification and categorisation of State Reserves is defined by the Macedonian Law for mineral raw materials (Official Gazette of the Republic of Macedonia no. 24/07, 88/08, 52/09, 6/2010, 158/2010, 53/2011, 136/2011, 136/2012 and 132/2013).

Reserves of solid minerals from categories A, B and C1, depending on possibility of their use, are classified as In-balance and Off-balance reserves. Resources in categories C2, D1, and D2 are not classified as reserves.

In-balance reserves of minerals are classified parts of the resource which can be extracted cost effectively using existing methods, technology, and market prices. The level of profitability of the exploitation and processing of the In-balance reserves must be in accordance with generally accepted economic and social criteria, and can be different for alternative mineral types. The share of In-balance reserves of categories A, B and C1, and notwithstanding, the reserves of category C2, it is necessary to determine the sequence of development which depends on the type of mineralisation.

When determining the In-balance reserves of the base resource, all additional mineral components in the deposit are assessed. The estimated In-balance reserves of mineral are reduced for losses in exploitation to determine Exploitation Reserves.

The State regulations limit drilling densities of 50 x 50 m for reserves of A category, 70 x 70 m for reserves of B category and 100 x 100 m for reserves of C1 category. In drawing the contours of the reserves of B category interpolation procedures are applied between boreholes' mineral intercepts and extrapolation for up to 1/4 of the projected distance between the investigative works for B category. For reserves of C1 category, extrapolation goes up to 1/3 of the projected distances between the investigations for C1 category (Appendix no. 90-119 and 120-205).

The State Resource Estimate for SASA Mine as at 01 April 2015 is provided below in Table 2-6 and the State Reserve Estimate (excluding C2 resources) is provided in Table 2-7. It should be noted that the State Reserve Estimate is factored from the Vulcan block model managed at the SASA Mine which has had modifying factors applied. It should be noted that silver grade estimates are not provided in the State Resource and Reserve tables, although silver grades have been estimated in the JORC Mineral Resource Statement prepared by SRK (Section 3).

Table 2-6: State Resource Estimate for the SASA Mine as at 01 April 2015

State Resource Classification	Tonnage	Metal Grade		Metal Content	
	(Mt)	(% Pb)	(% Zn)	(kt Pb)	(kt Zn)
B	9.27	5.19	4.24	481.1	392.8
C1	4.21	5.16	3.53	217.3	148.5
B + C1	**13.47**	**5.18**	**4.02**	**698.4**	**541.4**
C2	2.11	3.66	2.07	77.2	43.6
Total (B + C1 +C2)	**15.58**	**4.98**	**3.75**	**775.6**	**585.0**

Table 2-7: State Reserve Estimate for the SASA Mine as at 01 April 2015

State Resource Classification	Tonnage	Metal Grade		Metal Content	
	(Mt)	(% Pb)	(% Zn)	(kt Pb)	(kt Zn)
B	9.28	4.66	3.90	432.5	361.9
C1	4.04	4.60	3.60	185.8	145.4
Total (B + C1)	**13.32**	**4.64**	**3.81**	**618.3**	**507.3**

The State Resource and Reserve estimates are revised every four years; however, the mine keeps annual records (as at 01 January) of the inventory movement for each of the reserve classifications, taking into account depletion from mine production and additions from exploration. Figure **2-6** shows the annual State Resource mineral inventory (at the start of each year) for each classification (B+C1+C2) for the last 5 years, which includes both the Svinja Reka and Golema Reka deposits. Figure **2-7** shows the annual State Resource inventory of contained metal tonnes (lead and zinc) at the SASA Mine for the B, C1 and C2

classifications. Figure **2-8** shows the annual State Reserve inventory of contained metal tonnes (lead and zinc) at the SASA Mine for the B and C1 classifications only.

These graphs indicate that there has been a reasonable overall replacement of the annual mined State Reserve tonnages until 01 January 2016. The State Reserve inventory tonnages reduced by a minor amount between 2016 and 2017; however, they are still higher than five years ago due to ongoing exploration replacing mined tonnes.

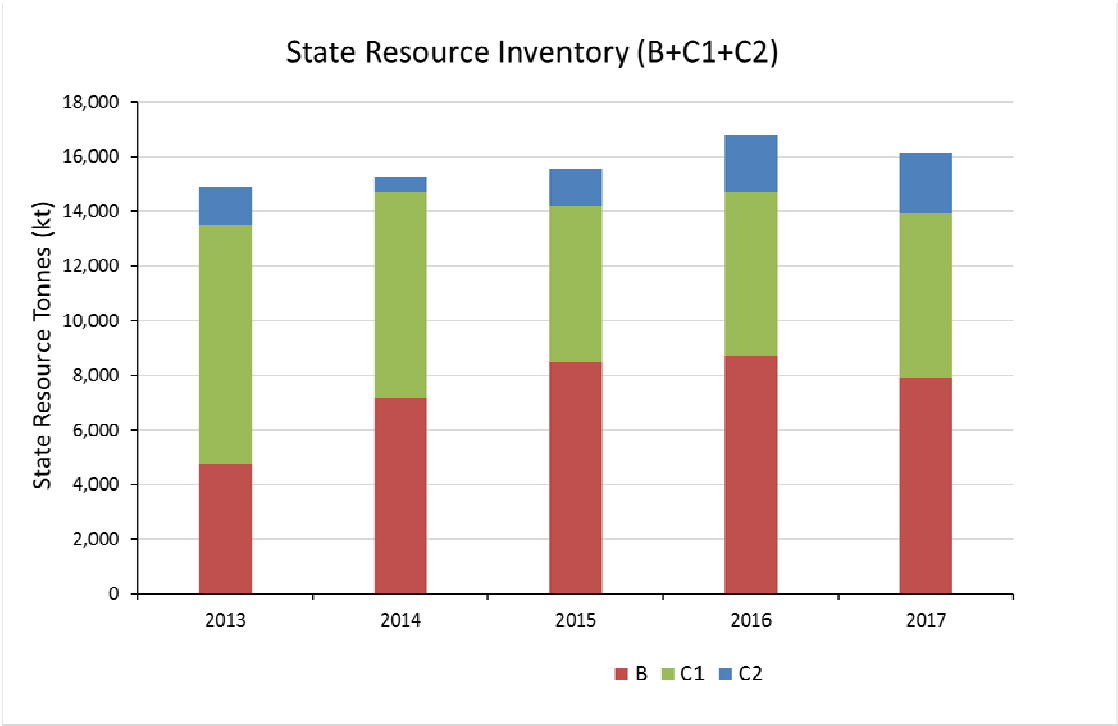


Figure 2-6: State Resource – Mineral Inventory Tonnes

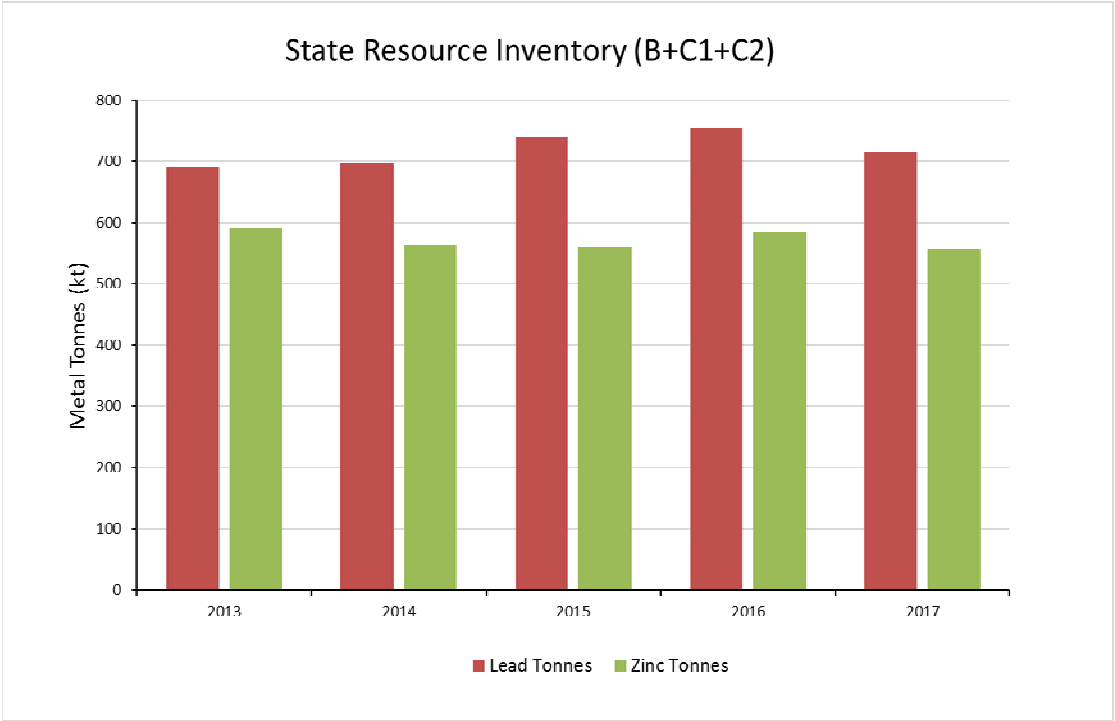


Figure 2-7: State Resource Inventory – Metal Tonnes (B+C1+C2)

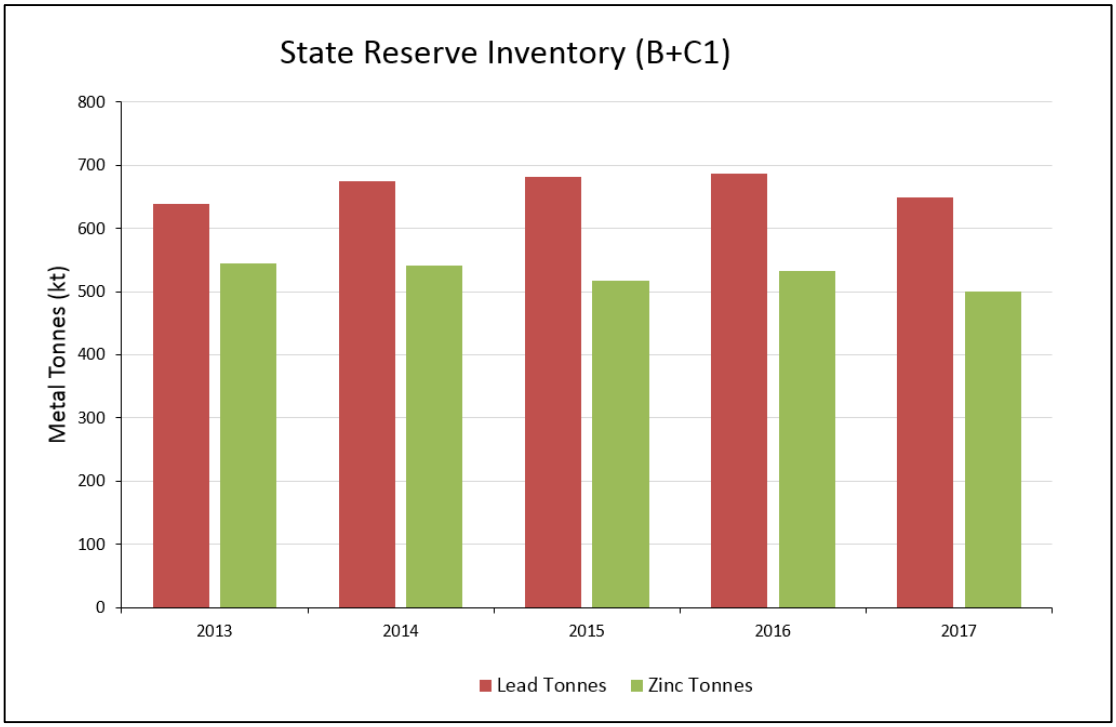


Figure 2-8: State Reserve Inventory – Metal Tonnes (B+C1)

2.6.3 Historical International Mineral Resource Estimates

As mentioned above, a number of Mineral Resource estimates have historically been undertaken at the SASA Mine in accordance with the JORC guidelines as follows:

- SRK Consulting (UK) Ltd completed individual, JORC Code (2004) compliant, Mineral Resource Estimates of the Svinja Reka and Golema Reka deposits in October 2006.
- A Mineral Resource estimate compliant with the JORC Code (2004) was completed by Wardell Armstrong as at October 2011 with separate tables reported at cut-off grades of 2% and 4% Pb+Zn as shown in Table 2-8 and Table 2-9, respectively. It should be noted that approximately 10% of the resource tonnage was outside of the licence boundary at the time of the estimate.
- In 2015, an updated Mineral Resource Estimate was completed by MRA and classified in accordance with the JORC Code (2012) for Measured, Indicated and Inferred categories at the Svinja Reka deposit only. SRK reviewed this MRE for inclusion into the 2016 Independent Technical Report ("ITR") prepared by SRK for SASA Mine. The Mineral Resource Statement shown in Table 2-10 is reported above a cut-off grade of 2% Pb+Zn and represents the position as at 01 October 2015.

Table 2-8: Mineral Resource Estimate (Cut-off grade 2.0% Pb+Zn) for the SASA Mine as at October 2011 (Wardell Armstrong)

Mineral Resource Classification	Tonnage	Metal Grade		Metal Content	
	(Mt)	(% Pb)	(% Zn)	(kt Pb)	(kt Zn)
Measured	1.16	5.03	4.88	58.2	56.4
Indicated	3.42	5.05	4.64	172.7	158.7
Measured + Indicated	**4.58**	**5.05**	**4.70**	**230.9**	**215.1**
Inferred	15.12	5.14	4.04	777.4	611.0
Total (M+I+I)	**19.69**	**5.12**	**4.19**	**1,008.3**	**826.2**

Table 2-9: Mineral Resource Estimate (Cut-off grade 4.0% Pb+Zn) for the SASA Mine as at October 2011 (Wardell Armstrong)

Mineral Resource Classification	Tonnage	Metal Grade		Metal Content	
	(Mt)	(% Pb)	(% Zn)	(kt Pb)	(kt Zn)
Measured	1.14	5.07	4.92	57.9	56.2
Indicated	3.36	5.11	4.70	171.6	157.8
Measured + Indicated	**4.50**	**5.10**	**4.75**	**229.4**	**214.0**
Inferred	14.88	5.19	4.08	772.9	607.2
Total (M+I+I)	**19.39**	**5.17**	**4.24**	**1,002.3**	**821.2**

Table 2-10: Statement of Mineral Resources for Svinja Reka Deposit at 01 October 2015 (MRA)

Mineral Resource Classification	Tonnage	Metal Grade			Metal Content		
	(Mt)	(% Pb)	(% Zn)	(g/t Ag)	(kt Pb)	(kt Zn)	(t Ag)
Measured	-	-	-	-	-	-	-
Indicated	14.29	4.81	3.79	22.2	687	542	326
Inferred	3.53	3.84	3.23	19.8	136	114	68
Total (M+I+I)	**17.82**	**4.61**	**3.68**	**20.9**	**822**	**656**	**393**

3 GEOLOGY AND MINERAL RESOURCES REVIEW

3.1 Introduction

SRK's Mineral Resource Estimation report is contained in the Report "Mineral Resource Estimate on the SASA Mine Lead, Zinc and Silver Operation, Macedonia, October 2016". This section is a summary of the key findings of that study.

SRK was commissioned by SASA Mine to prepare an update of the MRE on the SASA Mine, comprising the Svinja Reka and Golema Reka deposits.

SRK prepared this October 2016 update based on selective infill drilling completed at the Svinja Reka deposit between November 2015 and October 2016, underground mapping and a 3-dimensional ("3D") modelling approach using the Leapfrog Geo software. The deposit has been modelled using the Gauss-Krüger coordinate system (Hermannskogel datum).

The Mineral Resource Statement presented herein has an effective date of 1 July 2017 and is signed off by Guy Dishaw, P.Geo., a Competent Person in accordance with the JORC Code.

3.2 Geological Setting and Mineralisation

3.2.1 Geology of the Serbo-Macedonian Massif

The Svinja Reka and Golema Reka lead-zinc-silver deposits lie within the Serbo-Macedonian Massif (Figure 3-1) which extends through Serbia, Macedonia, Bulgaria, and eastern Greece into Turkey and hosts a number of lead-zinc deposits. This massif comprises metamorphic rocks of Precambrian, Cambrian and Palaeozoic ages, within which lower and upper complexes have been recognised. The lower complex consists of rocks subjected to amphibolite facies metamorphism, consisting of mica-gneiss, mica schist, amphibolite, quartzite, marble and migmatite. The upper complex consists primarily of volcano-sedimentary rocks, metamorphosed to greenschist facies and consisting of chlorite shales, chlorite-amphibolite, chlorite-sericite and quartz-shales. The metamorphic rocks were intruded by granitoid complexes during several geological epochs, controlled by regional structure.

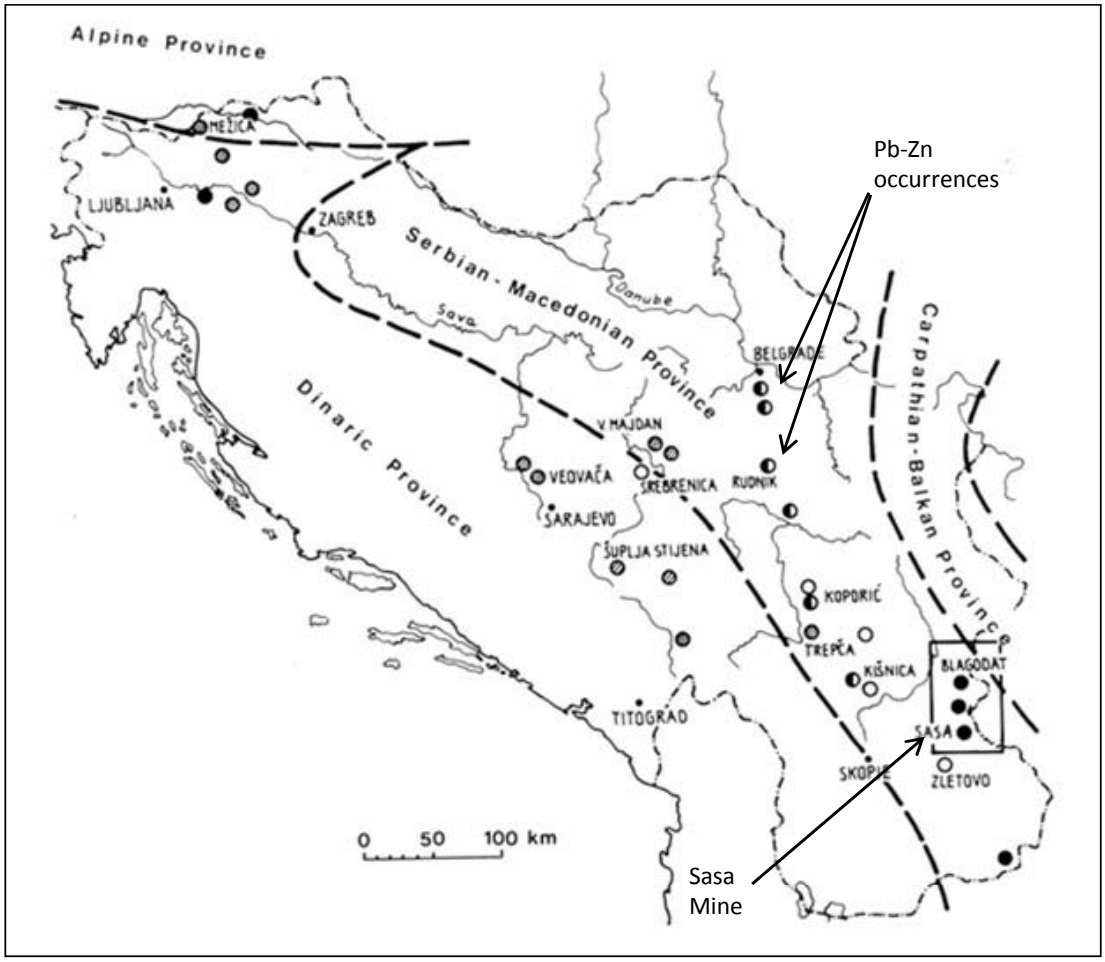


Figure 3-1: Serbian-Macedonian ore province (modified form Tufar and Strucl, 1984)

3.2.2 Geology of the SASA Mine Project

The Svinja Reka and Golema Reka deposits are located on the eastern flank of an intermediate intrusive complex and related porphyry Cu-Mo system at Osogovo (Figure 3-2), likely of late Oligocene to early Miocene age. A northwest striking stockwork alteration zone, with a footprint of approximately 4 km^2, is developed at Osogovo comprising intensely altered, coarse quartz latites to quartz monzonites, gneissic-intrusion breccias, and fine grained aphyric igneous rocks.

Lead-zinc-silver mineralisation at the SASA Mine occurs as bedding concordant (stratiform) deposits hosted predominantly by quartz-graphite schist and marbles of Lower Palaeozoic age (Figure 3-3) at Svinja Reka and by gneisses at Golema Reka. The mineralisation is considered to relate to the intrusion of Tertiary volcanics (27-24 Ma) into Precambrian gneisses and Palaeozoic schist and marble of the Serbo-Macedonian massif (Peltekovski et al 2012). High-temperature hydrothermal fluids and bedding-parallel faulting are responsible for metasomatism of the (Mn-bearing) host sediments producing skarn (calc-silicate minerals including calcite, actinolite, chlorite and epidote) and base metal mineralisation (Serafimovski et al. 2006).

The well-defined, partially exploited, lenses of lead-zinc-silver mineralisation dip at approximately 35° to the south-west and typically range in true thickness from between 2 to 30 m. The mineralised lenses are present in parallel sheets (typically two or three bodies, namely the hanging wall, central and footwall orebodies), separated by an interburden with

thicknesses of 1 to 10 m. The lenses pinch and swell along strike and down-dip. Figure 3-4 illustrates lateral continuity of the mineralised zone despite tight kink folding, rapid thinning and thickening along strike, with the presence of barren marble lenses concentrated where the zone thickens approaching a fold nose and in general at the margins of the mineralised lenses.

The Svinja Reka and Golema Reka deposits are considered to be metasomatic skarn-hydrothermal deposits (Peltekovski et al. 2012) with replacement and bedding-parallel fault controlled mineralisation. The skarns occur in the form of replacement of marble, whereas the hydrothermal lead-zinc-silver mineralisation appears as replacements and as open-space fillings. The skarn association has a characteristic zonal structure and contains calc-silicate minerals (Fe-Mn-pyroxenes, Fe-Mn-pyroxenoids, garnets, ilvaite, epidote), magnetite, pyrite and pyrrhotite. The hydrothermal association, which is superimposed onto the skarn assemblages, contains argentiferous galena, sphalerite, pyrite and minor chalcopyrite (Palinkas et al. 2013).

In addition to Svinja Reka and Golema Reka, there exists a third deposit at SASA Mine, Kozja Reka, which is located between the two main deposits and was mined historically between 1966 and 1989 and for which some historical drilling data exist (Figure 3-2 and Figure 3-3). Kozja Reka has not been included in recent MREs, nor is it included in the 2016 MRE by SRK, but is currently the focus of planning for an underground diamond drilling programme for potential future resource reporting.

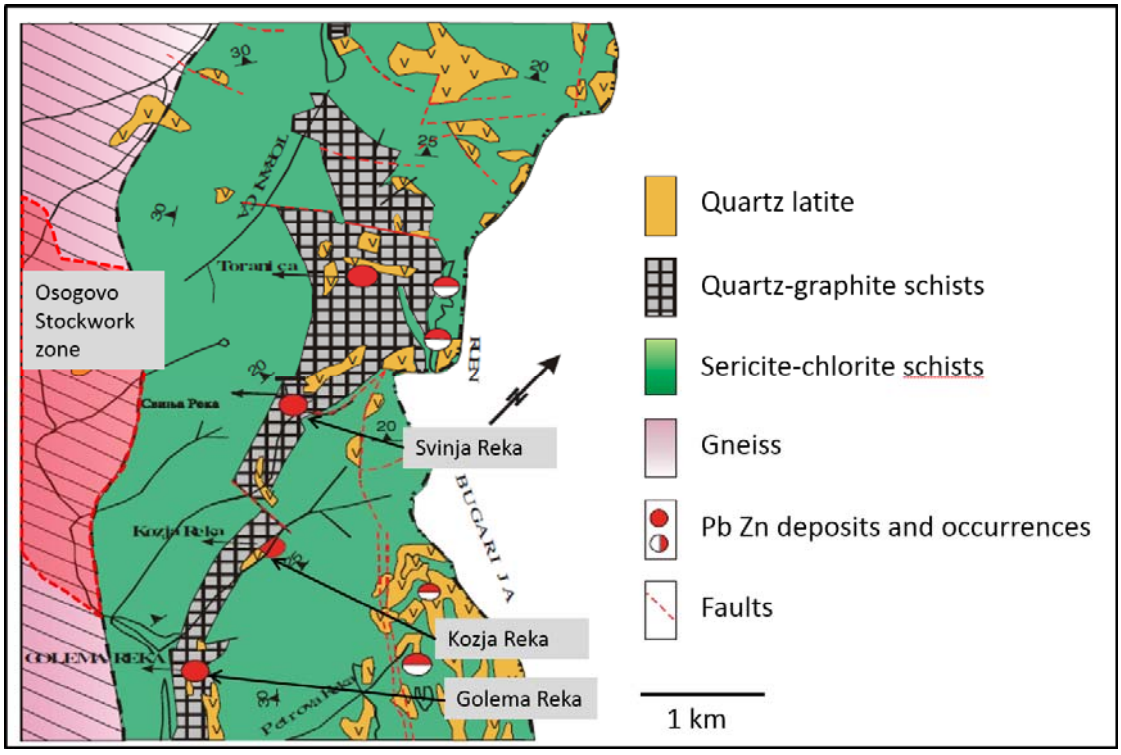


Figure 3-2: Osogovo Region Geological Map (modified from MRA 2016)

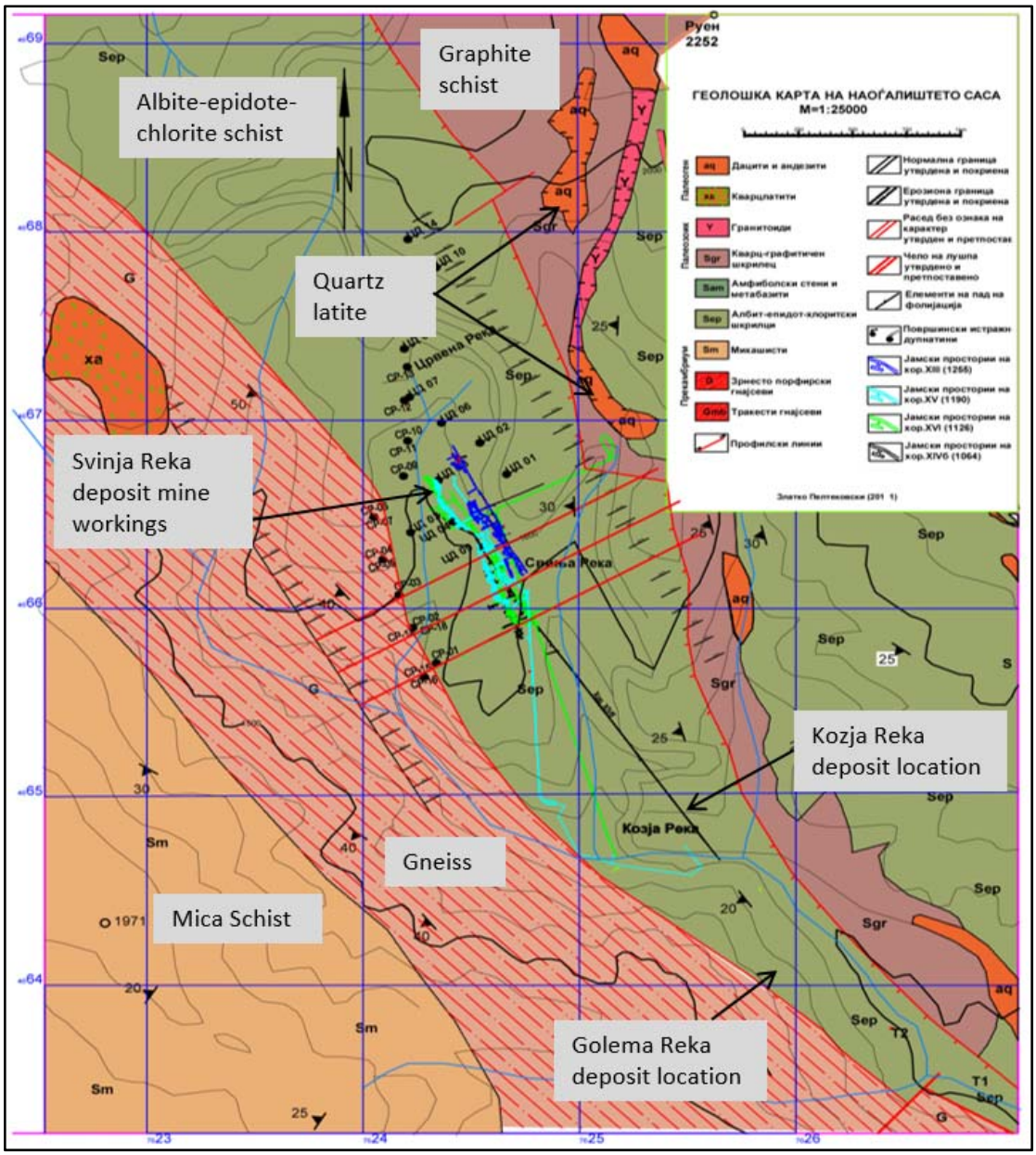


Figure 3-3: Svinja Reka deposit scale geological map (modified from SASA 2016)

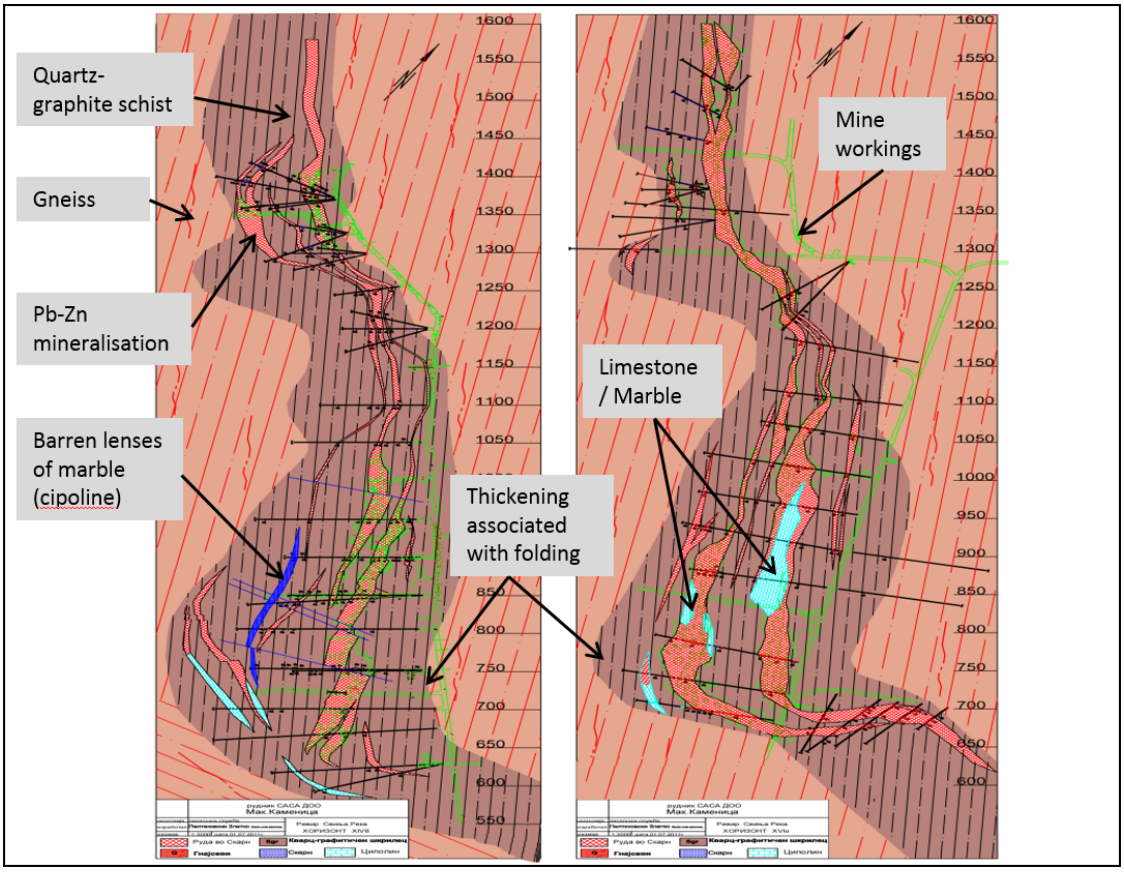


Figure 3-4: Geological Plan views at Svinja Reka Levels XIVb (left) and XIV (right), (modified from SASA 2016)

3.3 Mineral Resource Estimation

The Mineral Resources were estimated by SRK using drilling information provided up to 01 October 2016. Between 01 October 2016 and 1 July 2017, Lynx Resources has completed an additional 123 underground drillholes, totalling 6,339 m completed at Svinja Reka and 4 surface drillholes for sterilization purposes around the TSF. The information from these drilling programmes between 01 October 2016 and 1 July 2017 has not been taken into consideration by SRK, and was not considered in SRK's review of the drilling information or in the current Mineral Resource estimate. The vast majority of these holes, 111 in total, were drilled as part of the routine grade-control infill drilling at Svinja Reka.

The SASA Mine geology department are in the process of preparing the drilling information, collected since 01 October 2016, for use in updating the geological model and the Mineral Resource estimate for 01 October 2017.

3.3.1 Exploration and Data Management

The SASA Mine has been explored since 1954 including geophysics, mapping, trenching, and drilling from both surface and underground excavations. Up to 01 October 2016, 1,442 holes, totalling 106,957 m and 15 underground channels, totalling 332 m have been completed at the Svinja Reka deposit while 104 holes, totalling 13,444 m and 51 underground channels, totalling 333 m, have been completed at the Golema Reka deposit. The drilling data has been acquired by several different operators, and the standards applied by each have varied over time. In general, the drilling has produced good quality intersections of the mineralised horizons, with recoveries typically greater than 80%. Core sizes have varied over time, but are

typically AX and AQ from underground and NQ from surface, which was whole core sampled to provide a suitable quantity of material for assay.

The drill core is logged for geological and geotechnical parameters (core recovery and RQD) and, recently, digital photographs of the core are being taken. Sampling lengths are then allocated, guided by visually logged geological contacts, and typically range between 0.3 and 1 m in length.

Samples were submitted for preparation to the SASA Mine laboratory (which obtained valid international accreditation to MKC EN ISO/TEC 17025 in 2006 and was later endorsed in 2011 with validity until 2019), where samples are crushed to -3 mm and then dried in an oven at 130°C. The sample is passed through a riffle splitter to derive a 50% split, which is pulverised using a disc mill to give a -0.74 mm powder pulp. The pulp is coned and quartered with 25% subsampled into 1 g portions for Pb and Zn analysis and the remaining 75% is stored for three years in case external controls require re-assay. The samples are analysed for Pb and Zn by XRF.

Whilst no routine external assay Quality Assurance/Quality Control ("QAQC") procedures are currently implemented, SRK has previously completed an independent check by selecting 400 duplicate pulp samples, from SASA Mine drilling intercepts, which were submitted to the Eurotest Control Sofia laboratory. Analysis of the results indicates in general the reasonable quality of results, albeit with a slight bias toward lower grade. The SASA Mine laboratory is annually audited by the Macedonian Accreditation Institute and also acts as control for the plant concentrate shipment. The SASA Mine laboratory also regularly submits check samples to a laboratory in Sofia, Bulgaria as part of its own internal QAQC programme.

The resource databases were directly exported from the master Access database managed by SASA Mine geologists. The drillhole data included collar co-ordinates, hole lengths, date drilled, downhole surveys, and sample assay intervals. The resource database was reviewed and verified by SRK before use in the Mineral Resource Estimates.

3.3.2 Mineral Resource Estimates

The Mineral Resource models at the SASA Mine consider 1,442 underground and surface diamond drillholes and 15 underground channels conducted between the years of 1974 and 2016 for the Svinja Reka deposit and 104 underground and surface diamond drillholes and 51 underground channels conducted between the years of 1974 to 2010 for the Golema Reka deposit. The Mineral Resources have been estimated by Guy Dishaw, P.Geo, in accordance with the JORC Code (2012).

In summary, for the October 2016 Mineral Resource update, SRK completed the following:

- modelled lead-zinc-silver lenses in 3D, based on underground geological mapping, drilling and channel sampling data;
- composited the sample data to 1 m intervals at Svinja Reka and 3 m at Golema Reka and undertaken statistical analysis for each mineralised domain;
- applied high grade caps per estimation domain from log histograms and log probability plots;
- undertaken geostatistical analyses to determine appropriate interpolation algorithms;
- created block models with block dimensions of 3.5 x 14 x 7 m;

- undertaken a Quantitative Kriging Neighbourhood Analysis to test the sensitivity of the interpolation parameters;
- interpolated Pb and Zn grades into the block model and assigned Ag grades based on a regression with estimated Pb grade;
- assigned density to the block model based on a regression with Pb and Zn; and
- visually and statistically validated the estimated block grades relative to the original sample results.

3.3.3 Mineral Resource Classification

Block model tonnages and grade estimates for the Svinja Reka and Golema Reka deposits have been classified in accordance with the guidelines of the JORC Code (2012). In addition to the quality and quantity of exploration data supporting the estimates, the confidence in the geological continuity of the mineralised structures and the confidence in the tonnage and grade estimates is considered in assigning the Resource classification.

SRK considers that the quality and spatial distribution of the data used, the geological continuity of the mineralisation and the quality of the estimated block model for Svinja Reka is sufficient for the reporting of Indicated and Inferred Mineral Resources. Due to the lower confidence in the geological model, and absence of any historical core or accessible mineralisation exposures in Golema Reka, Mineral Resources have been limited to Inferred for this deposit. Areas of mineralisation in Golema Reka that contain less than 2% Pb+Zn over a 3.5 m width, remain unclassified and are excluded from the Mineral Resource.

To design the zones of classified Mineral Resources, blocks were identified as candidates which satisfy the criteria shown in Table 3-1. These candidate assignments were used to design a wireframe shell to outline contiguous zones of blocks with similar resource class. In this process, some Indicated candidate blocks are excluded from the final assignment, while some Inferred criteria blocks are included.

SRK used these candidate assignments to design a wireframe shell to outline contiguous zones of blocks with similar resource class, as illustrated for Svinja Reka in Figure 3-5.

Table 3-1: Drilling Coverage for Resource Classification

Class	Number of Drillholes	Distance to Drillhole (m)
Indicated	>=4	<=50
Inferred	>=2	<=150

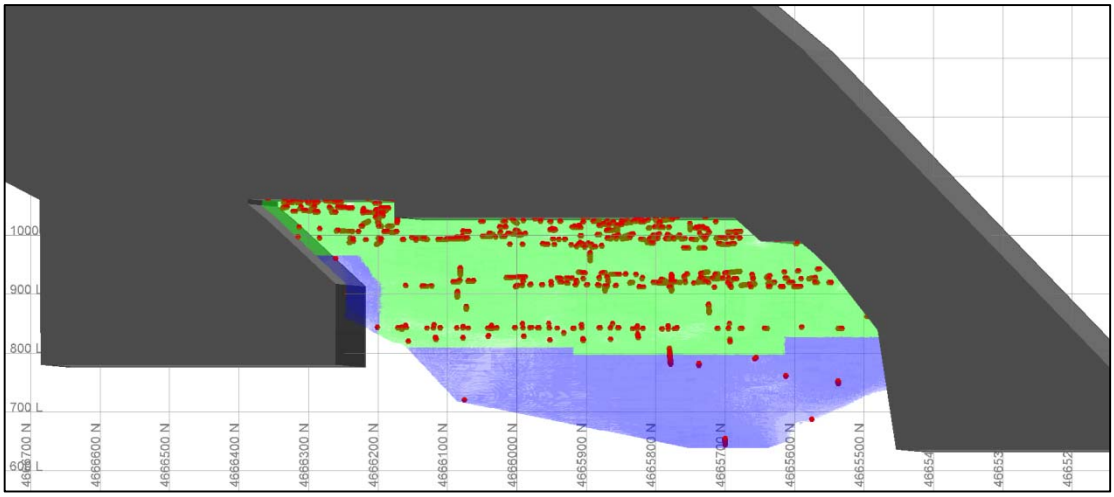


Figure 3-5: Svinja Reka long section looking NE at Podinska Domain coloured by final resource class (Green=indicated, Blue=inferred)

3.3.4 Mining Depletion

Underground development and stoping surveys are completed by mining surveyors using total-station methods and used to create 3D excavation volumes. These mined volumes, combined with a mined/non-recoverable volume that represents historical mining areas where all mineralisation is currently considered non-recoverable (as shown in dark grey in Figure 3-5), have been used to deplete the reported Mineral Resources. The mining excavation volumes used for the Mineral Resource statement represent mining up to 1 July 2017.

3.3.5 Mineral Resource Statement

SRK has applied basic economic considerations to restrict the Mineral Resource to material that has reasonable prospects for economic extraction by underground mining methods.

To determine this, the Mineral Resource has been evaluated based on a minimum Net Smelter Return (“NSR”) cut off value based on Pb, Zn, and Ag credits, using a Pb price of USD2,550/t, a Zn price of USD2,800/t and a silver price of USD25/oz. These prices are based on typical long-term consensus forecasts with a 30% premium (to reflect the requirement for “reasonable prospects” for eventual extraction) and a set of assumed technical and economic parameters which were selected based on the current mining operations at the SASA Mine. The Mineral Resources comprise volumes that are generally considered to be wider than the minimum mining width (3.5 m).

SRK considers that the blocks with a NSR value greater than USD30/t at Svinja Reka and USD35/t at Golema Reka have “reasonable prospects for eventual economic extraction” and can be reported as a Mineral Resource (Table 3-2). The difference in cut-off NSR values is due to the USD5/t allowance for backfill costs as will be required at Golema Reka. Mineral Resources are reported as 100% attributable to Lynx Resources, and inclusive of that material used to derive Ore Reserves.

Table 3-2: SRK Mineral Resource Statement for Combined Svinja Reka and Golema Reka Deposits, SASA Mine, as at 01 July 2017 reported at USD30/t and USD35/t NSR cut-off, respectively

Classification/ Deposit	Density	Tonnage	Pb		Zn		Ag		NSR	Pb + Zn
	(t/m^3)	(Mt)	Grade (%)	Metal (kt)	Grade (%)	Metal (kt)	Grade (g/t)	Metal (koz)	(USD/t)	Grade (%)
Indicated Mineral Resources										
Svinja Reka	3.4	13.30	4.59	611	3.68	490	22.0	9,403	126	8.28
Golema Reka	0	-	0	0	0	0	0	0	0	0
Total Indicated	**3.4**	**13.30**	**4.59**	**611**	**3.68**	**490**	**22.0**	**9,403**	**126**	**8.28**
Inferred Mineral Resources										
Svinja Reka	3.2	2.67	3.16	84	2.08	56	16.6	1,426	82	5.24
Golema Reka	2.9	7.4	3.69	273	1.52	112	18.6	4,424	94	5.21
Total Inferred	**3.0**	**10.07**	**3.55**	**357**	**1.67**	**168**	**18.1**	**5,849**	**91**	**5.22**
Total Indicated and Inferred Mineral Resources	**3.2**	**23.37**	**4.14**	**968**	**2.81**	**658**	**20.3**	**15,252**	**111**	**6.96**

In reporting the Mineral Resource Statements, SRK notes the following:

- Mineral Resources have an effective date of 1 July 2017. The Competent Person for the declaration of Mineral Resources is Guy Dishaw, P.Geo., of SRK Consulting (UK) Ltd. The Mineral Resource estimate was prepared considering drilling data up to 01 October 2016 and has been depleted by excavation volumes representing mining to 1 July 2017;
- Mineral Resources are reported within the Exploitation and Exploration Licences only;
- Mineral Resources are reported as undiluted. No mining recovery has been applied in the Statement;
- All Mineral Resources are 100% attributable to the SASA Mine, and hence to Lynx Resources as it owns 100% of Rudnik “SASA” DOOEL;
- Tonnages are reported in metric units, grades in percent (%) or grams per tonne (g/t), and the contained metal in metric units for Pb and Zn, and troy ounces (oz) for Ag. Tonnages, grades, and contained metal totals are rounded appropriately; and
- Rounding, as required by reporting guidelines, may result in apparent summation differences between tonnes, grade and contained metal content.

3.3.6 Cut-off Grade Sensitivity Analysis

The Mineral Resources of the Svinja Reka and Golema Reka deposits are sensitive to the selection of the reporting cut-off value. To illustrate this sensitivity, the model quantities and grade estimates for Indicated and Inferred Mineral Resources are presented as grade tonnage curves for the Svinja Reka and Golema Reka deposits in Figure 3-6 and Figure 3-7, respectively.

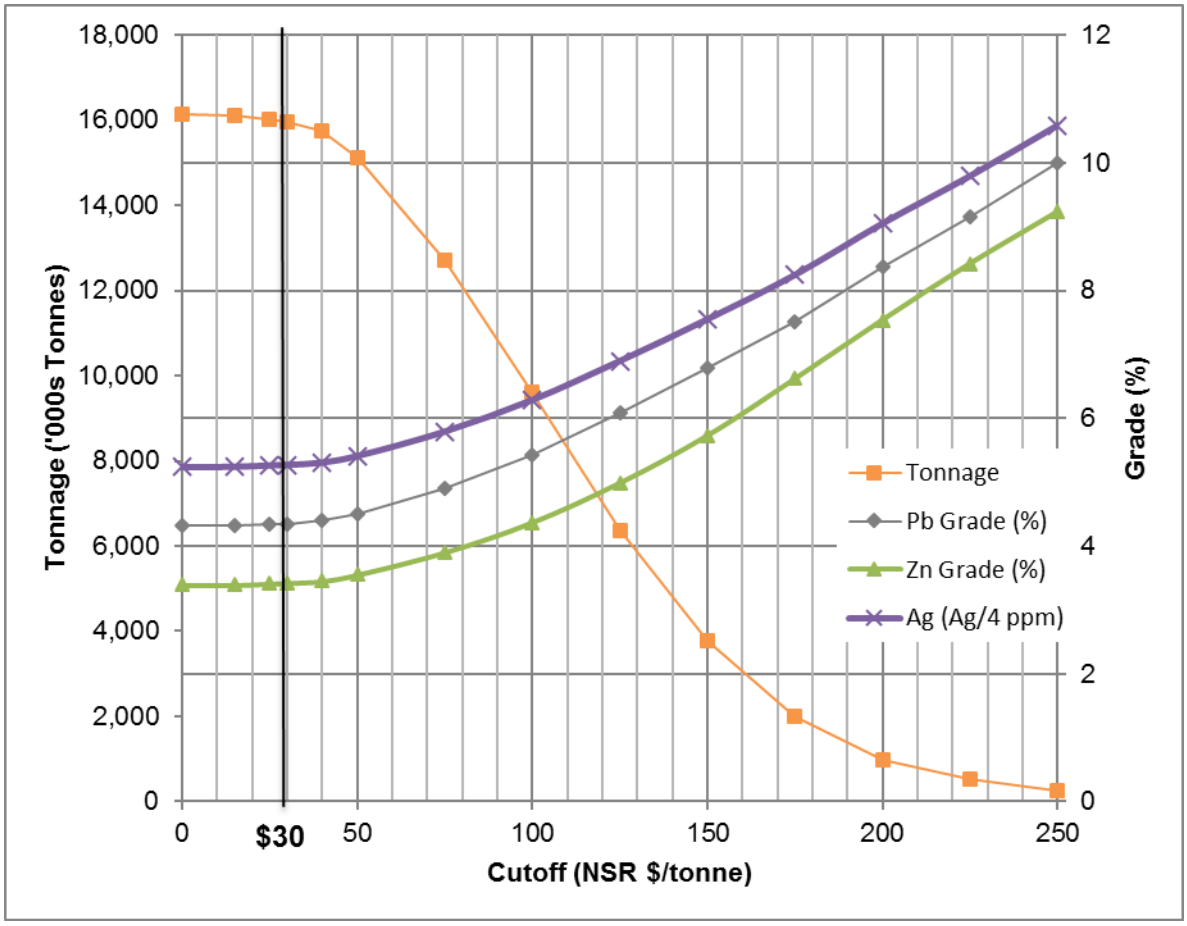


Figure 3-6: Svinja Reka deposit Grade Tonnage Curves for Underground Indicated and Inferred Material

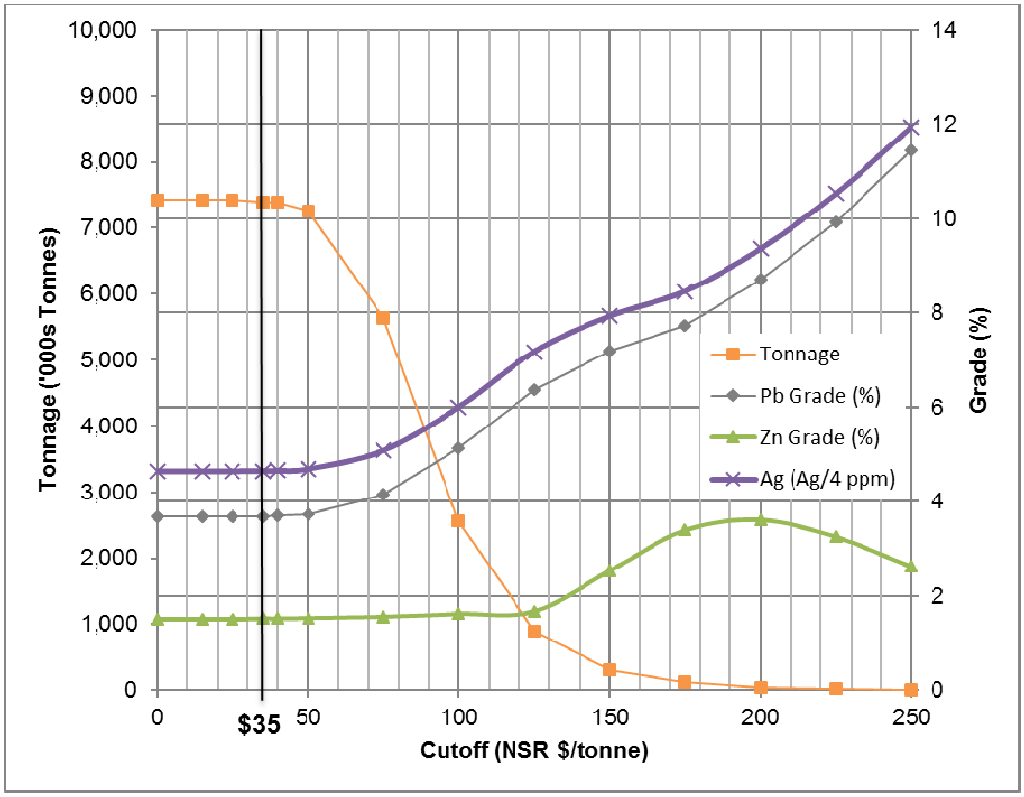


Figure 3-7: Golema Reka deposit Grade Tonnage Curves for Underground Inferred Material

3.4 Conclusions

The Svinja Reka deposit is an underground mine which is at an advanced stage of drilling and geological understanding. Recent infill drilling from surface and underground, digitising of underground geological maps and geological modelling in 3D has added further geological confidence to the local scale geometry of the mineralisation and grade distributions in the Mineral Resource model.

The geological interpretation used to generate the Mineral Resource presented herein is generally considered to be robust; however, there are areas of lower geological confidence which may be subject to further revision in the future.

The Golema Reka deposit is a historic underground mine which is at a lower level of geological understanding than that of Svinja Reka. Data used to interpret the mineralisation model are historical, and no drill core samples or underground exposures are available for inspection.

SRK considers the exploration data accumulated by Lynx Resources is generally reliable and suitable for the purpose of this Mineral Resource Estimate.

SRK notes that there is potential to extend the mine life by further defining and potentially extending the Svinja Reka and Golema Reka resources at depth, and by delineating and quantifying extents of the Kozja Reka deposit, combined with further licence extensions, and that such studies are ongoing or planned.

3.5 Recommendations

SRK considers there to be good potential to improve confidence in the reported Mineral

Resource at Svinja Reka and Golema Reka with improvements to data quality, additional underground drilling and further modelling work. In relation to drilling and sampling, SRK recommends the following:

- All data associated with core logging should be recorded in a useable format such as an Excel spreadsheet, to ensure that this valuable data can be readily included in any subsequent Mineral Resource updates. SRK notes that Lynx Resources is now entering assay information into the Access database. Furthermore, whilst a significant proportion of the underground mapping has been successfully geo-referenced (based on drillhole collar positions) for use in 3D modelling as part of this update, more accurately and routinely geo-referencing the mapping against the mine grid would help to add further confidence to the position of modelled mineralisation and waste contacts in the resource model. If possible, mine geologists should spray-paint mineralisation contacts underground and have these surveyed, increasing the local accuracy further.
- Regularly collecting additional density samples and increasing the size of the database to add confidence to the modelled density values. Any additional data collected from drilling or sampling should also be compared to the production data as part of a comprehensive reconciliation programme. SRK notes that Lynx Resources geology department is currently developing a procedure for this and acquiring the required equipment.
- Implementation of full QAQC procedures for sampling and assay (including blanks, duplicates and standards) for all future drilling campaigns, especially given the potential for anomalous assay results, which have not been highlighted through the QAQC procedures, to have a significant influence on the grade and tonnage estimates in the relatively sparsely drilled down-dip portion of the mine.
- Routinely assay for Ag in future drilling programmes to improve confidence in the local-scale variability of the Ag grades in block model which may, in places, be independent from Pb grade. SRK notes that there may be locally secondary controls on silver mineralisation that are not currently realised due to the limitations of sampling. Lynx Resources has begun to routinely assay for Ag since March of 2017.
- An underground mapping programme by a structural geologist to investigate the potential for additional controls on mineralisation, normal to the prominent fold plunge, to better understand the distribution and exploration implications for the high grade lead-zinc-silver mineralisation.

In addition, if a structural study is completed in the future, SRK would recommend completing additional exploration based on the findings given its potential to highlight areas that may host further lead-zinc-silver mineralisation.

SRK is aware that SASA Mine has planned a campaign of surface, and possibly underground drillholes at the Golema Reka deposit to confirm the current model, and add additional intersections to improve the confidence in the geological model. The drilling programme has been submitted for permitting and is expected to commence in late H2 2017 or early H1 2018.

4 GEOTECHNICAL REVIEW

4.1 Introduction

This review is based on site work and follow-up reporting undertaken between February and May 2016, a geotechnical implementation and progress meeting held on the mine site in mid-October 2016 and a site visit carried out in July 2017. The latter is the first in a series of quarterly geotechnical site visits commissioned by SASA Mine to review, audit and provide on-going geotechnical input to the mine operations.

4.2 Geotechnical Characterisation

4.2.1 Deposit Description

The SASA Mine lead-zinc deposit strikes in a NNW to SSE direction, dips towards the SW at an angle of between 35° and 40° and plunges at 60° to the south east. Its strike length is about 1,000 m in the current production areas which extend from the XIVb level at the 1,070 mRL on the northern end of the mine and the 990 mRL to 830 mRL to the south. The orebody has been largely mined out between the 1,255 mRL and the 990 mRL. The highest surface elevation above the mine is 1,400 mRL and the lowest elevation is approximately 1,330 mRL. The average depth of mining is approximately 270 m.

The orebody is strata-bound and is concentrated in a competent skarn rock mass (“Orebody Skarn”) surrounded by shale and quartz graphitic schist (“Waste Schist”) with inclusions of barren limestone. The surrounding host rock is gneiss. The orebody comprises up to three parallel lenses, reducing to two then one at depth. The horizontal thickness of each orebody varies from 2 to 30 m. In places, the orebodies have been displaced laterally by fault zones. There is a very weak sheared graphitic schist zone about 1.5 to 2.0 m thick located on the footwall and hanging wall of the orebodies.

4.2.2 Rock Mass Characteristics

The various lithological units at SASA Mine have been characterised by SRK using a number of industry standard rock mass classification systems, each of which has specific applications for the estimation of rock mass strength, stope dimensions and excavation stand up time, stope and development support. The classification systems used are:

- Bieniawski’s Rock Mass Rating System (“RMR”);
- Laubscher’s Mining Rock Mass Rating System (“MRMR”); and
- Barton’s NGIQ Classification System (”Q”).

The rock mass characteristics for each of the main lithological units are summarised below.

Waste Schist

Bieniawski RMR rating: Range 28 to 56, with a typical value of 39 indicating generally poor rock mass conditions.

Laubscher MRMR rating: Range 16 to 34, with a typical value of 24 indicating generally poor to very poor ground conditions. (Note that the Laubscher system generally yields a lower rock mass rating value than the Bieniawski system for well jointed rock masses as the MRMR classification system gives greater weighting to the quantity and spacing of joints.)

Q classification rating: Range 0.07 to 2.50, with a typical value of 0.13 indicating very poor rock mass conditions.

The lower bound rating values are considered to be typical of the graphitic schist shears located to the footwall and hanging wall of the orebody.

Orebody Skarn

Bieniawski RMR rating: Range 55 to 79, with a typical value of 66 indicating generally good rock mass conditions.

Laubscher MRMR rating: Range 40 to 64, with a typical value of 51 indicating generally fair to good ground conditions.

Q classification rating: Range 5.83 to 13.33, with a typical value of 12.5 indicating fair to good rock mass conditions.

Four main discontinuity sets (bedding plus three joint sets) have been identified, as shown in Table 4-1.

Table 4-1: Orientation of Main Joint Sets

Joint Set	Mean Dip Angle (°)	Mean Dip Direction (°)	Description
1	44	255	Bedding
2	64	065	Orthogonal strike joint
3	67	135	SE dipping cross joint
4	83	000	N dipping cross joint

4.3 Mine Design Criteria

4.3.1 Current Mining Method

The mine currently uses a sub-level caving mining method, where ore drives are excavated from a central ramp to the extremities of the orebody, as described in more detail in Section 5.3. The weak hanging wall rock is allowed to cave naturally into the void left after the ore is mucked out. An undercut of 50 m typically has to be created before the hanging wall starts caving. Sill pillars of 8 m width are left in the orebody on main haulage levels 990, 910 and to be designed on 830 to delay orebody dilution from the cave above.

In 2016, SRK undertook a study to estimate and confirm the geotechnical mine design parameters currently being used at the SASA Mine. A summary of the outcome of these analyses is presented below.

4.3.2 Mining Method Selection

The method used by SRK for the determination of an appropriate mining method is a slightly modified version of the Nicholas method[1] known as the UBC[2] Mining Method selection process. This method ranks various deposit parameters according to their suitability for different generic mining methods. Those mining methods ranked highest are considered to be most suitable for the deposit geometry and rock conditions. Economic factors are not taken

[1] *Nicholas D.E. (1981). Method Selection – A Numerical Approach. Design and Operation of Caving and Sub-Level Stoping Mines. New York. AIME Chapter 4.*
[2] *L.Miller-Tait, R. Pakalnis & R Poulin (1995). UBC Mining Method Selection. In Mine Planning and Equipment Selection, Ed. Singh et al, pp 163-168, Balkema, Rotterdam.*

into account at this stage of the mining method selection process. The results of this analysis identified sub-level caving as an appropriate mining method for the SASA Mine orebody.

4.3.3 Stope and Undercut Sizing

SRK used the Modified Stability Graph to establish and confirm the stability condition for orebody mining. The Stability Graph analysis indicates that the roof of the stopes contained within orebodies up to 10 m wide should remain stable for a significant strike length. Stope roofs of orebodies between 10 and 20 m wide should remain stable up to a strike length of 30 m; beyond 30 m they become transitionally unstable. Stope roofs of orebodies greater than 20 m wide should start caving when the exposed strike length exceeds 40 m. For a stope hanging wall of vertical height of 7 m, the stope is generally transitionally unstable up to an exposed wall length of 50 m and caves at wall lengths in excess of 50 m. This is consistent with the observed stope caving behaviour at SASA Mine.

4.3.4 Numerical Modelling

SRK undertook some preliminary stress and deformation modelling using the finite element program Phase^2 to provide an insight into the development of stresses and ground deformation for the current mining method. The 850 section line which is located at the northern end of Block 1 was used for the model.

A number of observations were made from interrogation of the results of the modelling:

1. Using the best case Waste Schist rock mass strength parameters, significant hanging wall cave occurred once a sufficient dip length of orebody had been mined.
2. The cave did not propagate to surface.
3. Because of its relative thinness, mining of the hanging wall orebody alone did not initiate cave. The cave only began developing once the central orebody was mined.
4. Maximum cave development occurred once the footwall orebody was mined as this is generally the thickest of the orebodies on the section analysed.
5. Where the cave front did not propagate down dip a high stress zone developed ahead of the cave front.
6. The highest stresses in this area (40 to 50 MPa) generally exceeded the rock strength of the Waste Schist.
7. Any development located within the high stress area would be subject to instability unless appropriately supported.
8. If mining of the hanging wall orebody between main haulage levels is completed before the central and footwall orebodies, high stresses are developed at the base of the cave front in the vicinity of the central and footwall orebodies. These stresses reduce once full caving of the orebody above occurs.
9. When mining the hanging wall, central and footwall orebody on the same sub-level one after the other, whilst closure of the orebody begins occurring after each sub-level has been mined full caving does not begin developing until at least three sub-levels have been mined.
10. The high stress zone down dip of the cave front has a maximum stress of about 30 MPa, three times higher than the in situ, and slightly less than the average, intact strength of

the Waste Schist.

11. The lowest mining induced stresses occur once full caving has been achieved and provided a flat cave front is mined.

4.4 Underground Support Review

4.4.1 Rock Mass and Support Categories

There are four main categories of rock mass and associated support requirements. These four categories are subdivided into support for permanent development (main haulage levels) and temporary development (sub-level drives and ramps). The rock mass is categorised in relation to lithology type, clay content, groundwater and fracture condition. Each category is associated with a standard support system. Category 1 and 2 support, which defines more competent rock masses, comprises rock bolts and shotcrete. Category 3 support comprises rock bolts, mesh and shotcrete. Category 4 support, which defines the poorest quality rock mass, comprises steel sets, timber lagging, rock bolts, mesh and shotcrete. SRK has reviewed the methodology for defining ground conditions and support categories. The methodology is fairly simple and unambiguous and can be easily applied by geologists and mining engineers who have little or no geotechnical training and background. SRK is satisfied that the rock mass categorisation is being carried out accurately by the mine personnel tasked with doing the work. SRK considers that further rock mass and support categories could be defined but the identification of ground conditions associated with these would require the input of a qualified geotechnical engineer to interpret. A geotechnical engineer has recently been employed by Lynx Resources, and SRK has been commissioned to undertake quarterly audits and training of the engineer.

4.4.2 Support Materials

The mine currently uses a combination of rock support materials:

- Resin grouted SN threaded re-bar bolts, 22 mm diameter and 2.0 m long, with washers and face plates. Split set rock bolts are also used as temporary support in capital development and are the main form of support in temporary development;
- Locally made weld mesh comprising 4 mm strand mesh wires is used for Category 3 support;
- Dry mix shotcrete is used for Category 1, 2, 3, and 4 support in permanent development. This is batch dry mixed on surface and then transported underground when required. Water is added at the nozzle as well as a fast set chemical accelerator (MasterRoc SA193); and
- Category 4 support also utilises steel sets and timber lagging. The steel sets are standard three part yielding arches placed 1 m apart.

4.4.3 Developing Through Shear Zones

A 1.5 to 2.0 m true thickness (up to 3.5 m horizontal thickness) of very weak, very poor quality graphitic shear zone is normally encountered on the footwall and hanging wall of the orebody. On every sub-level, the access cross-cut to the orebody must pass through this zone of poorer ground and this sometimes results in significant overbreak. These areas are normally supported after excavation using Category 4 steel arch support. SRK has suggested that the mine considers using a spiling or forepoling technique to advance through this weak ground,

as shown schematically in Figure 4-1. As a starting point, this is being implemented using 2.4 m long, 22 mm diameter rock bolts installed between 0.2 m and 0.4 m apart around the periphery of the tunnel profile, with pre-support bolt holes drilled at a 10° away from the tunnel walls. Round advance is limited to 1.5 m to allow for some spile bar overlap.

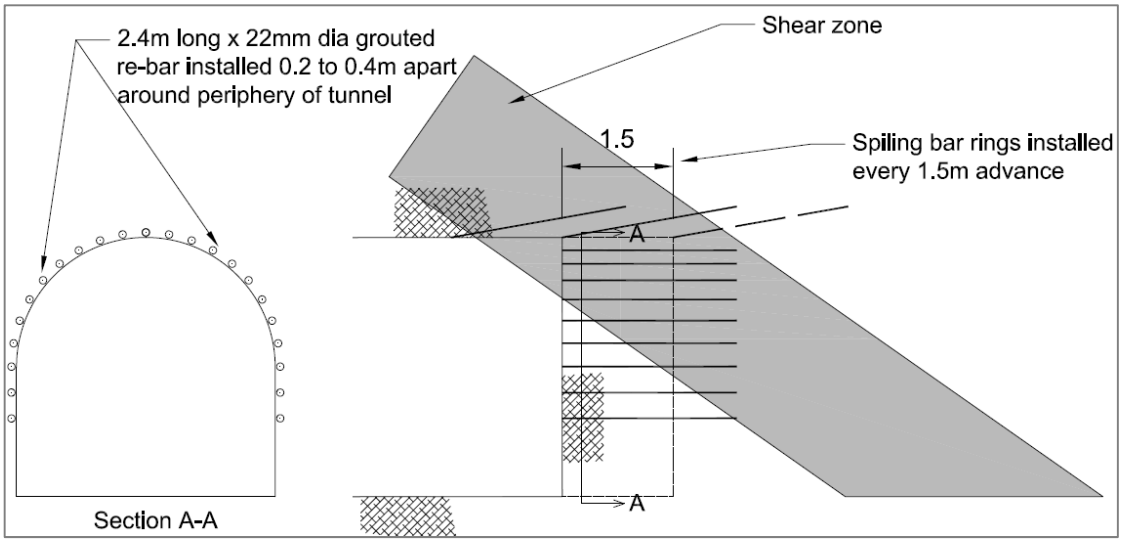


Figure 4-1: Spiling through Graphitic Shear Zones

4.4.4 Ore Production Drive Adjacent to Cave Face

The orebody production drives are temporary in nature as they will be blasted and excavated as part of the sub-level stoping operation. These production levels are only supported with split set rock bolts; however, the brow area of these drives, which forms the junction between the cave and in-situ blasted ground, becomes broken as a result of stope blasting. The consequence of which is that the support is rendered largely ineffective and results in a greater risk of rockfall in these areas, which need to be accessed by personnel for the purpose of charging the next rows of blastholes. Figure 4-2 is a schematic showing the higher risk area.

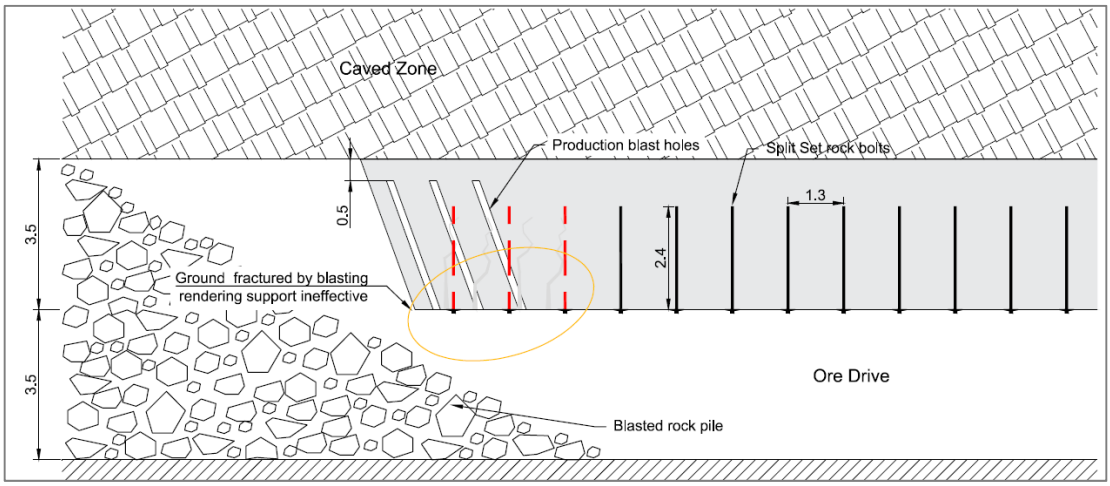


Figure 4-2: Area of Production Drive Rock Fall Risk

SRK considers that extra precautions need to be taken to ensure the safety of personnel required to access this area of the ore drive. It would be difficult to re-support, so the main alternative is to provide cages and mobile rock fall canopies to protect the miners who are

required to install explosives and charge the area for the next production blasting round. The loader operators who will be mucking out the ore will be protected by the loader cab.

4.4.5 Ore Production Drive Profile

The production ore drives use a standard arch profile, 3.5 m wide, 3.5 m high with 1.75 m radius shoulders. The structure of the orebody comprises well developed orebody parallel foliation which dips at about 35° to the south west. There is also a well-developed cross joint that dips to the north east at approximately 90° to the angle of the foliation. The combination of these structures results in the development of prismatic wedges that can and do fall out of the roof of the ore drives.

Figure 4-3 shows three images of the ore drive profile. The left hand image shows the interaction of the arch profile drive with the major joint set interaction forming a potentially unstable wedge. The central image is a photograph taken of the 910 mRL ore drive. It is possible to see that wedges have fallen from the roof and have disrupted the arched profile. The right hand image indicates a modified 'shanty back' ore drive profile with a roof that is excavated parallel to the main orebody structures. An ore drive with this profile is more stable and easier to support and will provide for a safer working environment for the drilling, charging, blasting and mucking activities that are required.

SRK has recommended that SASA Mine considers modifying the ore drive profile to something similar to that shown in Figure 4-3.

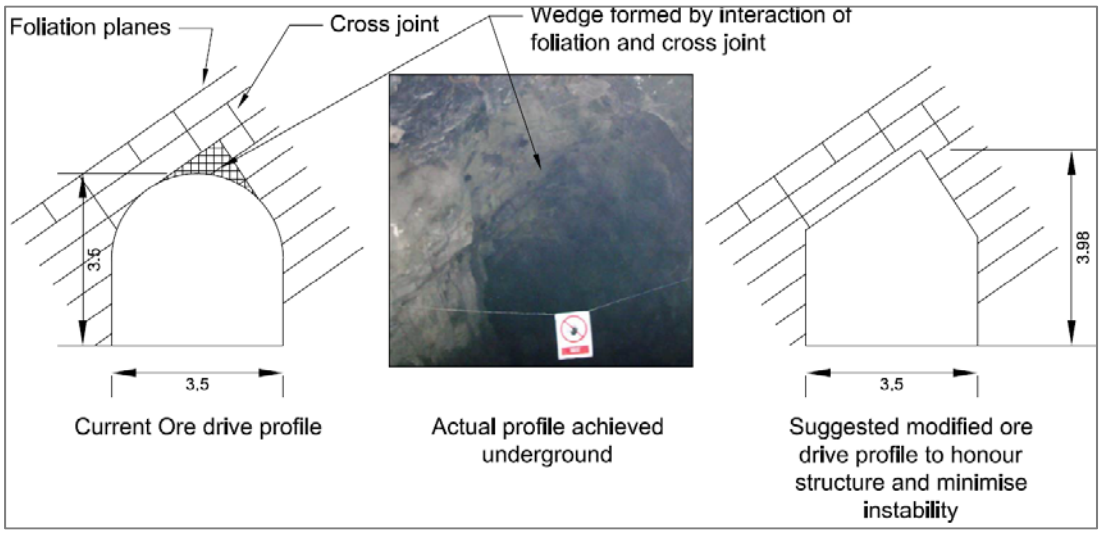


Figure 4-3: Ore Drive Profile

4.5 Conclusions and Recommendations

4.5.1 Mining Method and Geotechnical Design

SRK has undertaken a geotechnical assessment of the SASA Mine using empirical and preliminary 2D finite element numerical modelling. The analysis has confirmed the appropriateness of the current mine design parameters being used.

Based on the geotechnical characterisation and assessments carried out, however, the analyses show that the rock mass lies at the boundary of a caving and a marginally caveable material depending on where within the range of rock mass parameters (worst case, typical, best case) the actual rock mass strength lies. In some instances, where the rock mass

requires the development of significant open spans to induce caving, high mining induced stresses are developed down dip of the stoping area. When this occurs, the mining induced stress can exceed the intact strength of the rock mass, particularly that of the weaker Waste Schist. In areas where this occurs, development located in the high stress areas will experience deformation and failure unless properly supported. Ensuring that a horizontal mining front is maintained across all orebodies reduces the magnitude of mining induced stresses down dip of the mining front. This should minimise any instances of instability of development in these areas.

In order to improve the geotechnical model actual mine performance will need to be compared to results of the 2D modelling and the input parameters and/or the mining sequence modified to better reflect the actual mine performance. Furthermore, detailed geotechnical characterisation will be required to allow for the development of 3D models. This will include a better understanding of the structure of the rock mass along with a more accurate estimate of the in situ stress state. The mine is currently in the process of developing a geotechnical database for this purpose.

4.5.2 Ground Support

SRK has undertaken a review of rock support and geotechnical practices at SASA Mine. Whilst generally the support of permanent development is being carried out to a satisfactory level, the stability of temporary ore drives could be further improved. SRK has made a number of suggestions for improvement to ore drive stability which are detailed above. Improvements to the support methods and materials used can be made to assist the mine to work towards international best practice standards and some progress has already been made in these areas; specifically:

- Category 4 support which utilises steel arches is considered to be inappropriate and inefficient. Support of weak and squeezing ground is normally done by a combination of rock bolts and thick layers of fibre reinforced shotcrete. Using the Q classification system, the recommended permanent support for Category 4 rock is 15 cm fibre reinforced shotcrete with 2.4 m long rock bolts installed on a 1 m spacing. SRK recommends that SASA Mine considers transitioning to this type of support for Category 4 material. A Category 5 rock support for very weak ground has been introduced. This comprises self-drilling anchors as fore spilling up to 4 m in advance of the face position then multi layers of mesh and shotcrete, combined with steel sets and 2.0 m chemical anchored bolts. This support category has been successfully trialled in the river diversion tunnel.
- SASA Mine has also started trialling and testing commercially available rock bolts produced by Minova that have the advantage of having domed faceplates, hemi-spherical washers and are fully threaded. If these trials prove successful and demonstrate that the Minova bolts provide better support then the intention is to transition away from locally made rock bolts.
- Currently, the mine is using dry mix shotcrete. Based on observations underground, SRK considers that the design thickness of shotcrete is not being achieved. The shotcrete thickness being placed does not constitute structural support. Its main capability is to limit weathering of the rock mass and provide some support against the loosening of small blocks from the surface of the tunnel walls being supported. The industry standard now is to utilise fibre reinforced shotcrete. Fibre reinforced shotcrete improves the structural strength of the shotcrete, increases its ductility, and reduces its propensity to crack. If applied correctly and to the correct thickness, fibre reinforced shotcrete can negate the

use of mesh for underground support. SRK recommends that SASA Mine utilises fibre reinforced shotcrete in future. SRK also recommends that regular quality control checks are made with regards to shotcrete mix quality, rebound quantity, placed strength, and thickness to ensure that the shotcrete is performing to specification.

4.5.3 Geotechnical Capability

Based on the required workload and frequency for geotechnical auditing, Lynx Resources has determined that a full-time geotechnical resource would be under-utilised, and has therefore determined to schedule regular external geotechnical audits for data collection, geotechnical modelling, stope design, and support optimisation, along with monitoring and QAQC checks of support installation quality and effectiveness. These audits would include training of local mining staff. An engineer with a geotechnical background has recently been employed at the mine and SRK has been commissioned to undertake quarterly audits and training of the engineer. The engineer will initially be responsible under SRK's guidance for developing and populating the geotechnical database.

5 MINING REVIEW

5.1 Introduction

The SASA Mine consists of a shallow dipping, stacked, lead-zinc-silver lens system which is mined using a sub-level caving method and trackless equipment. Only the Svinja Reka resource is currently being mined; however, the Golema Reka deposit was mined up to 2009 using a cut and fill method. SRK understands that mining ceased at the Golema Reka deposit due to the low grades at the time. The Golema Reka shaft is connected by adit access (830 m level) to the Svinja Reka mine infrastructure and is used as the primary hoist for 70% of the current mine production to the site's processing facilities.

Figure 5-1 and Figure 5-2 show as-built plan and oblique views of the underground development and production areas as of the end of 2016.

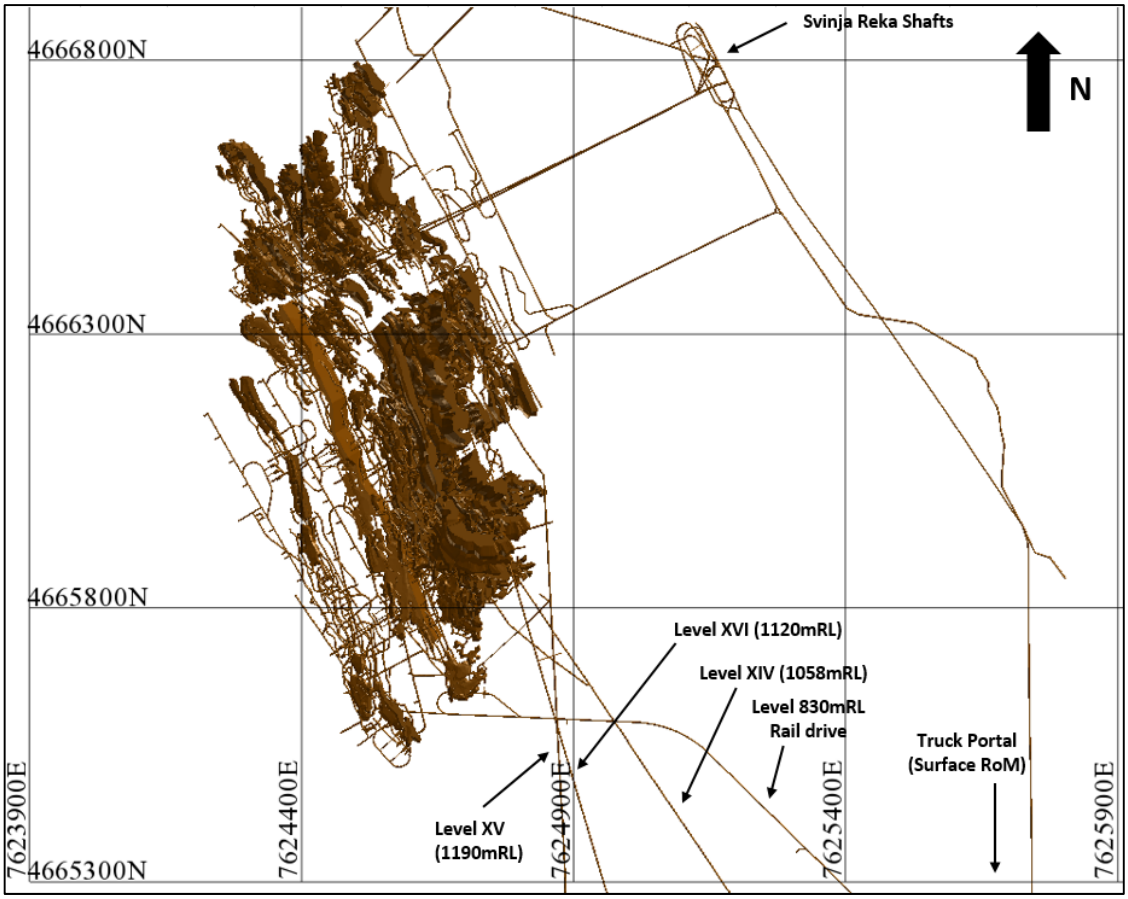


Figure 5-1: Plan view of existing development and mined stopes

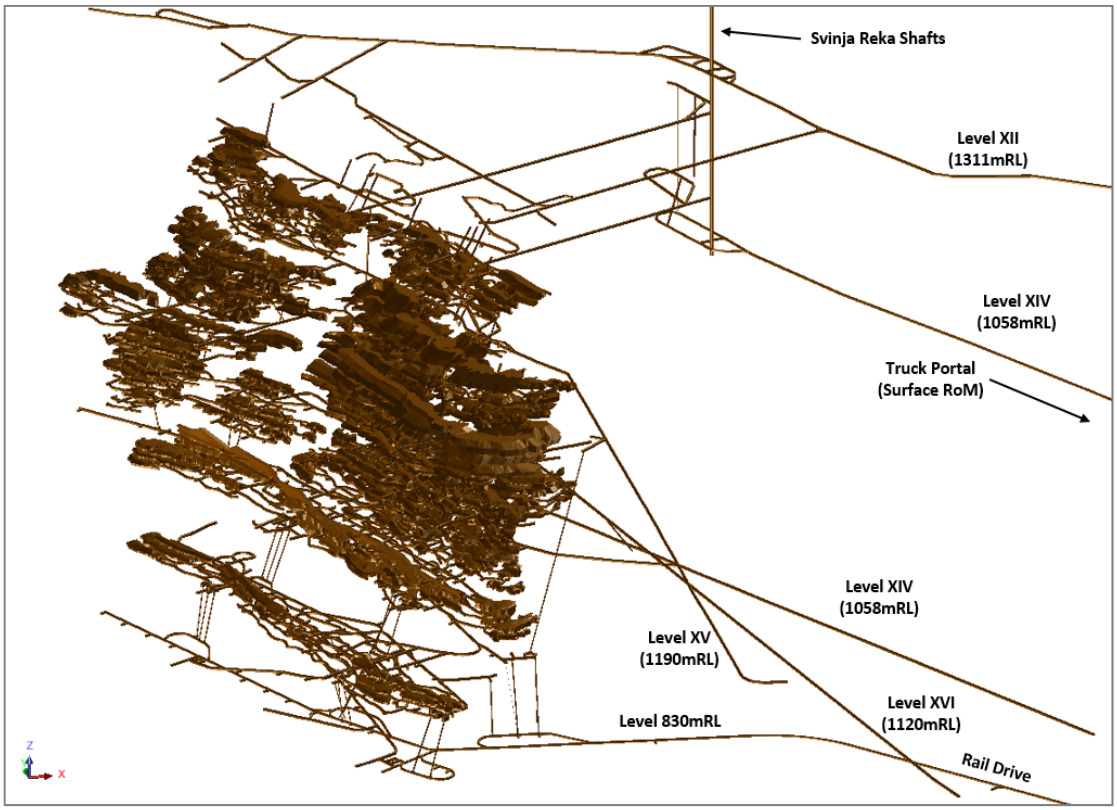


Figure 5-2: Oblique view of existing development and mined stopes

5.2 Local Mine Grid and Level Names

A local vertical grid has historically been used at SASA Mine for planning, which aligns better with the strike of the deposit, as shown in Figure 5-3 and Figure 5-4, showing the reference sections for Block 1, 2 and 3.

SRK understands that there are mining related legacies, such as where Level XVI is located between the elevations of Level XIV and Level XV. Typical level references at the SASA Mine and their corresponding main level elevations are shown as follows:

- Level XIV (1,058 mRL)
- Level XVI (1,120 mRL)
- Level XV (1,190 mRL)
- Level XII (1,311 mRL)

Note that not all levels are referenced in both roman numerals and on the mRL basis.

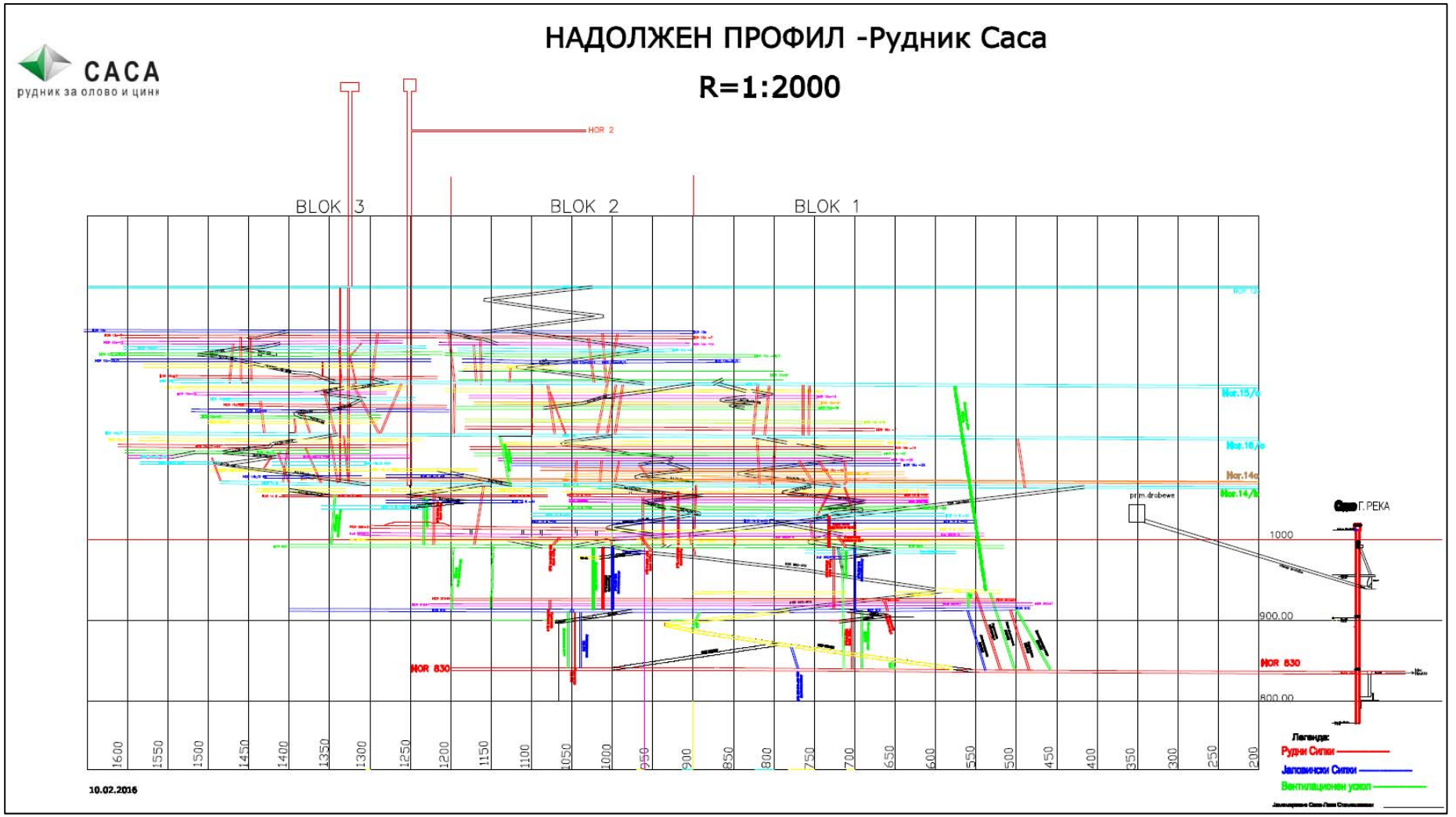


Figure 5-3: Long Section of the SASA Mine on the local vertical mine grid showing main underground accesses, ore passes (red), waste pass (blue) and ventilation raises (green)

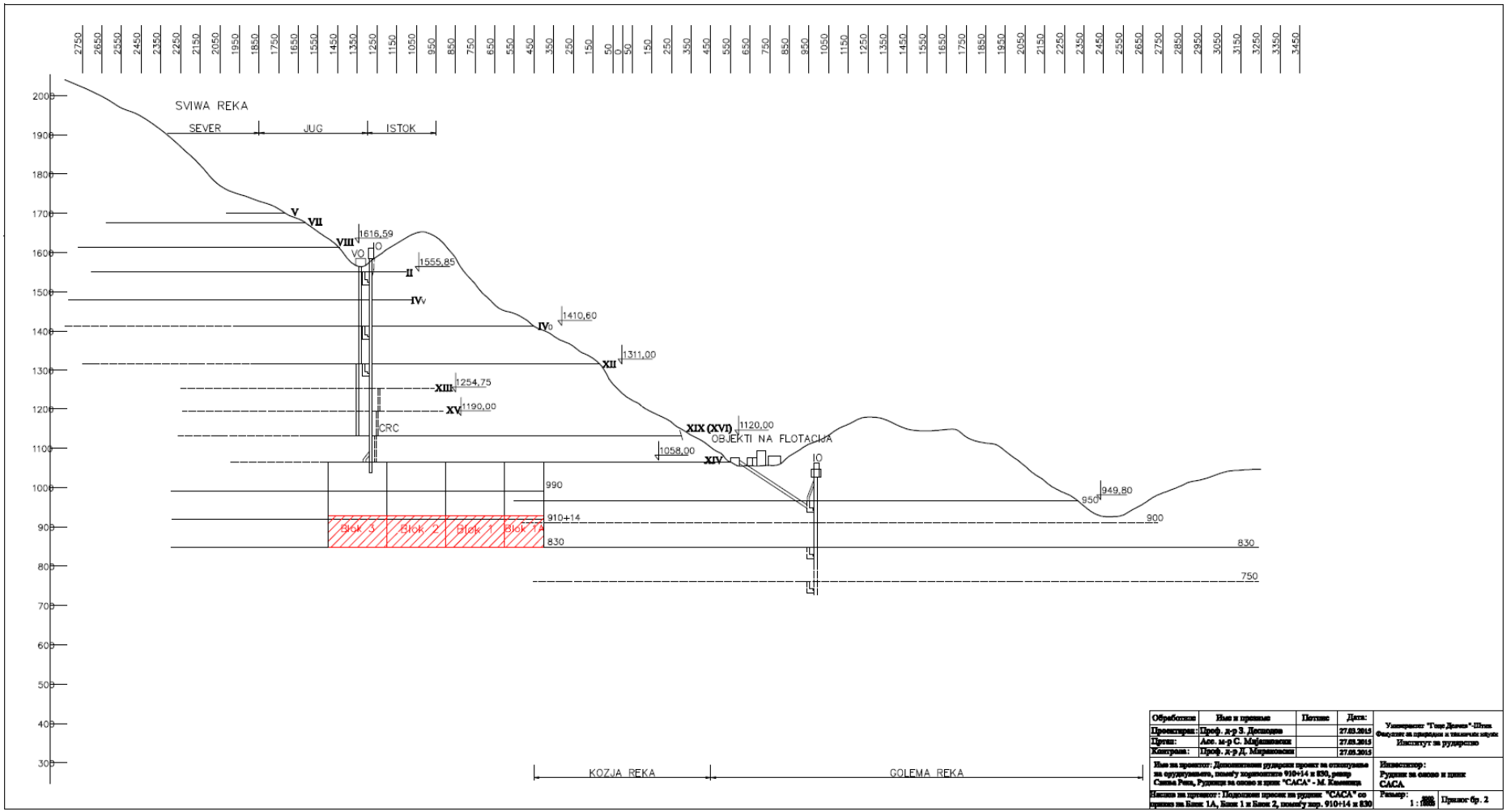


Figure 5-4: Long Section of the SASA Mine on the local vertical mine grid showing surface profile and location of main underground levels and infrastructure

5.3 Mining Method

The SASA Mine orebody comprises a series of shallow dipping (35 to 40□) lenses with horizontal thicknesses varying from 2 to 30 m over a strike length of 835 m. The mining method currently in use at the SASA Mine is sub-level caving. This mining method utilises a top-down approach without the use of backfill, with development and production drilling being undertaken using single boom jumbos (6 x Atlas Boomer S1D and 1 x Atlas Boomer 281).

Ore drives are excavated from a central ramp to the extremities of the orebody. A slot is mined and inclined production blast holes are drilled and blasted on retreat. Depending on its horizontal thickness, each orebody has either a single ore drive or two ore drives (see Figure 5-5), one close to the footwall contact and one close to the hanging wall contact. Where a single ore drive is used, cross-cuts are excavated to intersect the hanging wall and footwall to provide additional production drilling locations. The ore drives are mined 3.5 m wide by 3.5 m high and sub-levels are located every 7 m vertical. The hanging wall orebody is mined first, followed by the central orebody, and concluding with the footwall orebody. If the barren ore thickness between orebodies is less than 3 m, the two orebodies are combined into a single orebody and the waste is mined along with the ore. The weak hanging wall rock is allowed to cave naturally into the void left after the ore is mucked out. SRK understands that typically an undercut of 50 m has to be created before the hanging wall starts caving. Sill pillars of 5 m width are left in the orebody on main haulage levels to delay orebody dilution from the cave above. Main haulage levels are located every 80 m vertical. Current production haulage levels are the XIVb level on the 1,070 mRL, the 990 mRL level and the 910 mRL. The 830 mRL level is an exploration level.

As the orebodies are shallow dipping, an artificially steeper footwall is typically created and the jumbo drills upholes into the pillar above and retreat blasts in sequence to induce caving (Figure 5-6 to Figure 5-10). Figure 5-11 provides a long section schematic of the development and production approach. Typical cross section layout schematics of the deposit prior to and during development/production are provided in Figure 5-17 and Figure 5-18 respectively including the location of ore pass (pink) and ventilation raise (black) infrastructure.

The ore is extracted using underground loaders (5 x Atlas ST7, 2 x Atlas ST3.5 and 2 x CAT R1300) of 3.1 m^3 bucket capacity and the grade monitored for cave dilution in relation to the planned cut-off. The mined ore is transported to ore passes or loaded directly onto underground trucks (5 x Atlas MT2010, 20 t capacity) as convenient.

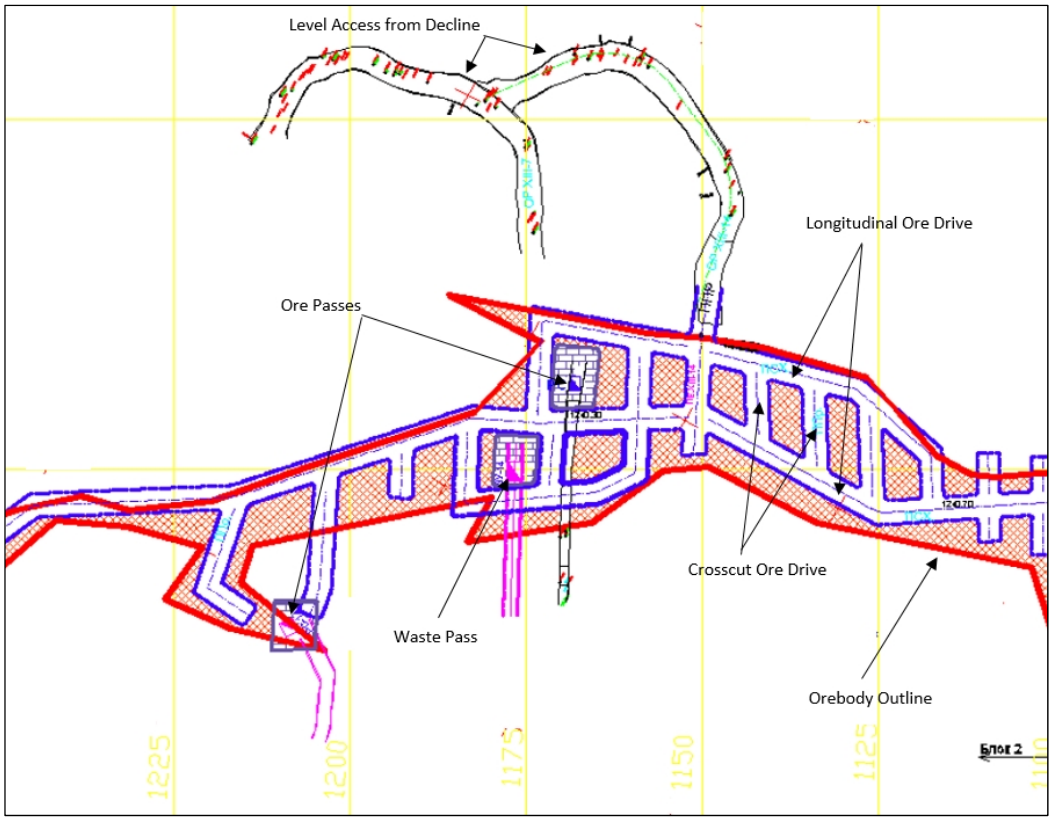


Figure 5-5: Production level: Typical Level layout

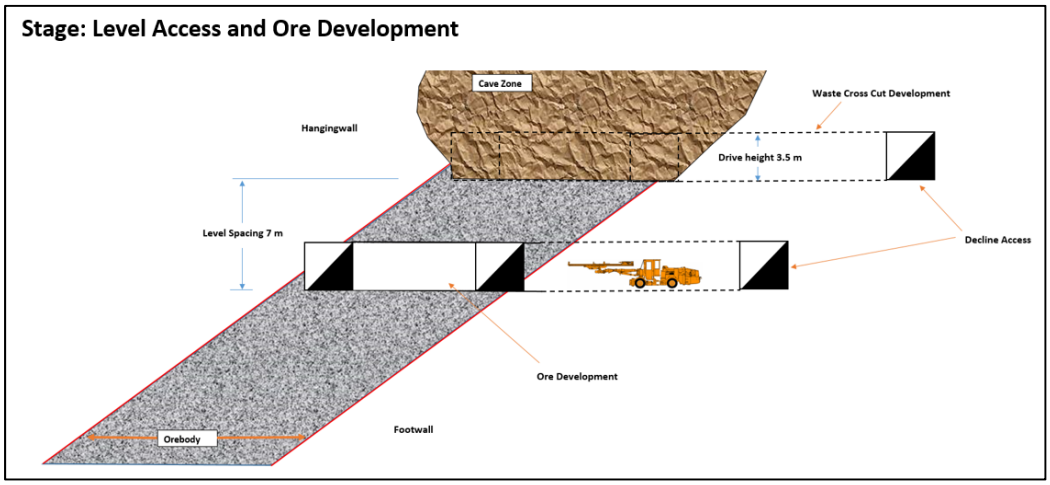


Figure 5-6: Cross-section schematic of level production – Level Access and Ore Development

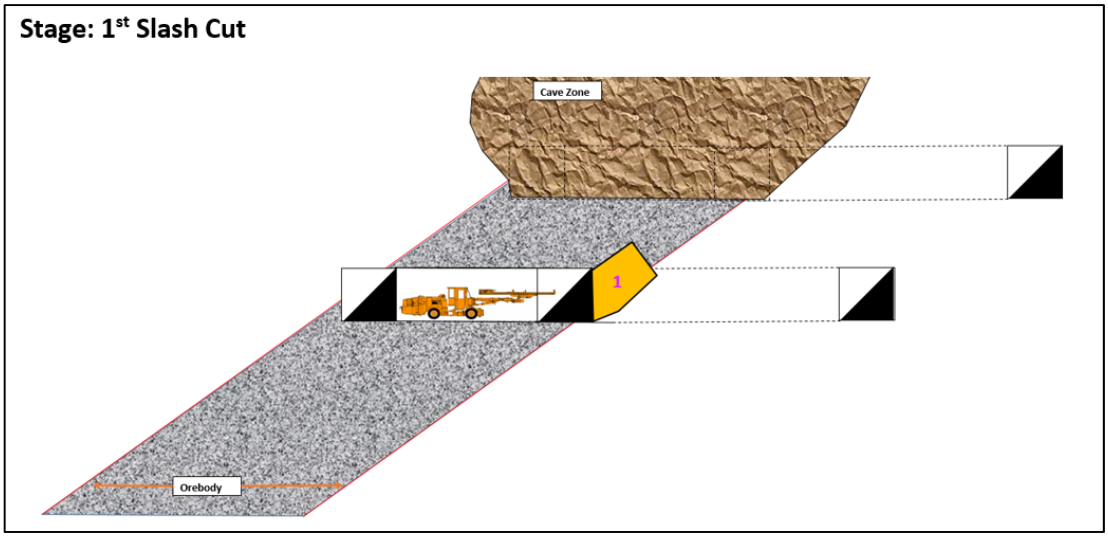


Figure 5-7: Cross-section schematic of level production – 1st Slash Cut

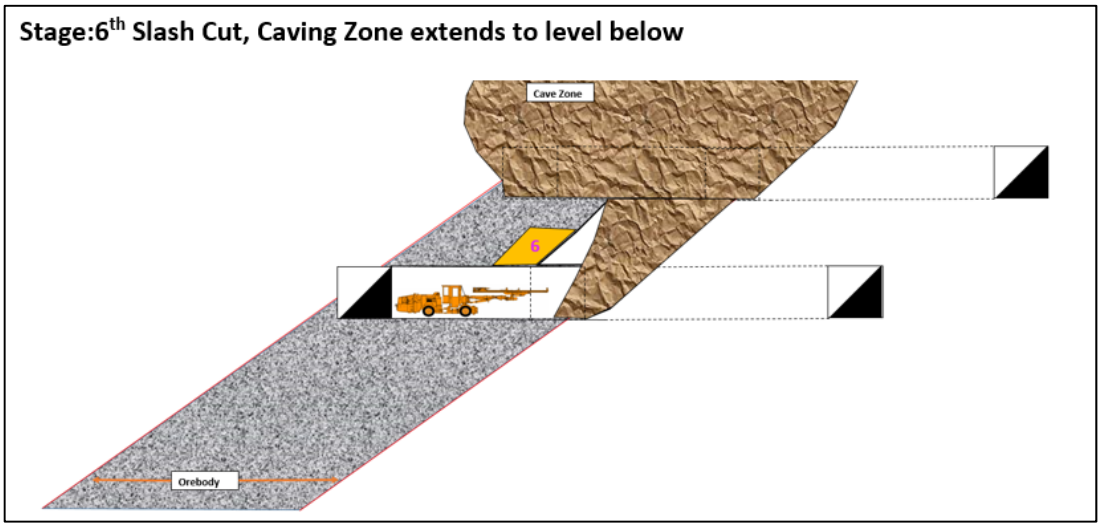


Figure 5-8: Cross-section schematic of level production – 6th Slash Cut

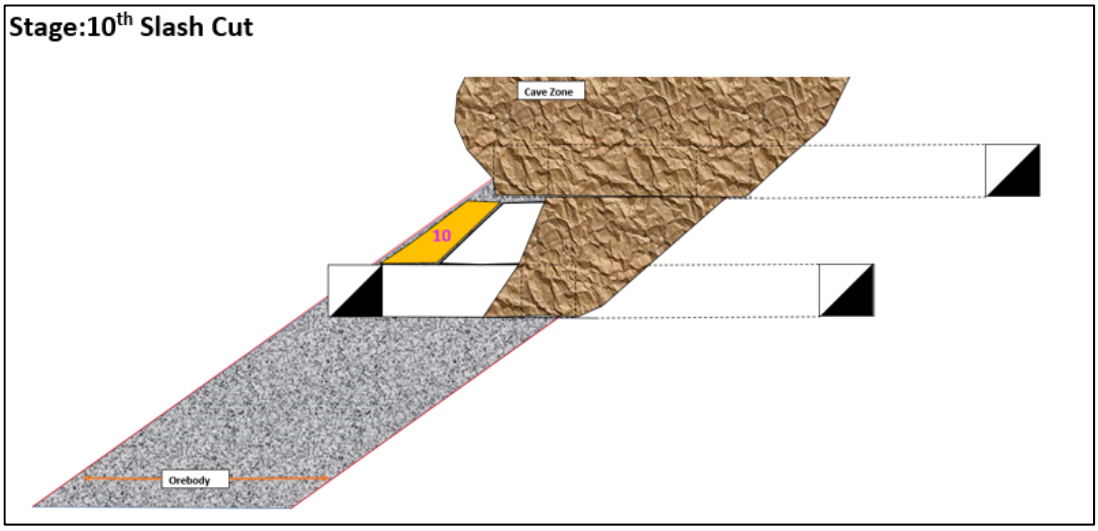


Figure 5-9: Cross-section schematic of level production – 10th Slash Cut

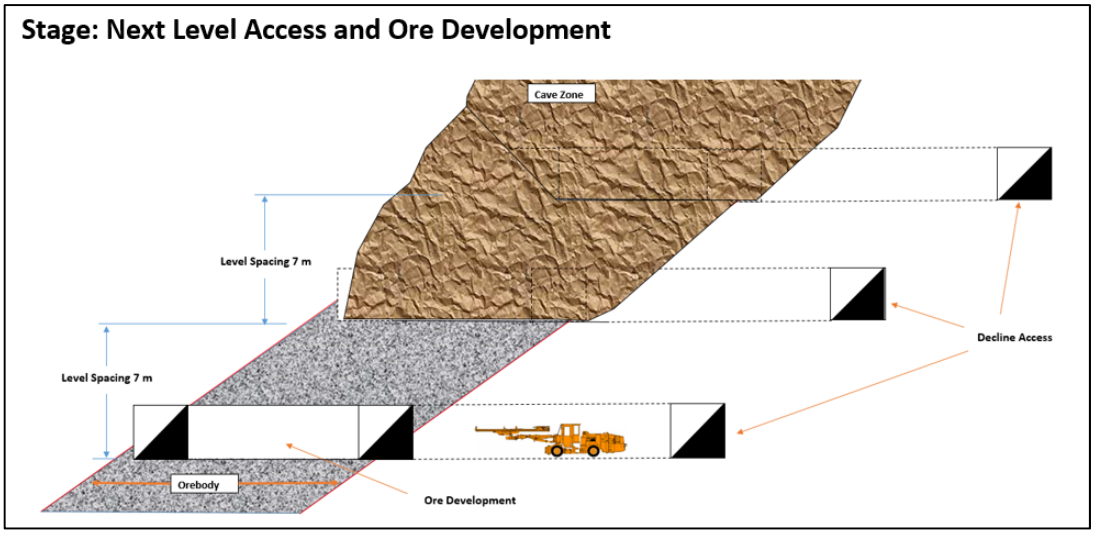


Figure 5-10: Cross-section schematic of level production – Next level development

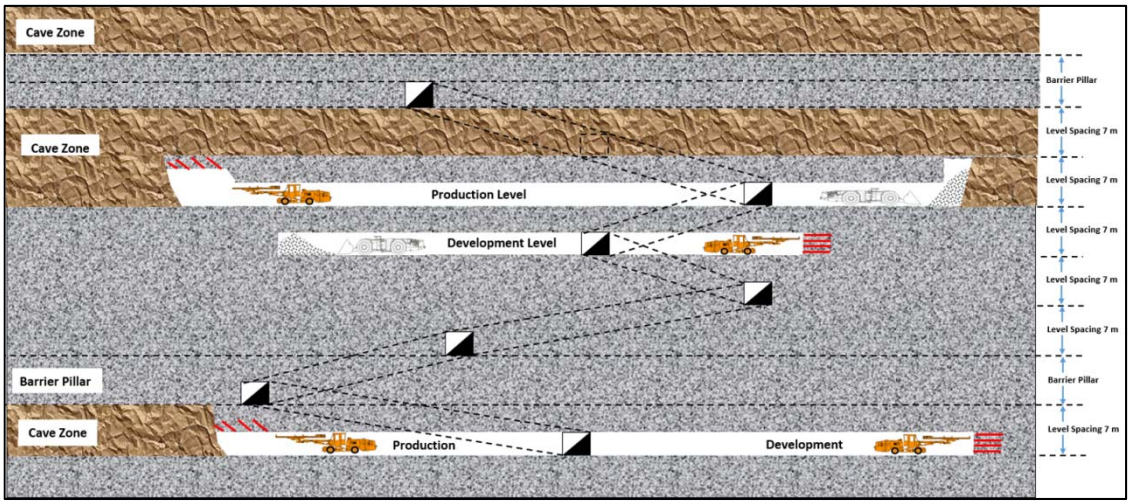


Figure 5-11: Long Section schematic showing mine development and production activities

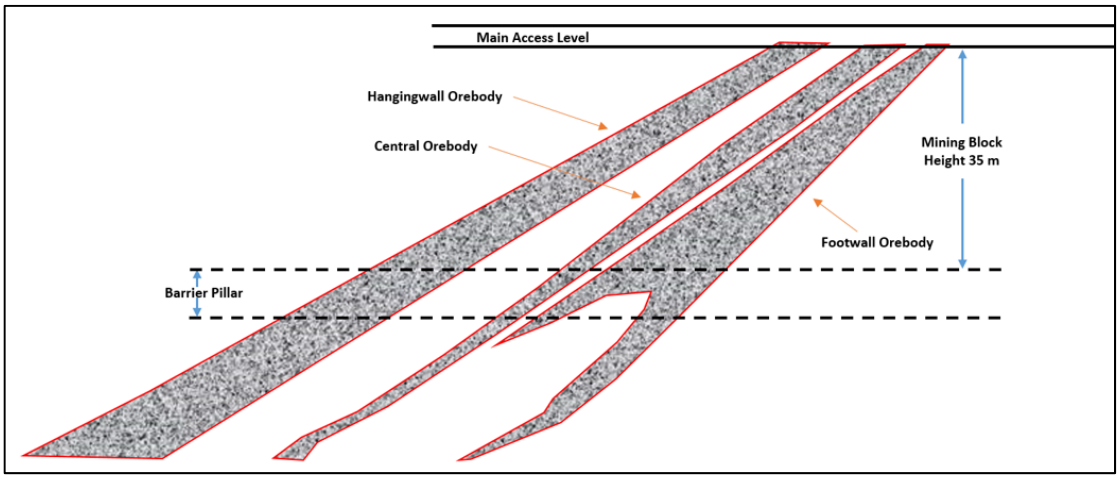


Figure 5-12: Cross-section schematic of production block prior to development

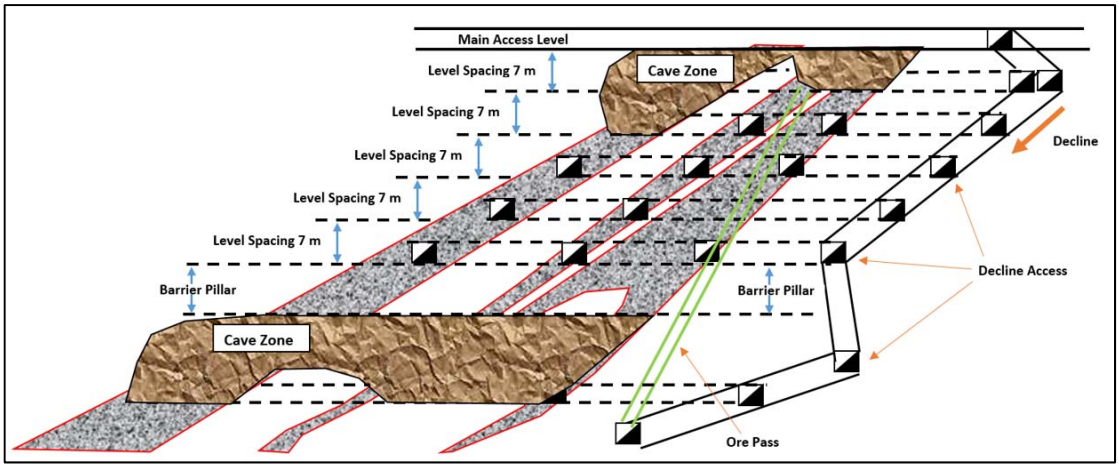


Figure 5-13: Cross-section schematic of production block during development and production

5.4 Underground Access

The Svinja Reka deposit is primarily accessed from adits developed into the mountainous terrain. The main adit into Svinja Reka is at an elevation of 1,058 mRL (the XIV Level), located above the processing plant and other mine surface infrastructure. Within Svinja Reka, the deposit extends for a vertical interval of greater than 700 m and the mine uses gravity transport of ore and waste through passes from the production levels to the loading levels. Additional raises are used for ventilation and dewatering.

The Golema Reka shaft (4.1 m diameter) has been sunk to access deeper parts of the orebody. A 3.2 km long adit has been developed to the Golema Reka shaft which accesses the bottom of the Svinja Reka deposit at the 830 mRL.

The Svinja Reka shaft (3.6 m diameter) was originally used for hoisting ore as well as men and materials between level 2a, 4, 12 and 14. The shaft is reported to have a depth of 537 m. SRK understands that the shaft is mainly used as an exhaust for ventilation purposes.

Drift dimensions at SASA Mine are typically 3.0 to 3.5 m in width and 3.0 to 3.5 m in height. The drift sizes keep the development waste to a minimum, but also limit the truck size to around 20 t capacity.

5.5 Materials Handling

The SASA Mine utilises two main materials handling systems for transporting ore and waste to the surface:

- Approximately 70% of the mine material (ore and waste) is sent through ore passes to the 830 mRL. The ore is transported by rail wagons (approximately 10 t capacity) a distance of 1.8 to 2.5 km to the Golema Reka shaft and hoisted 180 m to the surface (approximately 1,010 mRL);
- The waste is transported by rail through the 830 mRL adit to the surface and tipped. Following this, the waste is trucked to the tailings storage facility as capping material;
- The remaining 30% of the mined material is transported to the surface run of mine ("RoM") using 20 t trucks, only above the 990 mRL up;

- Any waste is rehandled onto surface trucks and transported to the tailing storage facility as capping material.

Each production block is planned with at least three raises, one ore pass, one waste pass, and one ventilation raise. SRK understands that there are two ore passes per block of 600 m strike length which results in a maximum tram distance of around 150 m for the underground loaders.

5.6 Mine Equipment

The SASA Mine is predominantly using Atlas Copco equipment, which is maintained under a service contract with Atlas Copco. Other mining equipment onsite includes Caterpillar, Paus, Minka, Bobcat and Sandvik. The following main equipment is in use at the mine:

- Drilling Jumbos:
  - 1 x Rocket Boomer (281),
  - 6 x S1D Boomer;
- Bolting Jumbos:
  - 1 x Boltec 232;
- Underground Loaders:
  - 2 x ST3.5 loaders,
  - 5 x ST07 loaders,
  - 2 x CAT R1300 loaders;
- Underground Trucks:
  - 5 x MT2010 (20 t capacity),
  - 1 x MT413 (13 t capacity); and
- Ancillary Equipment:
  - 3 x Minka Man transport,
  - 1 x Minka Fuel truck,
  - 1 x Paus grader,
  - 4 x Paus Elevated work platforms,
  - 1 x Paus rock breaker,
  - 4 x Bobcats,
  - 1 x Cat skid steer loader,
  - 1 x Sandvik Toro 151 service loader.

5.7 Ventilation

The primary ventilation fan at the SASA Mine is a 450 kW Zitron ZVN, used in an exhaust capacity, located at the portal of Level 16 (1,120 mRL), and draws an estimated 82 m^3/s.

Another primary ventilation fan (75 kW Klima Ceije) is used for drawing fresh air from

Level 14b (1,065 mRL) to a raise which connects with Level 16.

The main fresh air intakes are reported to be:

- Level 830 mRL (8 m^3/s)
- Golema Reka Shaft (24 m^3/s)
- Level 14b adit (52 m^3/s)

SRK understands that air exhausts from the Svinja Reka shaft (surface elevation of 1,582 mRL) at a rate of 18 m^3/s and from the Level 15 adit (1,190 mRL) at 12 m^3/s.

Fresh air is delivered through upcast raises and force vented using smaller auxiliary fans (typically 15/30 kW) and small diameter (670 mm) flexible ducting.

Figure 5-14 provides a schematic view of the primary ventilation circuit at the SASA Mine.

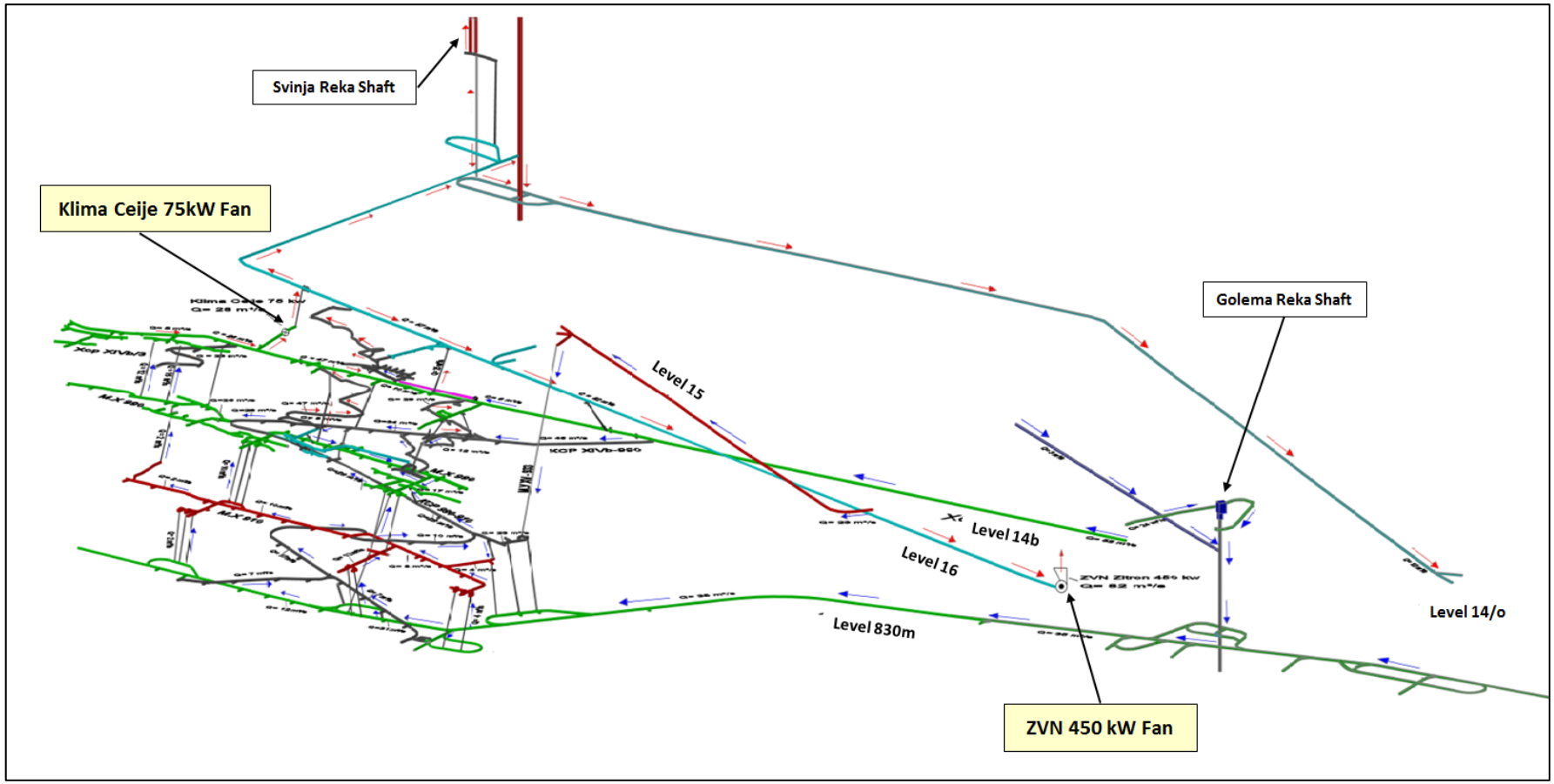


Figure 5-14: Schematic view of SASA Mine primary ventilation

5.8 Mine Power

The high voltage ("HV") power from the state grid to the underground mine is fed at 35 kV to three transformers where the voltage is stepped down to 6 kV with a capacity of 4 MVA. Extensions to the HV circuit are typically required every vertical 50 m in the mine where 250 kVA transformers step down to a working low voltage ("LV") of 380 V in the underground mine. HV cables are typically routed down through sub-vertical ventilation and escapeway accesses to reduce cable lengths (reducing costs and voltage drop).

The main requirement for underground power in the mine is for electric drills, ventilation fans (primary and auxiliary) and the rail system on the 830 mRL.

5.9 Compressed Air

The mine utilises compressed air for charge-up, shotcreting and airleg mining support activities from three ER8 compressor units (two working, one standby) supplying approximately 63 m^3/min at 7 bar. Compressed air is reticulated via pipes (ranging in diameter from 63 to 160 mm) which are located in shafts and ramp accesses through to working areas.

5.10 Water Management

The SASA Mine is dewatered primarily by gravity drainage to two levels: the 1,060 mRL (Level XIV), and at 830 mRL. Water inflow to the underground mine is a combination of groundwater, surface water (through the cave and mine openings) and from mining activities (for example, drilling activities and watering down after blasting). No significant increase in groundwater inflow is expected over the life of mine; however, it is important to monitor the inflows through the caved zones in the upper levels, particularly during periods of high seasonal rainfall.

The adit on the 1,060 mRL (Level XIV) captures a majority of the water inflow from the upper levels and directs this to a settlement facility on the surface before being piped to the tailings facility for management.

Any water entering the 830 mRL between the adit and main hoist shaft flows out the adit to a series of settlement ponds before discharging to the local river.

The main mine pump station comprises two multiple stage Wilco pumps which are estimated to manage approximately 860 m^3/day of water inflow (approximately 10 l/s) which discharge to the settling ponds close to the adit at 830 mRL.

Further details on the underground dewatering approach and management is provided in Section 8.3.

5.11 Backfill Plant

Until 2009 a cut and fill method was used to mine the Golema Reka zone and the backfill plant is under care and maintenance on the surface. This backfill plant is still intact and is used to temporally store the contents of the flotation circuit at certain times when the process plant is under maintenance. Lynx Resources has informed SRK that the fill tank and pumps are all in working order and in order to reuse the facility, to restart backfill underground, the cyclone cluster would need to be replaced. The underground fill reticulation piping system is unused since 2009 and would require replacement for Golema Reka, and extending to Svinja

Reka, if the cut and fill method was implemented below 830 mRL.

5.12 Future Mine Infrastructure

The LoMp includes all the capital mine development (ramps, cross-cuts, rises); however, as the mine proceeds below 830 mRL and/or considers recommencement of mining at Golema Reka, the following future mine infrastructure will be required:

- ramps and cross-cuts to access the three ore zones;
- rises for ventilation, escapeways, ore and waste material movement including associated tips and loading chutes;
- pump station for dewatering with associated piping;
- booster fans within the primary circuit to ventilate the lower zones and assist the Primary fans due to higher circuit resistance;
- truck tips above the 830 mRL rail level to allow the mined material to enter the existing rise, chute, rail, shaft transport route out of the mine; and
- any backfill reticulation required if the mining method is changed to cut and fill.

If the future reserves at depth justify the expense, then other larger capital investment can be considered (such as underground crushing and conveying, shaft extensions, etc).

5.13 Life of Mine Planning

5.13.1 Cut-off Strategy

Historically, the SASA Mine has used a grade cut-off strategy defined by the Shtip Institute and approved by the Macedonian State of a combined metal resource grade of 2% (Pb + Zn).

Lynx Resources has undertaken a Net Smelter Return cut-off sensitivity analysis on the Mineral Resource block model which SRK verified with stopes generated using the Deswik Stope Optimiser software. Table 5-1 provides a summary of the metal price and cut-off parameters (based on historical performance) used in the analysis. Conservative cut-off parameters for metal prices and commercial assumptions have been used to prepare a robust resource basis for the LoMp.

The analysis assessed a range of NSR cut-off values and the stope optimiser results (using the Deswik software) and Lynx Resources determined that a NSR cut-off of USD30/t (based on a break-even operating cost) provided a suitable basis for the mine design and life of mine schedule.

Table 5-1: Summary of NSR cut-off parameters

Item	Units	Value
Macro-economic assumptions		
Zinc	(USD/t)	2,150
Lead	(USD/t)	1,950
Silver	(USD/oz)	14
FX	(EUR:USD)	1.06
Concession fee	(%)	2%
Operational		
Throughput	(ktpa)	780
Zn Recovery	(%)	85.5%
Pb Recovery	(%)	94%
Ag Recovery	(%)	70%
Commercial Assumptions		
Zn TC	(USD/dmt conc)	232.5
Pb TC	(USD/dmt conc)	218.3
Freight	(USD/dmt conc)	20.1

5.13.2 Underground Mine Design

The underground design for the SASA Mine has been undertaken using the Deswik software. The design considers a similar approach as used historically for access and materials handling at the mine and is based primarily on the Mineral Resources classified as Indicated in the Svinja Reka deposit to be considered for Ore Reserves according to the JORC Code (2012). The additional Inferred Resources from both Svinja Reka and Golema Reka deposit are considered in the later years of the plan, but excluded from the Ore Reserves.

With respect to the Svinja Reka deposit, the following approach has been applied in developing the mine design:

- includes Indicated and Inferred Mineral Resources;
- detailed design and schedule in Deswik;
- assumes inclusion of 100% of Indicated tonnes and conversion of 70% of Inferred to Indicated tonnes;
- modifying factors applied: 82% recovery, 21.9% dilution;
- Sub-level caving mining method; and
- NSR cut-off of USD30/t.

With respect to the Golema Reka deposit, the following design parameters have been applied, due to the different mining method:

- all Inferred resources;
- manually scheduled;
- assumes cut and fill mining with tailings backfill;
- assumes 50% of Inferred tonnes are converted to Indicated tonnes;
- modifying factors applied for cut and fill: 95% recovery, 8% dilution; and

- NSR cut-off of USD35/t, additional USD5/t for the placement of tailings backfill.

The defined stope shapes extend from the 1,054 mRL to a lowest elevation of 797 mRL on a level spacing of 7 m, over a strike length of 835 m. The main lower access of the existing mine development is an exploration decline ramp some 24 m below the 830 mRL (approximately 837 mRL in the vicinity of the orebody), which is only 20 m above the lower elevation of the stope shapes considered in the mine design. Figure 5-15 to Figure 5-17 provide a number of views of the existing mine development and mined stopes (brown) and the stope design based on the optimised shapes from an NSR cut-off of USD30/t (green).

Whilst some of the Inferred material of the Svinja Reka deposit is located below existing infrastructure, access will be possible without the need for significant additional infrastructure.

There is significant underground development already in place at the mine and the additional designed access development (decline and cross-cut) is shown in Figure 5-18 and Figure 5-19. All new development is based on cross sectional areas of 9 to 12.5 m^2, with the exception of vertical development which is based on 4 m^2 cross sectional area. The density used for waste tonnes is 2.9 t/m^3.

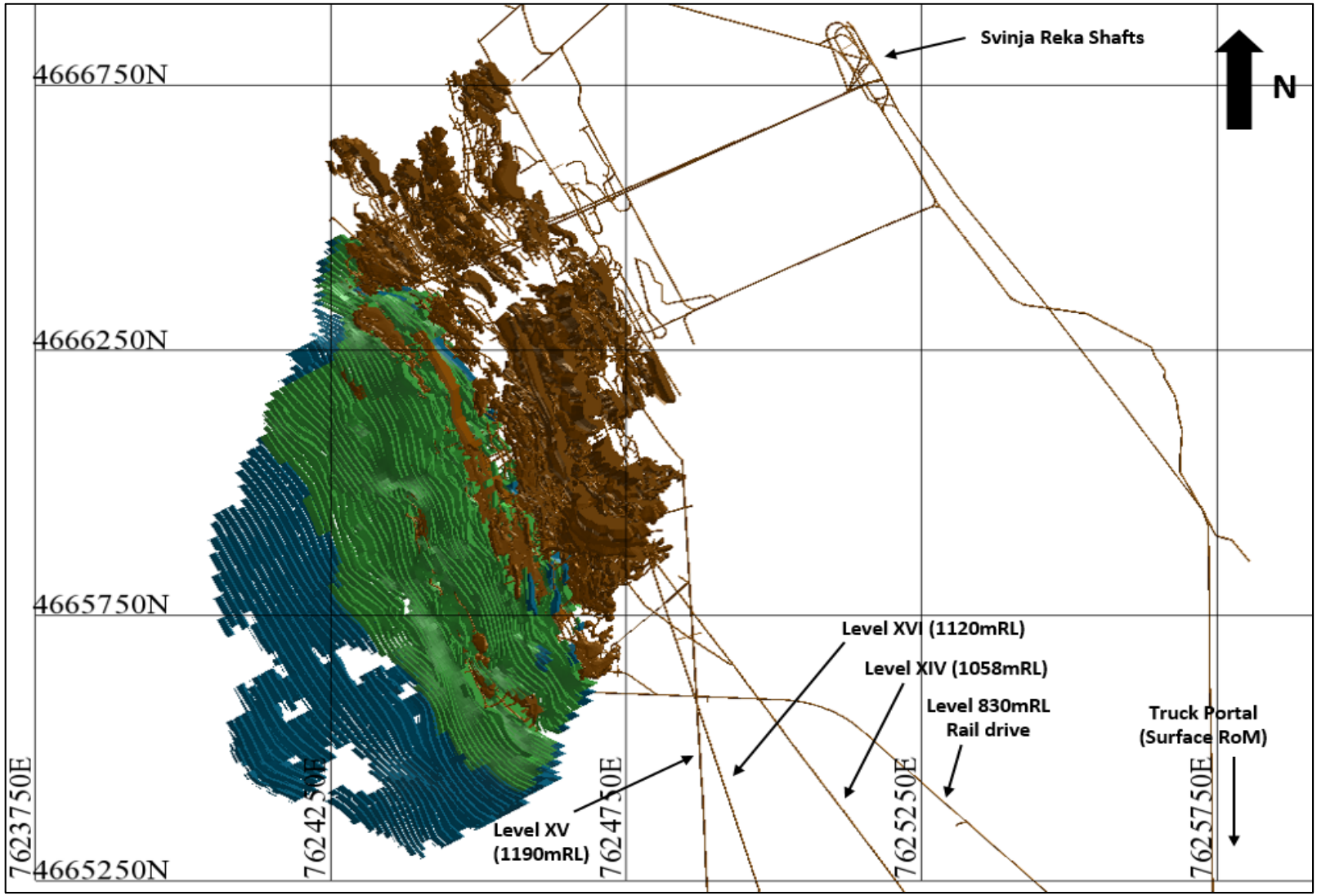


Figure 5-15: Plan view of existing development and mined stopes (brown) and planned stopes using Indicated (green) and Inferred (blue) Resources

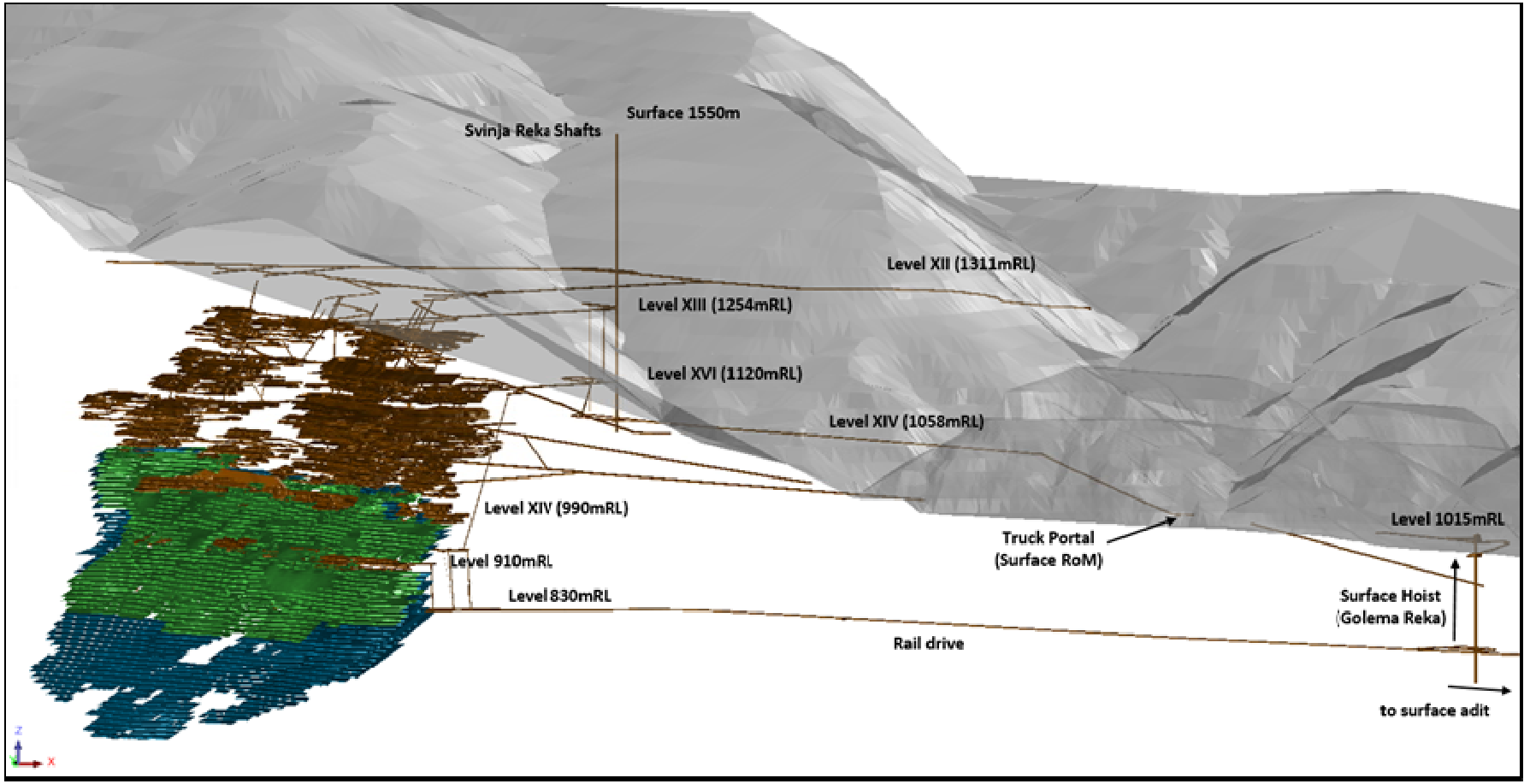


Figure 5-16: Oblique view showing existing development and mined stopes (brown) and planned stopes using Indicated (green) and Inferred (blue) Resources, looking north

315

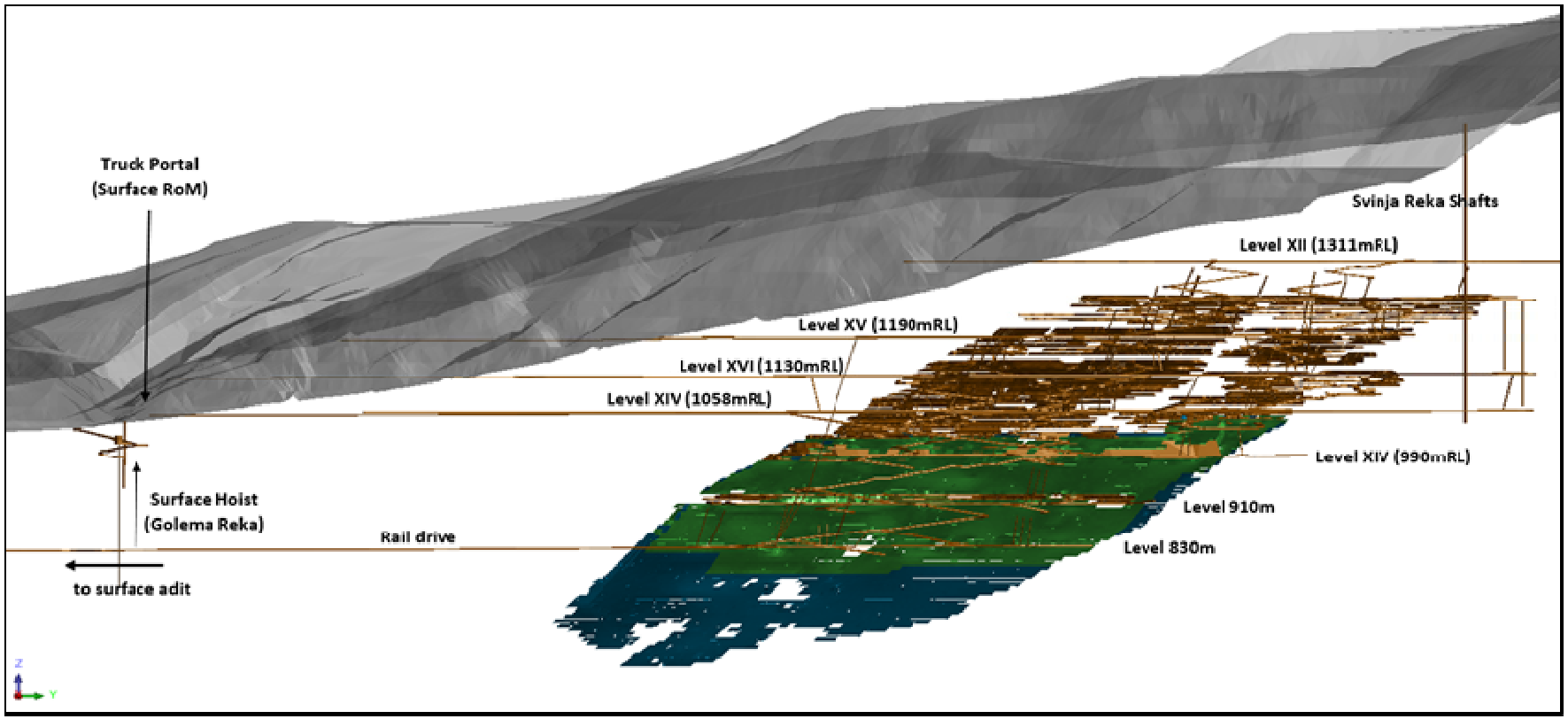


Figure 5-17: Section view of existing development and mined stopes (brown) and planned stopes using Indicated (green) and Inferred (blue) Resources, looking west

316

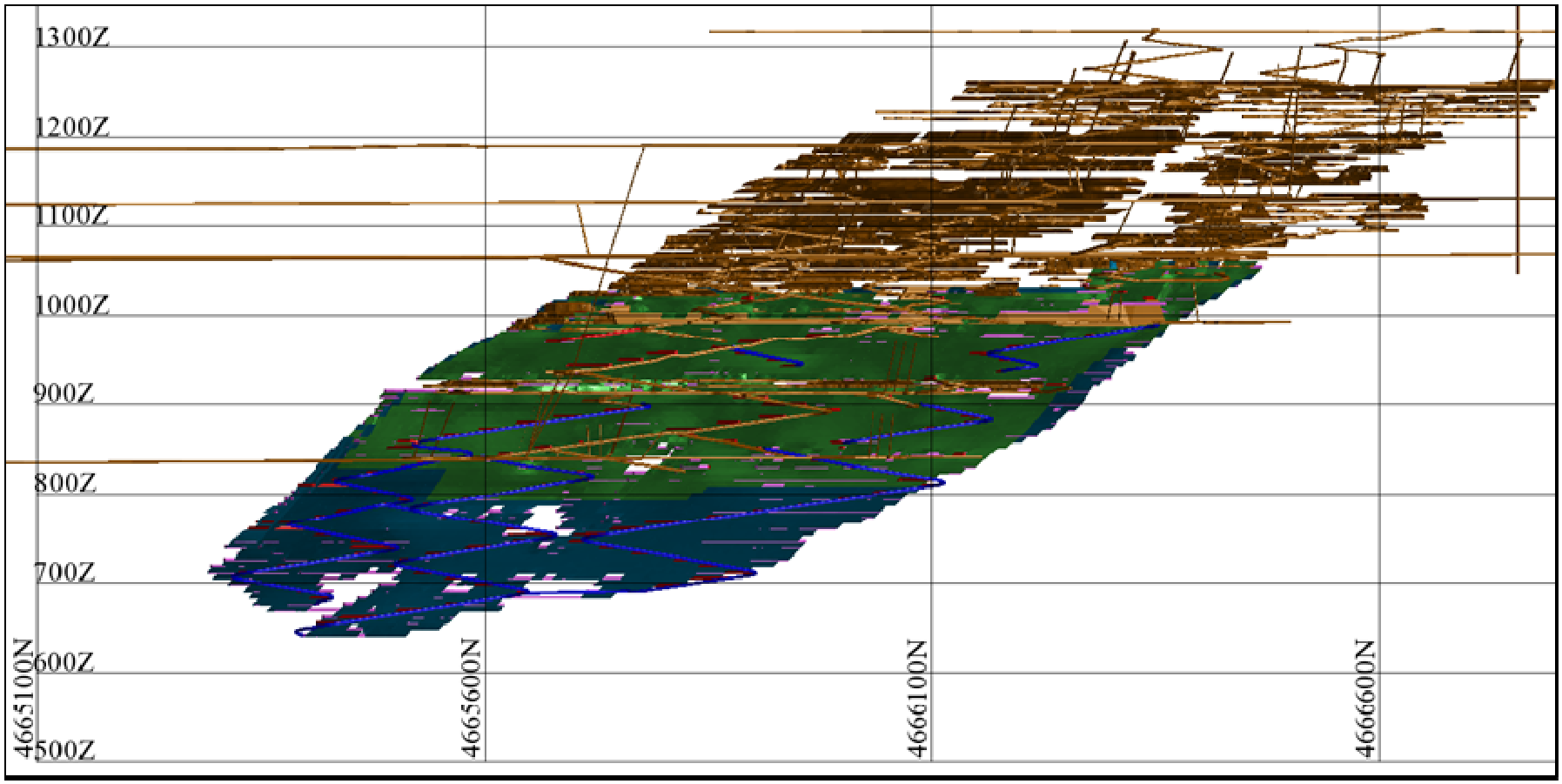


Figure 5-18: Section view of existing development and mined stopes (brown) and planned stopes using Indicated (green) and Inferred (dark blue) Resources, decline (light blue) and cross-cut development (red), looking west

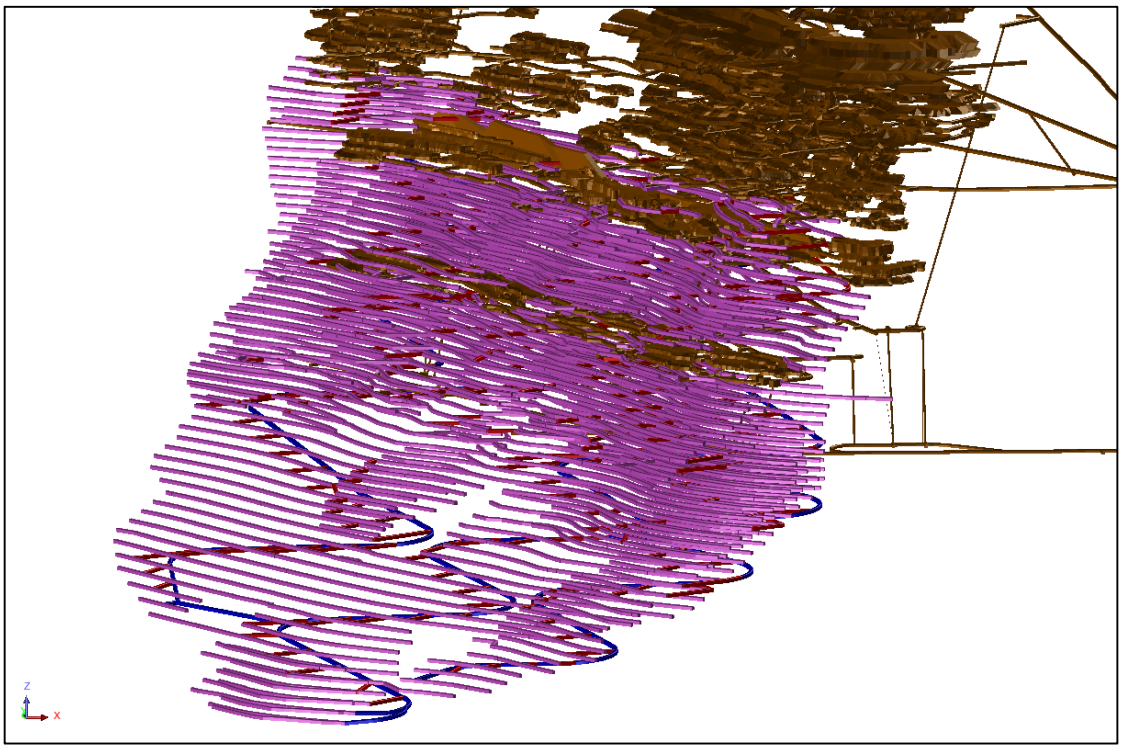


Figure 5-19: Oblique view of existing development and mined stopes (brown), decline (blue), cross-cut (red) and ore development (pink), looking north east

5.13.3 Modifying Factors

The mine modifying factors (dilution and losses) applied to the mineable stope shapes are based on reconciliation of historical production at the SASA Mine.

External dilution is a result of the sub-economic material from outside of the planned mining boundary diluting the ore production. External dilution from development can be controlled more easily than stope dilution due to the reduced excavation size. The caving method incurs dilution due to the uneven boundaries of ore and drawdown of waste, which can have a material impact on the production ore grade.

Internal dilution, which is defined as the inclusion of sub-economic material within the stoping boundary, is added to the inventory by compositing the block model blocks within the stoping shapes. Any low grade, Inferred, or unclassified material is added in terms of tonnes, but not in grade, in the mineable stope shapes. The grade of all three payable metals (lead, zinc and silver), is quantified in the mine schedule to determine the contained sulphur in the planned mill feed.

Mining losses occur as a result of:

- footwalls and hanging walls not breaking cleanly to desired profiles (underbreak);
- ore left on floors and walls during bogging (uneven ground, bucket shape);
- ore faces going to waste, due to incorrect visual grading and/or trucking to incorrect pass system;

- local ground conditions/failures leading to incomplete mining of a stope;
- allowance for leaving behind local pillars for ground support;
- excessive dilution which sterilises ore from overbreak or caving; and/or
- oversize that cannot be removed from the stope.

In caving operations, ore will be lost due to the waste material entering the draw point and diluting the ore below economic limits. The historical losses at the SASA Mine are estimated to be 18% loss of tonnes, which includes pillars lost in the extraction from the level above.

The overall mine modifying factors applied to the in situ stope tonnes are 21.9% dilution and 18% losses from the cave mining method. This approach does not take into account the variable orebody thicknesses; however, it is understood to reconcile well globally for resource estimation versus mill feed. Table 5-2 shows the historical planned versus actual production at the SASA Mine for 2013 to H1 2017, used by Lynx Resources to select the modifying factors for the LoMp.

Table 5-2: Historical planned versus actual production at the SASA Mine 2013 – H1 2017

Description	Units	2013	2014	2015	2016	H1 2017
Planned Production						
Total Ore Mined	(kt wet)	793	798	798	798	401
	(kt dry)	765	770	770	770	381
Lead grade	(% Pb)	3.98	4.09	4.07	3.99	3.97
Zinc grade	(% Zn)	3.52	3.47	3.49	3.31	3.26
Actual Mine Production						
Total Ore Mined	(kt wet)	807	809	806	807	402
	(kt (ry)	777	780	780	783	391
Lead grade	(% Pb)	4.13	4.16	4.04	3.95	4.01
Zinc grade	(% Zn)	3.47	3.48	3.52	3.41	3.20

The two existing barrier pillars, on 990 mRL and 910 mRL, were excluded from the stope inventory during the stope optimisation work (Figure 5-20). Also, any material adjacent to the hanging walls of existing or mined out stopes was removed along with any isolated stopes. The pillars generated as part of the development process and partially recovered during caving are taken into account in the ore loss factor.

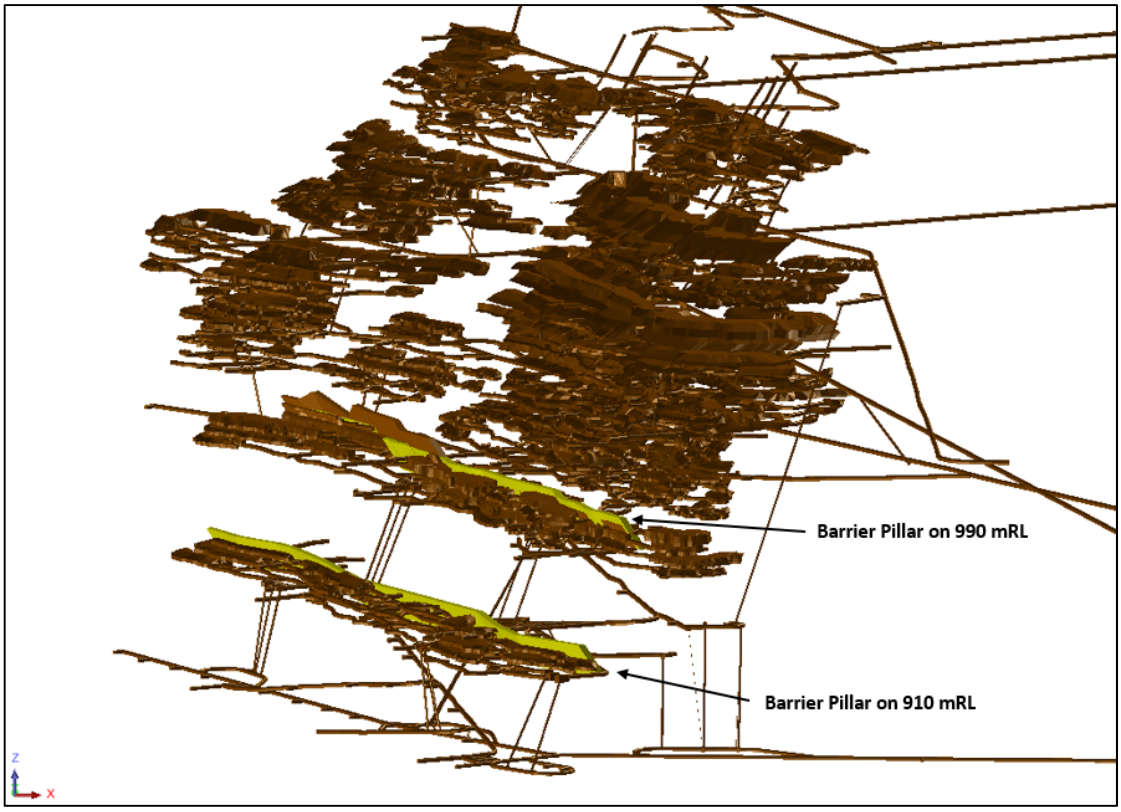


Figure 5-20: Oblique view of existing development and mined stopes (brown) and barrier pillars (yellow), looking north

5.13.4 Mining Schedules (LoMp)

The mine development and production physicals have been reported on 3.5 m levels from the design (development and stoping solids) and block model, with the modifying factors applied prior to scheduling with the Deswik software.

Lynx Resources has prepared a LoMp that relies predominantly on the Indicated Resources at the Svinja Reka deposit (to support the declaration of Ore Reserves), but also includes Inferred Resources from Svinja Reka and also Golema Reka deposits; the SASA LoMp therefore includes Indicated and Inferred Resources.

The LoMp schedule extends over a period of just under 22 years (H2 2017 to Q1 2038), commencing at an ore production rate of 770 ktpa (dry) in 2017, followed by 20 years (2018 to 2037) at 780 ktpa (dry) and a small amount of production in 2038 (approximately one month). The historical production indicates that there is typically an average moisture content of 3.6%. Figure 5-21 shows a graph of the estimated annual ore tonnage with lead and zinc grades scheduled over the LoM. Silver grades are estimated based on a correlation with lead grades within the ore and average 18.1 g/t Ag over the LoM. Silver grades are routinely analysed from mill feed composites and lead concentrates; these results appear to suggest that the Ag grade is generally higher than that predicted by the Pb-Ag regression derived from the drill core samples. SRK considers that this suggests that, in addition to the strong correlation to Pb, there may be another control on Ag distribution at SASA Mine that is currently not understood or captured in the Mineral Resource model. In the absence of any specific assay data for silver, however, for the purposes of Mineral Resource Estimation, life of mine planning and the statement of Ore Reserves, the silver-lead correlation has been applied.

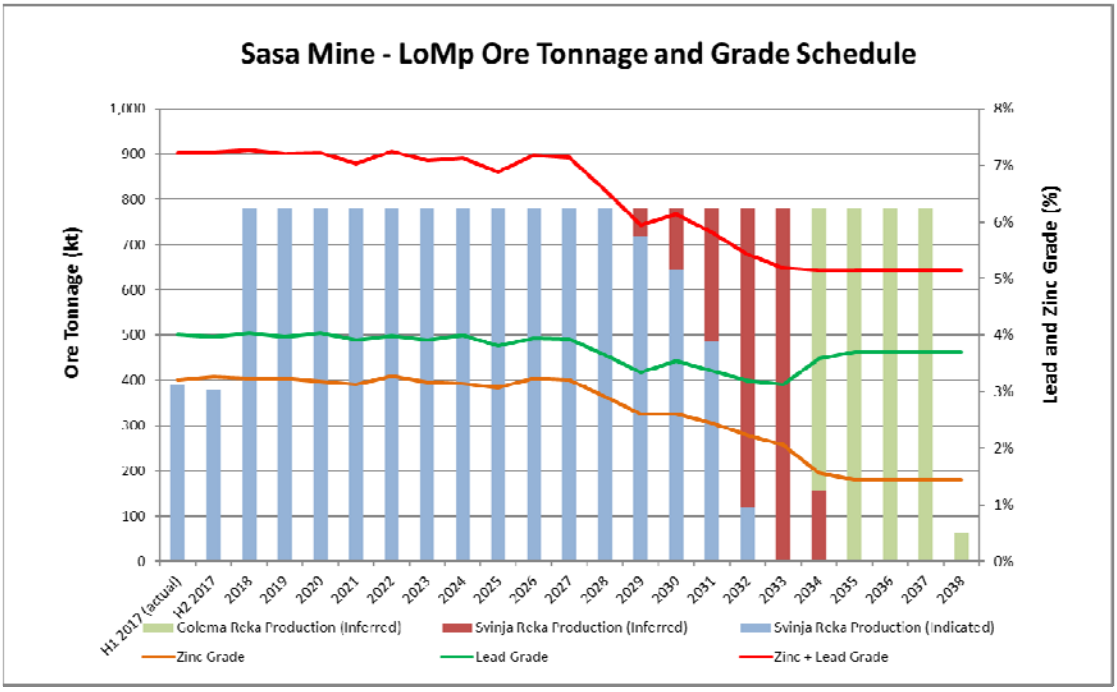


Figure 5-21: LoMp Ore Tonnage and Grade Schedule

The underground development (including rehabilitation) has been categorised and is scheduled annually over the mine life as shown in Figure 5-22. Development waste generated from mining activities is estimated to total 1,395 kt over the LoM, with maximum annual tonnage of 83.5 kt (in 2017) and average of annual tonnage of 65 kt (or 8.7% of total material mined annually). SRK understands that all development waste generated underground is transported to the surface. The schedule which supports the LoMp is presented in Table 5-3. SRK notes that there were a number of minor manual schedule adjustments to match the current year, 2017, with the existing budget schedule.

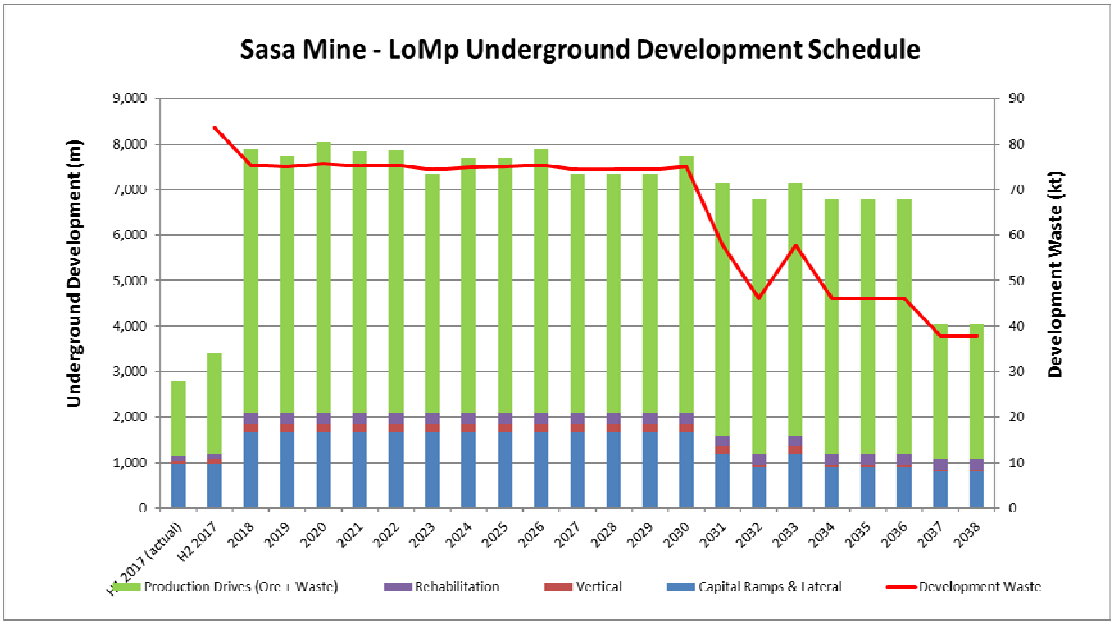


Figure 5-22: LoMp Underground Development Schedule

Table 5-3: LoMp Key Physicals, Mine Production, and Development

Item	Unit	LoMp Total	H1 2017 (actual)	H2 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Svinja Reka Production (Indicated)	kt	**10,927**	391	379	780	780	780	780	780	780	780	780	780	780	780	719	642	488	119						
Lead grade	%Pb	**3.85**	4.01	3.97	4.03	3.97	4.03	3.91	3.98	3.92	3.99	3.81	3.95	3.92	3.65	3.37	3.63	3.52	3.57						
Zinc grade	%Zn	**3.08**	3.20	3.26	3.24	3.24	3.18	3.13	3.27	3.16	3.14	3.07	3.23	3.21	2.91	2.65	2.72	2.68	3.19						
Silver grade	g/t Ag	**18.4**	19.8	19.8	18.6	18.8	19.0	18.6	18.8	18.6	18.8	18.2	18.7	18.6	17.6	16.5	17.5	17.1	17.3						
Svinja Reka Production (Inferred)	kt	**2,088**														61	138	292	661	780	156				
Lead grade	%Pb	**3.12**														3.12	3.12	3.12	3.12	3.12	3.12				
Zinc grade	%Zn	**2.06**														2.06	2.06	2.06	2.06	2.06	2.06				
Silver grade	g/t Ag	**16.1**														16.1	16.1	16.1	16.1	16.1	16.1				
Golema Reka Production (Inferred)	kt	**3,026**																			624	780	780	780	62
Lead grade	%Pb	**3.70**																			3.70	3.70	3.70	3.70	3.70
Zinc grade	%Zn	**1.44**																			1.44	1.44	1.44	1.44	1.44
Silver grade	g/t Ag	**18.3**																			18.3	18.3	18.3	18.3	18.3
Total LoMp Production	**kt**	**16,041**	**391**	**379**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**780**	**62**
Lead grade	**%Pb**	**3.73**	**4.01**	**3.97**	**4.03**	**3.97**	**4.03**	**3.91**	**3.98**	**3.92**	**3.99**	**3.81**	**3.95**	**3.92**	**3.65**	**3.35**	**3.54**	**3.37**	**3.19**	**3.12**	**3.59**	**3.70**	**3.70**	**3.70**	**3.70**
Zinc grade	**%Zn**	**2.64**	**3.20**	**3.26**	**3.24**	**3.24**	**3.18**	**3.13**	**3.27**	**3.16**	**3.14**	**3.07**	**3.23**	**3.21**	**2.91**	**2.60**	**2.60**	**2.45**	**2.23**	**2.06**	**1.56**	**1.44**	**1.44**	**1.44**	**1.44**
Silver grade	**g/t Ag**	**18.0**	**19.8**	**19.8**	**18.6**	**18.8**	**19.0**	**18.6**	**18.8**	**18.6**	**18.8**	**18.2**	**18.7**	**18.6**	**17.6**	**16.5**	**17.3**	**16.7**	**16.3**	**16.1**	**17.8**	**18.3**	**18.3**	**18.3**	**18.3**
Development																									
Capital Ramps & Lateral	m	**30,265**	955	955	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,670	1,200	900	1,200	900	900	900	800	800
Vertical	m	**3,065**	80	125	180	180	180	180	180	180	180	180	180	180	180	180	180	150	50	150	50	50	50	50	50
Rehabilitation	m	**5,160**	120	120	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240	240
Production Drives (Ore + Waste)	m	**114,104**	1,634	2,200	5,801	5,634	5,944	5,752	5,783	5,242	5,584	5,608	5,795	5,242	5,242	5,242	5,641	5,544	5,598	5,544	5,598	5,598	5,598	2,956	2,956
Total	**m**	**152,594**	**2,789**	**3,400**	**7,891**	**7,724**	**8,034**	**7,842**	**7,873**	**7,332**	**7,674**	**7,698**	**7,885**	**7,332**	**7,332**	**7,332**	**7,731**	**7,134**	**6,788**	**7,134**	**6,788**	**6,788**	**6,788**	**4,046**	**4,046**
Development Waste	kt	**1,395**	39	45	75	75	76	75	75	74	75	75	75	74	74	74	75	58	46	58	46	46	46	38	38

5.14 SRK Observations

Since reopening in 2006, the SASA Mine has used a similar mining method approach as that proposed for the LoMp going forward and the planned production rate of 780 ktpa (dry) is conservative, given that the mine production has averaged 797 ktpa over the last 8 years, with a peak of 860 ktpa in 2009. SRK notes that in the last 8 years the mine achieved less than 780 ktpa in two of those years (759 kt in 2009 and 753 kt in 2010); however, this is not considered a material difference (less than 3%). The mine benefits significantly from having access development to upper and lower levels of the planned stoping areas as well as established materials handling systems. This existing development also allows for easy management of water ingress into the mine, although water ingresses were not observed to be significant during the March 2017 site visit.

The sub-level cave mining method has been utilised for many years at the SASA Mine and, given the low level spacing (7 m), there are reasonable opportunities to achieve the mining dilution and loss parameters used in the mine plan. Grade control is an important area to manage at the mine and there needs to be sufficient and good control of infill drilling and draw point sampling. The sub-level caving method is one of the few underground mining methods that can be applied to this type of shallow dipping, stacked, variable thickness lead-zinc-silver lens system.

The cut and fill method (which was historically used on the Golema Reka deposit) could be re-assessed in selected future mining areas to determine whether this is a more suitable method for the mine from a dilution, recovery, safety, production rate, and economic perspective.

SRK recognises that the LoMp includes material from the Inferred category of Mineral Resources, both in the lower levels of the Svinja Reka deposit and also the Golema Reka deposit, and that achievement of the LoMp is based on the conversion of Inferred Resources to Indicated or Measured Resources. At Svinja Reka, given the continuation of the sub-level caving method and the similar development profile, there do not appear to be any technical impediments to mining this material, assuming that additional drilling and sampling and geological analysis improves the Resource category to at least Indicated.

At the Golema Reka deposit, a cut and fill method will be adopted. This historically used method is geotechnically acceptable and the existing backfill plant can be recommissioned. In addition, the cost of backfill has been considered in the operating costs and subsequent NSR cut-off estimate for Golema Reka, therefore exploitation of the final years of the LoMp at Golema Reka are considered to be technically feasible, again assuming that the Inferred Resources in this deposit are converted to either Indicated or Measured category through additional geological investigations and analysis.

SRK considers it likely that the additional Inferred portions of the Svinja Reka and Golema Reka deposits will be converted to Indicated during the LoM operations and that the full LoMp will be delivered, on the understanding that the appropriate technical investigations and studies are undertaken in advance of proposed mining of these areas.

6 MINERAL PROCESSING

6.1 Introduction

The SASA Mine flotation plant, incorporating a large equipment package from Metso, was commissioned in 2006 and originally designed to process 650 ktpa of ore. The plant was upgraded in 2007 with the addition of additional Metso flotation cells to a nameplate capacity of 850 ktpa ore. The plant operated at the nameplate capacity from 2008 to May 2009 and has since operated at a lower throughput (750 to 780 ktpa from 2010 to 2016) due to mining from the Svinja Reka orebody only.

6.2 Process Mineralogy

The main minerals present are sphalerite, galena, pyrite and pyrrhotite and the mineralisation varies from coarse to fine grained depending on the ore source. Silver is present and is generally associated with the galena.

6.3 Process Plant Parameters

The nameplate capacity of the plant is 850 ktpa ore. The nominal capacity of the crushing circuit is 150 tph at a design utilisation of 67%. The nominal capacity of the concentrator is 109 tph at a design utilisation of 92%. Historically, the concentrator has achieved utilisations of between 94 and 96%.

6.4 Process Description

The process plant comprises a two-stage crushing circuit and a conventional lead-zinc concentrator utilising selective flotation. Separate lead and zinc concentrates are produced and dewatered by thickening and filtration for shipment by truck. The major equipment is summarised in Table 6-1.

6.4.1 Crushing Circuit

The crushing circuit operates 24 hours per day, 7 days per week on a three-shift basis.

The two-stage crushing circuit was installed in 2006 using new Metso crushers and screens and incorporates refurbished feeders and conveyors from the original, Russian designed plant. The crushing circuit can be fed from either of the two underground sources by separate conveyors. A flap gate directs feed from either source to the crusher.

RoM ore, nominally -350 mm, is fed from the RoM bunker on to the primary crushing feed conveyor from where it is fed via a vibrating screen to a Nordberg C106 jaw crusher. The screen undersize and the jaw crusher product (nominally -100 mm) are conveyed to the secondary crushing circuit. Tramp iron is removed from the secondary crusher feed by an overband magnet with secondary protection from a metal detector. The latter trips the conveyor if metal is detected. Secondary crushing comprises a Nordberg GP200 cone crusher operating in closed circuit with a screen. Feed from the primary crusher is screened to remove final product, nominally -16 mm, and the oversize gravitates to the cone crusher. The cone crusher product is recirculated by conveyor to the screen. The crushing circuit product, screen undersize, is conveyed to the mill feed bins. A bifurcated chute with a manual diverter flap routes product to either the 1,750 t bin (stream 1) or the 4 x 500 t bins (stream 2). A tripper conveyor is used to distribute material to the 4 x 500 t bins.

The crushing plant is started/stopped and monitored from a local control room adjacent to the primary crusher. All conveyors are fixed speed and are fitted with safety wires for emergency stops. All conveyors have belt tracking switches. Level trip switches are not incorporated in chutes.

6.4.2 Crushing Circuit Capacity

The nominal crushing plant throughput is 150 tph. Based on a three-shift, 24 hours per day operation, with 12 days planned maintenance per year, the crushing plant would be required to operate for 16 hours per day or a utilisation of 67% to achieve the 850,000 tpa design throughput. Based on an 80% utilisation the crushing circuit should have the capacity to achieve 1 Mtpa if it were required.

Table 6-1: Crushing Plant and Concentrator Plant Equipment Details

Item	No.	Manufacturer	Model	Dimensions	Installed Drive
Crushing					
Primary crusher (jaw)	1	Metso	Nordberg C106	feed opening 1060x700 mm	110 kW
Secondary crusher (cone)	1	Metso	GP 200	feed opening 222 mm	132 kW
Grinding & Classification					
Rod mill (wet grinding) #1	1	Uralmash	MSTS-2700x3600	2700 mm diameter x 3600 mm long	380 kW
Spiral classifier	1			2 spirals, 1200 mm dia x 8119 mm long (dredging 8520 x 3000 mm)	15 kW
Rod mill (wet grinding) #2	1	Uralmash	MSTS-2700x3600	2700 mm diameter x 3600 mm long	380 kW
Spiral classifier	1			2 spirals, 1500 mm dia x 9700 mm long (dredging 10100 x 3600 mm)	15 kW
Ball Mill (trunnion-type) #1	1	Uralmash	MSHTS-2700x3600	2700x3600 mm	380 kW
Cyclone	1	Krebs		D=500, vortex 200, spigot 55-60	
Ball Mill (trunnion-type) #2	1	Uralmash	MSHTS-2700x3600	2700x3600 mm	380 kW
Cyclone	1 + 1	Lemind (Serbia)		D=350, vortex 150 mm, spigot 60 mm	
Regrind mill	1	SALA (Metso)		1800 mm diameter x 2400 mm long	110kW
Cyclone		Lemind (Serbia)		D=350, vortex 150 mm, spigot 70-80 mm	
Flotation					
Pb conditioner	1	Metso		30 m^3	11 kW
Pb rougher cells	7	Metso	RCS20	20 m^3	37 kW
Pb scavenger cells	4	Metso	RCS20	20 m^3	37 kW
Pb cleaner cells 1	5	Metso	RCS5	5 m^3	15 kW
Pb cleaner cells 2	3	Metso	RCS5	5 m^3	15 kW
Pb cleaner cells 3	2	Metso	RCS5	5 m^3	15 kW
Zn conditioner	2	Metso		30 m^3	11 kW
Zn rougher cells	7	Metso	RCS20	20 m^3	37 kW
Zn scavenger cells	3	Metso	RCS20	20 m^3	37 kW
Zn cleaner cells 1	3	Metso	RCS10	10 m^3	22 kW
Zn cleaner cells 2	4	Metso	RCS5	5 m^3	15 kW
Zn cleaner cells 3	3	Metso	RCS5	5 m^3	15 kW
Concentrate dewatering					
Pb concentrate thickener	1			18 m diameter	
Zn concentrate thickener	2 (1 working)			12 m diameter	
Pb filter	1	Larox (Outotec)	PF 28 A1		
Zn filter	1	Metso	VPA 1040-28		

6.4.3 Concentrator

The current concentrator flowsheet for the SASA Mine is provided in Figure 6-1. The concentrator incorporates conventional grinding, classification, flotation and dewatering technology to produce separate lead and zinc concentrates. The final grind size is typically 60 to 65% -74 µm.

The concentrator incorporates the original feed bins and feeders, the original grinding mills and spiral classifiers, the original lead and zinc concentrate thickeners and the Larox lead concentrate filter.

The grinding circuit comprises two parallel lines. Line 1 includes a single 1,750 t capacity

crushed ore feed bin, and line 2 includes four 500 t feed bins fed via a tripper conveyor. Each grinding line operates independently and incorporates an open circuit rod mill, a twin spiral classifier and a ball mill operating in closed circuit with hydrocyclone classifiers. The -16 mm crushed ore from the crushed ore feed bins is fed to the rod mill via variable speed feeders and a mill feed conveyor. The feed tonnage is measured by a two-idler weightometer on the rod mill feed conveyor. Rod mill discharge, typically 30 to 31% -75 µm, gravitates to the spiral classifier sump and fines are removed via the overflow weir. Coarse sands are fed via the classifier screw to the ball mill feed. The ball mill discharge gravitates to a sump from where it is pumped to the hydrocyclone cluster. Cycloned underflow is recirculated to the ball mill feed. Spiral classifier overflow and hydrocyclone overflow are directed to a sump from where they are pumped via a variable speed pump to the lead flotation conditioner.

Water addition to the grinding circuit is automatically controlled. The circuit feed is sampled on each of the rod mill discharge launder by automatic samplers.

Lead conditioning is achieved in a single agitated conditioning tank. The lead flotation circuit comprises lead rougher and scavenger flotation and three stages of lead concentrate cleaning.

The final lead concentrate is sampled by an automatic vezin sampler prior to thickening and dewatered in an automated Larox filter. The final moisture content of the lead concentrate is typically 5 to 6% w/w. Lead concentrate thickener overflow is recirculated to the lead flotation circuit.

Tailings from the lead scavengers are pumped to the first of two zinc conditioning tanks. pH is adjusted in the first tank and reagents are added to the second tank.

The zinc flotation circuit comprises zinc rougher and scavenger flotation and three stages of zinc concentrate cleaning. Zinc rougher concentrate from the first four cells is pumped with the first zinc cleaner concentrate to the second stage zinc cleaner feed. Stage 2 zinc rougher concentrate from cells 5 to 7 is pumped to a small regrind mill which operates in closed circuit with hydrocyclones and the reground solids are pumped to the first zinc cleaner feed. The rougher scavenger concentrate together with the first zinc cleaner tailings are recirculated to the first zinc rougher conditioner.

The final zinc concentrate is sampled by an automatic vezin sampler prior to thickening in one of two thickeners and the thickened concentrate slurry is dewatered in an automated Metso VPA filter. The final moisture content of the zinc concentrate is typically 8 to 9% w/w. Zinc concentrate thickener overflow is recirculated to the circuit. Final zinc flotation tailings are sampled by automatic sampler and pumped to one of two tailings lines for disposal.

The number of lead and zinc flotation cells and nominal residence times are provided in Table 6-2 and Table 6-3, respectively.

Lead and zinc concentrates are stored in separate areas and loaded into trucks by front end loader. Each truck load is sampled before shipping. The trucks are weighed empty and loaded for accounting.

Table 6-2: Lead flotation cell parameters

Section	Residence Time (minutes)	Cells & Configuration
Lead Roughing	15	7 off (4 + 3) each 20 m^3
Lead Rougher Scavenger	15	4 off (3 + 1) each 20 m^3
Lead Cleaner 1	20	5 off (4 + 1) each 5 m^3
Lead Cleaner 2	20	3 off (1 + 2) each 5 m^3
Lead Cleaner 3	20	2 off each 5 m^3

Table 6-3: Zinc flotation cell parameters

Section	Residence Time (minutes)	Cells & Configuration
Zinc Roughing	15	7 off (4 + 3) each 20 m^3
Zinc Rougher Scavenger	15	3 off each 20 m^3
Zinc Cleaner 1	20	3 off each 10 m^3
Zinc Cleaner 2	20	4 each 5 m^3
Zinc Cleaner 3	20	3 off (2 + 1) each 5 m^3

6.4.4 Process Control

The plant is controlled from the main plant control room. The plant incorporates sufficient instrumentation for circuit control. All measurements are displayed/recorded/trended in the control room.

6.4.5 Metallurgical Control

Plant feed, tailings and lead and zinc concentrates are sampled by automatic samplers on a shift basis.

Additional grab samples are taken from multiple points around the circuit and submitted to the laboratory for analysis. These samples are taken 24/7, every 40 minutes and results are available within 40 minutes. These sample analyses are used for metallurgical control.

6.4.6 Reagents

Lime is used for pH control. Sodium cyanide is used as a zinc depressant in the lead circuit and an overall pyrite depressant. Potassium ethyl xanthate and SKIK, a lead specific collector, are used as the lead collector; potassium amyl xanthate is used as the zinc collector. Zinc sulphate is used as the zinc depressant in the lead circuit and copper sulphate as the zinc activator in the zinc circuit. Dowfroth 200 is used as the frother throughout. No flocculants are used in the concentrate dewatering circuits.

Reagents are stored and mixed in a reagent building annexed to the concentrator. Each reagent system comprises a mix tank, a storage tank and a recirculating pump and head tank for distribution. The reagent mixing tanks are ventilated.

Sodium cyanide is stored, mixed and held as a solution in a separate locked area adjacent to the main reagent mixing area.

Lime for pH control is received as bulk hydrated lime powder and is stored in silo and mixed to a slurry in an agitated mixing tank.

Any spillage in the reagent area is flushed with water in to a concrete channel and directed via a pipe in to the spare tailings line which gravitates to the tailings dam.

6.4.7 Concentrator Circuit Capacity

The name plate capacity of the concentrator is 850 ktpa and the design hourly feed rate from the Metso mass balance is 109 tph at lead and zinc feed grades of 4.45% Pb and 4.68% Zn, respectively. Since 2010, the actual plant throughput and lead and zinc grades have been below the nameplate figures and the forecast throughput and zinc and lead feed grades going forward are significantly below these figures, although circuit capacity in terms of grinding and the lead and zinc flotation circuits is not expected to be an issue.

6.4.8 Zinc Regrind Circuit Addition

Some problems have been encountered with intermittent high circulating loads within the zinc circuit when treating finer grained ore. Poorly liberated zinc minerals have been identified as the cause. In order to alleviate this issue a new zinc regrind mill, a Metso stirred mill detritor ("SMD"), will be incorporated in to the circuit treating second zinc cleaner tailings. This will replace the existing conventional regrind ball mill. An evaluation of the existing circuit by Metso and a review of the testwork performed has indicated that the finer regrind size will improve overall zinc recovery to zinc concentrate by at least 2%.

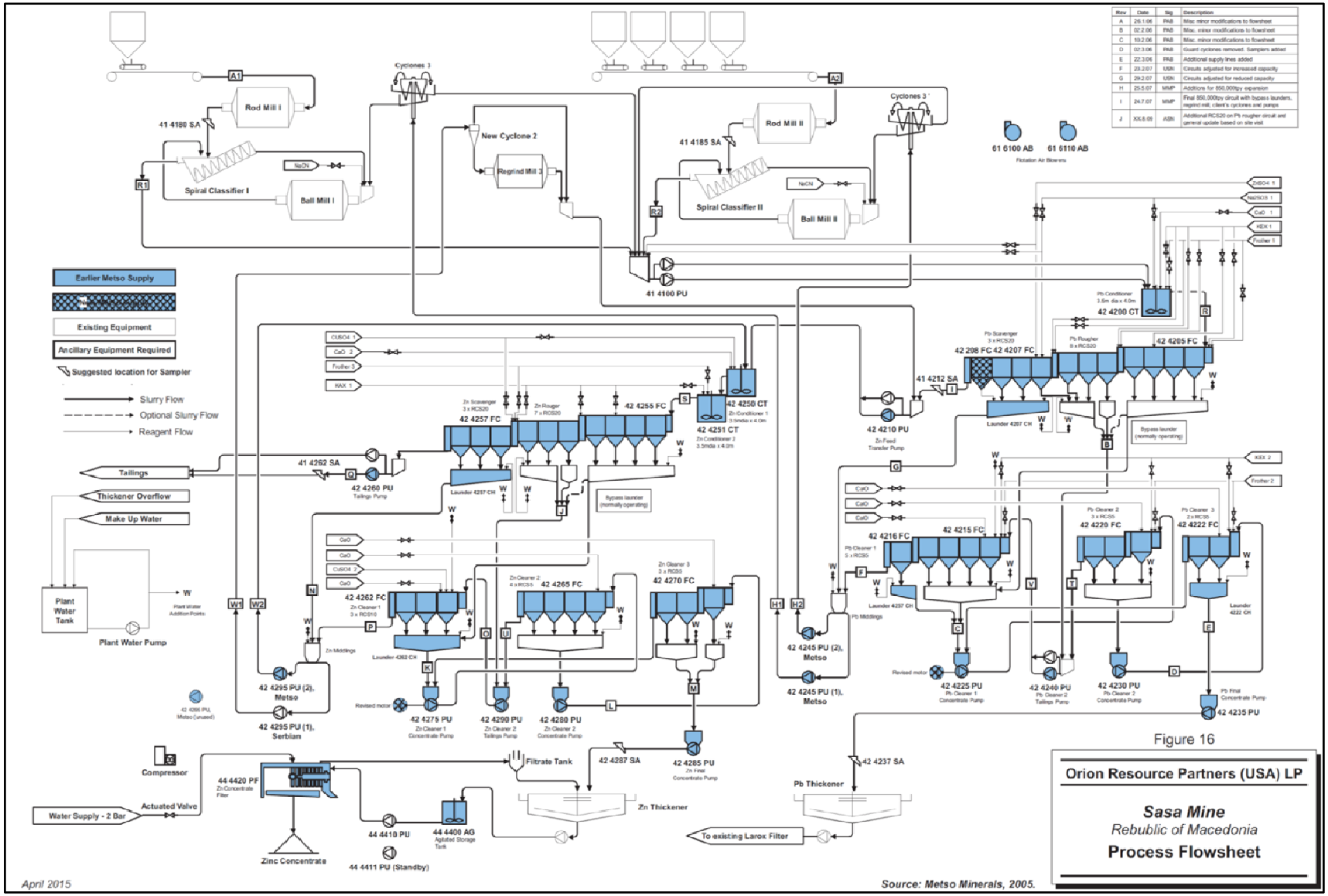


Figure 16

Figure 6-1: Concentrator flowsheet for SASA Mine

6.5 Plant Performance

6.5.1 Historical performance

The historical flotation plant performance is provided in Table 6-4 and shows that the plant operated above its nameplate capacity of 850 ktpa in 2008 and 2009. Thereafter, the plant feed tonnage has been reduced to between 750 and 780 ktpa to match the mine output.

Based on the available data, the following observations can be made:

- The process plant is conventional and the metallurgy for both lead and zinc, based on historical performance, is relatively straightforward and should not be an issue.
- In general, the lead circuit has consistently achieved above design performance in terms of lead concentrate recovery and grade, averaging 94.4% recovery at 73.9% Pb grade.
- The zinc circuit has not been operated at design zinc metal load or concentrate loads and the design zinc recovery of 90% has not been achieved. Since 2010, the recovery of zinc to zinc concentrate has averaged 86.0%, ranging from 84.6% to 86.6%. During this time, the concentrate grade has been very stable, averaging 50.1% Zn, ranging from 49.4% to 50.5% Zn.
- There are no issues with zinc in lead concentrate and lead in zinc concentrate. Historically, the percent zinc in lead concentrate varies between 2.44 to 2.95% Zn and the percent lead in zinc concentrate varies between 1.05 to 1.63% Pb.
- The historical silver in feed and in the lead and zinc concentrates is shown in Table 6-5. The average silver recovery to the lead concentrate for 2014 to H1 2017 was approximately 82% at an average grade of 341 g/t. While the average grade of silver in the zinc concentrate was approximately 39 g/t, representing approximately 10.7% recovery, it is not payable.
- Fine zinc mineralisation is reported to increase the circulating loads in the zinc cleaner circuit and results in some spillage. Whilst this has not directly affected the circuit throughput the introduction of the new SMD regrind mill should alleviate this issue.

Table 6-4: Historical Plant Operating Statistics (2008 to H1 2017)

	Units	*Met Balance*	2008	2009	2010	2011	2012	2013	2014	2015	2016	H1 2017
Plant Feed												
Feed tonnes	(dmt)	*850,000*	854,319	864,592	811,383	758,252	754,153	774,007	780,285	777,121	779,231	392,257
Ore moisture	(%)	-	3.34	3.36	3.39	3.66	3.98	3.71	3.56	3.26	3.00	2.80
Pb - mill head grade	(%)	*4.45*	4.68	4.43	4.05	3.83	3.93	4.13	4.16	4.04	3.95	4.01
Zn - mill head grade	(%)	*4.68*	4.08	4.14	3.81	3.43	3.35	3.47	3.48	3.52	3.41	3.20
Tonnes Pb in feed	(t Pb)	*37,825*	39,983	38,276	32,878	29,036	29,658	31,982	32,475	31,375	30,761	15,724
Tonnes Zn in feed	(t Zn)	*39,780*	34,896	35,820	30,905	26,009	25,280	26,858	27,192	27,370	26,599	12,550
Lead Concentrate												
Pb concentrate - Production	(dmt)	*45,087*	49,146	47,634	41,298	37,148	38,025	40,996	41,631	40,162	39,507	20,301
Pb recovery to Pb conc	(%)	*89.4*	91.60	94.20	94.39	95.07	94.42	94.37	94.51	94.10	94.13	94.63
Zn recovery to Pb conc	(%)	*3.40*	4.15	3.81	3.77	3.79	3.65	3.95	3.96	4.20	4.02	4.14
Pb concentrate - Pb grade	(%)	*75.0*	74.53	75.70	75.15	74.31	73.64	73.62	73.73	73.51	73.29	73.29
Pb concentrate - Zn grade	(%)	*3.0*	2.94	2.86	2.82	2.66	2.43	2.59	2.59	2.86	2.70	2.56
Pb in Pb conc	(t)	*33,815*	36,627	36,058	31,034	27,604	28,003	30,181	30,693	29,524	28,955	14,879
Pb concentrate - Moisture	(%)	-	6.09	5.46	5.47	5.77	6.01	5.94	5.77	5.50	5.80	5.73
Zinc Concentrate												
Zn concentrate - Production	(dmt)	*72,400*	57,950	61,030	52,783	44,550	43,140	46,228	46,920	47,159	45,548	21,719
Pb recovery to Zn conc	(%)	*3.80*	1.99	2.04	1.82	1.61	1.57	1.53	1.92	2.47	1.97	1.53
Zn recovery to Zn conc	(%)	*90.00*	82.25	85.45	86.01	86.60	86.20	86.31	86.50	85.77	84.64	85.57
Zn concentrate - Pb grade	(%)	*2.0*	1.37	1.28	1.13	1.05	1.08	1.06	1.33	1.64	1.33	1.10
Zn concentrate - Zn grade	(%)	*49.45*	49.53	50.16	50.36	50.56	50.51	50.15	50.13	49.78	49.43	49.45
Zn in Zn conc	(t)	*35,802*	28,706	30,610	26,583	22,524	21,789	23,182	23,522	23,476	22,515	10,739
Zn concentrate - Moisture	(%)	-	9.24	8.77	8.89	8.69	8.74	8.51	8.37	8.51	8.43	8.32
Tailings												
Grade - lead	(%)	*0.35*	0.34	0.19	0.17	0.13	0.16	0.18	0.16	0.14	0.16	0.17
Grade – zinc	(%)	*0.36*	0.63	0.51	0.42	0.33	0.34	0.35	0.35	0.37	0.40	0.37

Table 6-5: Silver recovery to lead and zinc concentrates

Year	Silver Recovery				
	Feed (g/t)	Ag grade in Pb conc (g/t)	Ag rec to Pb conc (%)	Ag grade in Zn conc (g/t)	Ag rec to Zn conc (%)
2014	21.34	351.9	93.3	40.3	12.4
2015	23.74	339.2	78.1	41.1	11.5
2016	23.29	342.8	74.6	39.1	9.8
H1 2017	21.02	332.0	81.7	35.0	9.2

6.5.2 Forecast

Lynx Resources expects throughput to be 780 ktpa in 2017 (budgeting 770 ktpa to be conservative) and maintained at 780 ktpa until end-2037. These figures are below nameplate capacity and are considered to be achievable by SRK.

The forecast lead and zinc feed grades, from 3.12% to 4.03% Pb and from 2.06% to 3.27% Zn, are below the nominal design figures and are within the historical grades processed previously such that the lead and zinc loads within the flotation circuit are acceptable and should not be an issue.

The lead recovery to lead concentrate of 94.0% and the predicted lead concentrate grade of 73.0% Pb is in line with historical performance and is considered achievable. Although the zinc content of the lead concentrate is not given, the historical performance would suggest that this will not be an issue and should be less than 3% Zn.

A silver recovery to lead concentrate of 80% is used in the assessment. This is in line with recent historical performance. The calculated silver content of the lead concentrate is 287 to 320 g/t Ag and payable as part of the NSR. The silver grade in lead concentrate is below that historically achieved and is dependent on the tonnage of lead concentrate produced.

The zinc concentrate grade has been set at 49.3% in the model. SRK considers this to be conservative as it is lower than historical performance. A lower zinc grade in concentrate is likely to be beneficial for zinc recovery to zinc concentrate, as would be expected with a typical grade-recovery relationship. The zinc recovery included in the model assumes the installation of the new zinc regrind circuit during 2017 and includes an increased zinc recovery to zinc concentrate of 2% from 85.5% up to 87.5%, supported by the analysis of metallurgical consultant Peter Munro (Mineralis Consulting Pty Ltd, February 2017) and including lock-cycle testwork by Base Metallurgical Laboratories Ltd. in Canada. Based on the predicted head grade and typical losses of zinc to the lead concentrate this zinc recovery would result in a final concentrator tailings of 0.3% Zn. This is lower than historically achieved, average 0.4% Zn since 2010, but reflects the tailings that would have been achieved if an additional recovery of 2% had been achieved. SRK considers that the higher recovery is reasonable, based on the testwork performed. The zinc feed grade is predicted to fall from 2028 and SRK recommends a reduction in zinc recovery based on a fixed tail calculation from this year to the end of the LoMp.

Historical performance would suggest that the lead grade in the zinc concentrate will not be an issue and should be less than 2% Pb.

A silver recovery to zinc concentrate of 10% is included. Historically this has been around 11%. The silver content of the zinc concentrate is typically around 40 g/t Ag and is not

payable.

Historically, ore from Golema Reka has been processed and the metallurgy is known. As with any mine, if new ore zones are to be mined and processed, metallurgical testwork should be performed to establish circuit operating parameters and to ascertain specific metallurgical performance.

6.6 Plant Operating Costs

The operating costs included in the model for the process plant are based on actuals and are split into fixed and variable costs for electricity, reagents and consumables, labour, maintenance materials, and miscellaneous costs, and are considered reasonable. The split of operating costs used in the LoMp is given in Table 6-6. At a steady state plant feed of 780 ktpa, this results in an overall processing unit cost of EUR9.06/t (USD9.88/t).

Table 6-6: Process Operating costs

Cost Centre	Fixed (EUR)	Variable (EUR/t)
Electricity	-	1.95
Reagents and consumables	-	1.91
Labour	828,800	0.46
Maintenance materials	1,050,700	1.89
Other	333,900	0.01
TOTAL	**2,213,400**	**6.22**

6.7 Capital Costs

The new zinc SMD mill package has been included in the 2017 budget, with SMD mill capital of EUR597k out of the total 2017 plant budget of EUR1.4m (with EUR0.5m spent during H1 2017). It is estimated the SMD mill will be commissioned in Q4 2017.

From 2018 onwards, only sustaining capital has been provided for. This totals EUR12.9m over the remaining life of the mine for the processing plant alone, of which EUR150,000 per year from 2019 onwards has been allocated as a contingency, and which equates to an average of approximately 20% of the total sustaining capital over the LoMp. SRK considers the capital expenditure provided in the model to be appropriate.

6.8 SRK Observations

The process plant is conventional and the metallurgy for both lead and zinc, based on historical performance, is straightforward and well understood.

SRK understands that the mineralogy of the currently defined Mineral Resources does not vary materially. Historically, ore from Golema Reka has been processed and the metallurgy is known. As with any mine, if new ore zones are to be mined and processed, metallurgical testwork should be performed to establish circuit operating parameters and to ascertain specific metallurgical performance.

The forecast plant throughput of 780 ktpa is conservative and is not a limiting factor in terms of mine output. The plant has proved that it can process up to 850 ktpa. SRK notes that the mine has historically produced in excess of 850 ktpa, and could potentially do so again, without the need for significant investment.

The lead metallurgy recovery of 94% is close to the historical performance of the plant and considered by SRK to be above the average typically achieved by similar operations. The new zinc regrind mill should alleviate the issues with some overloading of the pumping systems in the zinc cleaner circuit and should increase the overall zinc recovery to the projected 87.5%.

7 TAILINGS STORAGE FACILITIES REVIEW

7.1 Introduction

This chapter addresses tailings management at SASA Mine. The information presented in this chapter is based on:

1. Observations and information gained during a site inspection by an SRK tailings engineer between 29 March and 01 April 2016.
2. Follow-up observations made during the March 2017 site inspection, including brief discussions with the TSF-4 contractor, Strabag AG (“Strabag”).
3. Desktop review of documentation associated with tailings management and construction as provided by SASA Mine (some in Macedonian language).
4. Discussions with Golder Associates, who reviewed the SASA tailings dams, designs and associated infrastructure in July 2016.
5. Discussions held with Lynx Resources.

For the purposes of this CPR, this review focuses primarily on the requirements of the JORC Code (2012) with respect to reporting of Ore Reserves, providing the current status on the following critical aspects in relation to the tailings storage facilities (“TSF”):

- Suitability of as-built and proposed tailings engineering designs in the context of the site setting and methods of operation.
- Storage capacity for the LoMp to Q1 2038, which includes Inferred Resources after 2028, with particular focus on the requirement to support the statement of Ore Reserves, which is supported by mining of Probable Reserves from conversion of only Indicated Resources up to Q1 2032 (see Section 5.13.4).
- The status and sufficiency of studies undertaken in support of the adopted designs including those that consider slope stability and water balance.
- The monitoring provisions and monitoring data.
- Identification of potential issues of materiality in relation to the above listed items.
- Summary of recommendations on how these material issues can be addressed.

Note that this chapter focuses on tailings engineering, stability and security. Matters relating to: 1) environmental, social and permitting aspects, and 2) water management, including those associated with the TSF, are discussed within Sections 0 and 8, respectively.

7.2 Summary of TSF Location and Engineering

7.2.1 Tectonic Setting and Regional Seismicity

The territory of Macedonia, situated in the Mediterranean seismic belt, is quoted as an area of

high seismicity. The seismicity of Macedonia is related to destructive tectonic processes associated primarily with vertical movement of tectonic blocks. Two regions of specific neotectonic features are well distinguished:

1. West Macedonia, characterised by longitudinal (NE-SE) structures, and
2. Central and East Macedonia with transverse (E-W) stretching of principal tectonic morphostructures.

Earthquakes of magnitudes between 6.0 to 7.8 on the Richter Scale have been experienced throughout the country. The strongest 'recent' earthquakes occurred in Pehcevo-Kresna (1904; Magnitude =7.8) and Valandovo-Dojran (1931; Magnitude = 6.7).

The regional site location (Figure 7-1) is therefore considered of 'moderate to high' seismic risk on a global and qualitative basis and therefore it is expected that TSF designs should be appropriate to accommodate credible seismic loads.

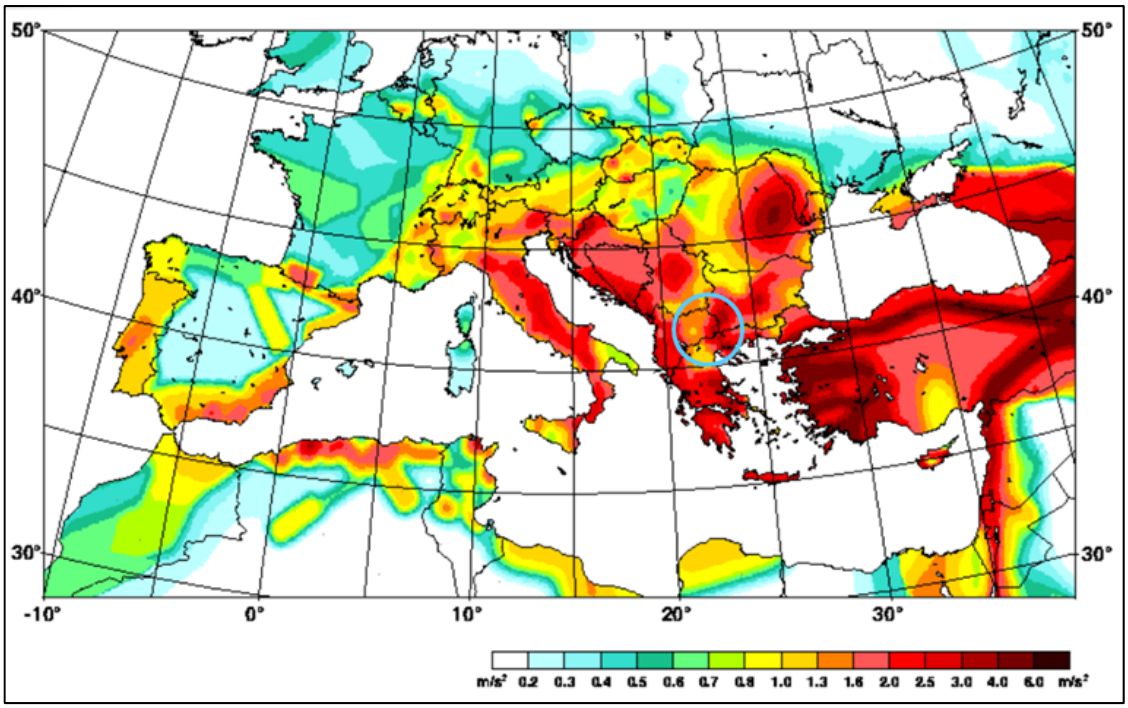


Figure 7-1: Global Seismic Hazard Assessment Programme map of regional seismic hazard for Europe, Africa and the Middle East (site location annotated for clarity)

7.2.2 TSF Development Summary

A brief summary of TSF development at SASA Mine is provided below:

- Figure 2-3 shows the layout of the TSFs relative to the mine, the waste rock dumps, and the licence boundary.
- The TSF complex has been operational since the 1960s, with the successive development of TSF 1, TSF 2, TSF 3.1 and TSF 3.2. TSF 1, TSF 2 and TSF 3.1 are inactive and have been rehabilitated with soil cover and vegetation.
- TSF 3.2 is currently active (discussed in Section 7.2.4).

- TSF 4 will be located directly adjacent to and to the south of TSF 3.2. TSF 4 is scheduled for commissioning in October 2018 and is discussed further in Section 7.2.5.
- The TSFs are located in a steep side slope inclination narrow linear valley that strikes NW-SE and which is located to the south-east of the mine, processing plant, and site offices. The main site access road runs along the north-eastern side of the facility.
- The valley base has a significant surface water course (the Kamenica River) which is carried below the TSF within an engineered river diversion structure. In 2003, failure of an ancillary structure that diverted captured TSF 3.1 drainage water into the river diversion tunnel resulted in flow of tailings from TSF 3.1 into the water-course and on into the downstream environment. The ancillary structure and the affected downstream environment were subsequently remediated (discussed further in Section 7.2.3).
- The TSF operations are permitted under the requirements of the Integrated Pollution Prevention and Control ("IPPC") directive. This permit is for the whole mine site including tailings and was issued on 24 February 2014 by the Macedonian 'Ministry of Environment and Physical Planning'. Key requirements of the permit in relation to tailings are: requirement for monitoring of wastewater and collector drainage; requirement for monitoring and control of dust; preparation of a waste management plan (operational management document); periodic environmental monitoring (with report issued every three months); and, periodic site development report describing all activities at the site including those associated with the TSF (yearly).
- As part of the Environmental Impact Assessment ("EIA") permitting approval for the TSF 4 dam, a "Report on the Adequacy of the EIA Study" was issued by the Macedonian Ministry of Environment and Physical Planning ("MEPP") on 6 March 2017, recommending to the Minister of Environment to approve the EIA, subject to the installation of a liner for the dam. SRK notes that the original design from the Faculty of Civil Engineering Skopje did not include a liner as this had not been used for the previous dams, and a review by Golder Associates of the technical design and groundwater quality had also confirmed the original design was in line with EU BREF Guidelines. Nonetheless, SASA intends to install a liner for the facility to address this request with the Ministry (see Section 7.2.5 below for details).
- Construction permits have been received for the diversion tunnel and the channel works and construction is in progress. The approval for the construction of the dam is in progress, including modifications to the design for the lining.

7.2.3 River Diversion Tunnel

The river diversion tunnel entrance portal is located at the northern end of TSF 1 (see Figure 2-4 for the location of the intake and Figure 8-2 in the Water Management Review, Section 8, for a view of the entrance portal) and the exit is located immediately downstream of the TSF 3.2 dam slope toe at the south-eastern end of the facility (see Figure 7-2).

The main features of the diversion tunnel are as follows:

- The tunnel was designed in the 1960s for the diversion of the Kamenica River with a typical diameter of 3.3 m and an approximate length of 2 km.
- It has been extended progressively in advance of tailings deposition development and comprises a concrete structure for about 40% of its length constructed under the tailings

(culvert section) and 60% constructed in the in situ rock (tunnel section). A new section of tunnel has been constructed beyond the toe of TSF 3.2 to further divert the river around TSF 4 (see below).

- In addition to carrying the Kamenica River, the diversion tunnel also takes input from the active TSF 3.2 pond (via a concrete collector pipe) and from the valley side slope streams, via side valley decants (concrete). The engineering design basis of these structures was assessed by Golder Associates in July 2016 (Ref.10).



Figure 7-2: River diversion structure; view looking NW towards the river diversion exit (right) and tunnel connection portal (left) located at the downstream toe of the TSF 3.2 embankment dam slope (August 2017)

In 2003 there was a failure of an ancillary structure that diverted captured drainage water into the river diversion tunnel, resulting in the flow of tailings into the river diversion structure below TSF 3.1. The relevant details are summarised as follows:

- At the time of the failure, the mine was under state ownership and was not operational. SRK understands that a 'care and maintenance' programme was either not in place or not being appropriately implemented by the state.
- Golder Associates reviewed all of the available information and, from discussion, SRK understands that the cause of the failure was a defective 'cap' within the roof of an ancillary pipe carrying TSF 3.1 drainage water into the underlying river diversion tunnel (that is, not due to a failure of the river diversion tunnel).
- The defective 'cap' failure resulted in the uncontrolled inflow of tailings into the culvert section below the TSF resulting in release of contaminated tailings to the downstream environment and upstream blockage of the Kamenica River watercourse.
- The physical effects of the failure were successfully remediated; the downstream environment was cleared, the culvert was cleared, the drainage collection infrastructure was remediated by sealing off the control shaft with concrete, and the flow of drainage water re-established. However, there remains evidence of some geochemical impacts on

the downstream environment in consequence of the release.

- Subsequently, a programme of regular visual inspection and maintenance of the diversion tunnel and associated infrastructure has been followed and there have been no further issues since mine re-commissioning in 2006.

The river diversion tunnel is currently being extended as part of TSF 4 development, as follows:

- The new section of the diversion tunnel extends the TSF 3.2 tunnel diversion within the bedrock of the western side of the river valley to just beyond the planned position of the toe of the TSF dam (see Figure 7-3). Note that the works comprise an extension of the existing structure. The culvert section overlain directly by tailings will remain operational below TSF 3.1 and TSF 3.2.
- The design and specification was prepared by the Geotechnics Department at the University “Ss. Cyril and Methodius”, Faculty of Civil Engineering, Skopje (“Faculty of Engineering, Skopje”), in March 2015. The design was reviewed by civil engineering consultants GEING Krebs und Kiefer International Ltd. (“GEING”), Skopje.
- The diversion tunnel is located generally between 40 and 60 m lateral distance from the toe of the western abutment rock slope in good quality rock, with occasional zones of poor quality rock associated with rock mass structures.
- SASA Mine has completed the excavation and primary support of the tunnel, which includes rock bolting, mesh, shotcrete and steel sets in areas of poorer ground.
- Contractor Strabag is installing the concrete lining of the tunnel, which is on schedule for completion in Q4 2017.
- The slope above the portal has been cutback and stabilised with support comprising mesh covering pinned with rock bolts, 50 mm shotcrete covering all the mesh and grout injection bolts immediately above the portal (Figure 7-3).
- SRK considers that the TSF 4 extension tunnel in its existing condition and the outlet portal area and have been constructed with appropriate support for a long-term structure. Once concrete lined, the tunnel is expected to be very secure.

In March 2017, SASA Mine commissioned the Faculty of Engineering, Skopje to undertake a Tunnel Integrity Assessment for the entire length of the diversion tunnel, to assess the current state of the tunnel, especially in its older sections and to comment on any potential requirements for additional support/remediation. The study will include visual inspections, in situ testing and sampling for laboratory material testing. Work is currently ongoing and results will be delivered in Q4 2017.



Figure 7-3: River diversion structure: new exit portal at the proposed downstream toe extent of the TSF 4 embankment dam slope (March 2017)

7.2.4 Active TSF 3.2

A brief summary of TSF 3.2 is provided below:

- The basic layout of TSF 3.2 is shown in Figure 7-4 and the main features are shown in Figure 7-5 to Figure 7-7.
- TSF 3.2 was commissioned in 2007 with capacity for storage until October 2018 assuming a tailings input rate of 770,000 tpa (dry tailings).
- After discharge from the flotation circuit tailings are routed to TSF 3.2 via an approximately 2 km long slurry pipeline.
- Progressive development of the dam comprises downstream raising using cyclones with coarse underflow to the dam shell and finer grain-size slimes to the impoundment void. There is no compaction provided to the downstream slope and some shallow surface erosion was observed as a consequence of rainfall runoff.
- Waste rock from Adit 830 (downstream of the TSF) is now transported via the mine access road and deposited at the downstream toe of TSF 3.2 (effectively forming a toe buttress).
- The downstream embankment shell is developed at an inclination of approximately 2.75H:1V above two granular blanket drains (which are 20 m wide and constructed of free-draining rockfill). Fogging cannons are used to control dust derived from the surface of the dry tailings.
- The tailings comprise approximately 30% sand and 70% fines. The reported dry density of placed sand in the embankment is approximately 1.8 t/m^3, whereas the slimes/fines density in the pond is approximately 1.1 t/m^3.
- A supernatant pond is located at the northern end of the impoundment, containing: the supernatant water from the tailings; mine water which flows in to the pond via gravity from the north; surface water from the surrounding upstream catchment area; and, (since

2015), approximately 30 L/s of water from Adit 830 which is delivered via a pumped system.

- Decantation is via: 1) a submersible pump located on a floating barge (with variable pumping rate returning water to the plant during the dry summer months); and 2) a concrete penstock that connects directly to the underlying river diversion culvert/tunnel (located in NW corner of the pond and referred to as the 'concrete collector pipe'). Flow rates of these TSF discharges are not measured.
- Seepage water from TSF 3.1 and from the toe area of TSF 3.2 is captured in a sedimentation pond located at the toe of the downstream dam slope. Water discharged from these sedimentation ponds are wastewater discharge monitoring points under the IPPC permit.
- Surplus water in the TSF 3.1 overflows via an overflow concrete collector pipe, which is used to manage the water level in the pond. This is also a wastewater discharge monitoring point under the IPPC permit.
- An emergency spillway will be constructed when the dam reaches its design height at closure.

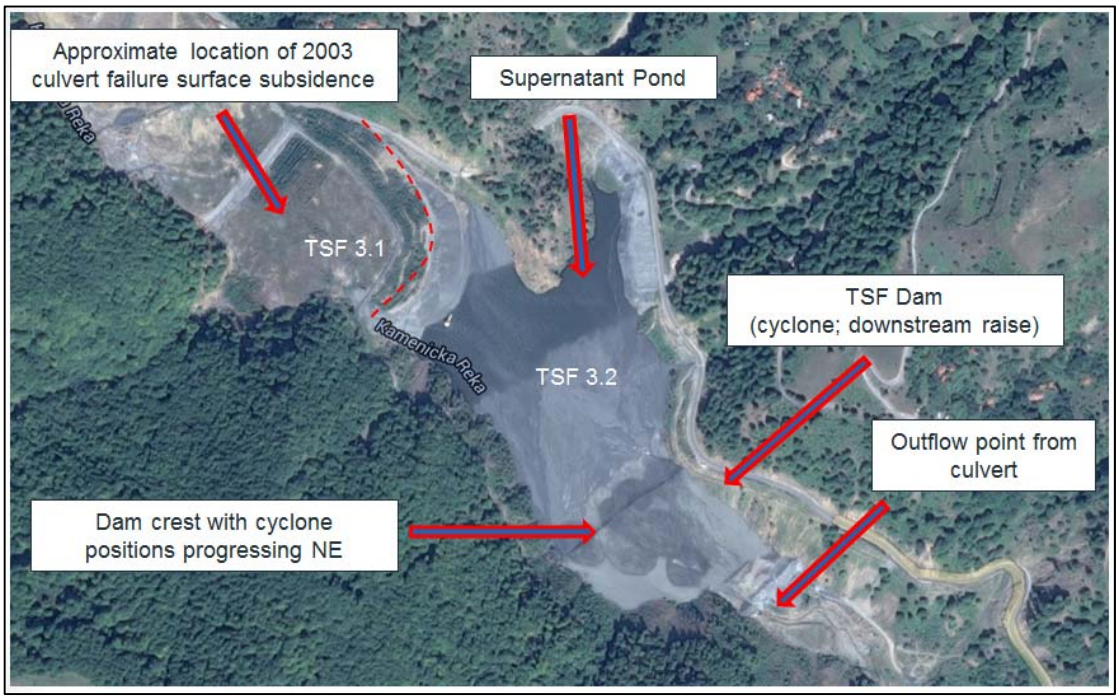


Figure 7-4: TSF 3.2 Annotated Layout in Plan View (Image from Google Earth)

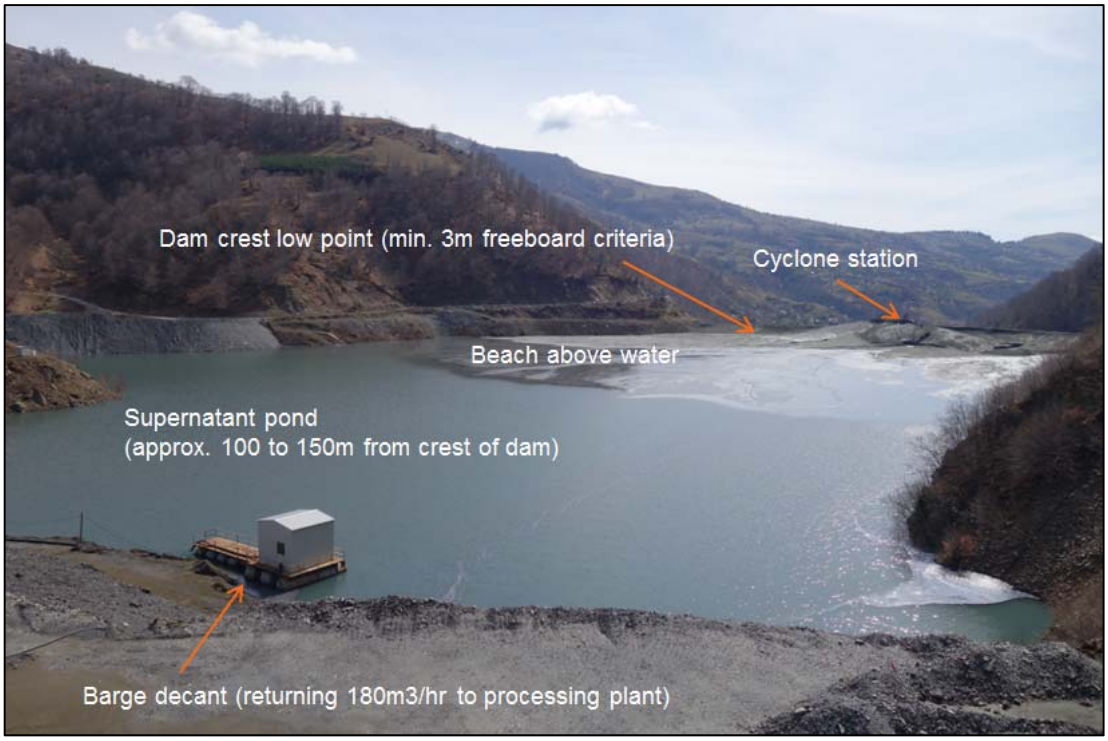


Figure 7-5: TSF 3.2: view looking SE over the surface of TSF 3.2 from TSF 3.1



Figure 7-6: TSF 3.2: view looking west from the main site access road towards the dam with waste rock buttress and exit of river diversion structure at the downstream slope toe (2016)



Figure 7-7: TSF 3.2: view looking west along the crest of TSF 3.2 dam (March 2017)

7.2.5 TSF 4

A brief summary of TSF 4 is provided below:

- TSF 4 is currently under construction and is designed to provide sufficient containment for requirements between October 2018 and 2026 (predicted lifetime at current processing rate).
- The design and specification was prepared by the Faculty of Engineering, Skopje, in March 2015. The design was reviewed by civil engineering consultants GEING in January 2016. This included the diversion tunnel as described in Section 7.2.3 above.
- Contractor Strabag will construct all the remaining elements of the TSF 4 works, including the concrete liner for the diversion tunnel extension, the starter dam at the toe of the embankment, and the diversion channel for the Petrova River, which enters the Kamenica valley on the eastern side just behind the crest of the TSF 3.2 dam.
- Development will directly abut TSF 3.2 to the south-east (see Figure 2-3).
- TSF 4 will be developed adopting similar waste delivery, placement and operational management methodologies to those that have been adopted for the currently active TSF 3.2.
- Progressive development of the dam will comprise downstream raising using cyclones; however, unlike TSF 3.2, the downstream slope will include a granular rock fill toe buttress that is progressively raised in line with tailings progression.
- As part of the EIA approval process, the MEPP recommended that the Minister for Environment approve the EIA, subject to SASA modifying the design to include a liner. SASA Mine management will install a liner to address this request.

- Construction of the entire facility is planned to be completed by May 2018. At current rates of deposition, SASA Mine expects TSF 3.2 to be full in October 2018.

7.2.6 Life of Mine Plan Requirements

The SASA Mine LoMp extends to Q1 2038, with a planned constant throughput of ore at a rate of 780 ktpa until end-2037. This results in a steady state production of tailings of around 175,000 m^3 per year tailings for dam construction and 230,000 m^3 per year fine tailings (plus sludge) for deposition in the impoundment (total 405,000 m^3 per annum). TSF 4 has capacity for 8 years of deposition, which means that additional TSFs will be required to provide storage for the entire LoMp. SASA Mine intends to construct two further TSFs downstream of TSF 4 to accommodate this additional material (TSF 5 and TSF 6). TSF 5 is planned to be constructed during 2025 and 2026 and is intended to be of a similar size to TSF 4 to provide an additional 8 years' storage. TSF 6 is planned to be constructed during 2033 and 2034 and is intended to be smaller than TSF 4 to provide an additional four years' storage up to 2038. Whilst detailed designs have not yet been prepared for either TSF 5 or TSF 6, SASA Mine has provided capital in the Financial Model in the relevant years. The capital quantum for TSF 5 (EUR7.5m, USD8.2m, which includes EUR2m allowance for the liner) is the same as that for TSF 4, and for TSF 6 the allowance is 50% of TSF 5 given the smaller storage requirement. There is also yearly sustaining capital of USD109k provided. Further preliminary and detailed design work for TSF 5 and TSF 6 will need to be completed, but these TSFs will require similar elements to TSF 4, including extension of the Kamenica River diversion tunnel through the bedrock of the western dam abutment and extension of the Petrova River surface diversion channel along the eastern side of the Kamenica River valley.

SRK notes, however, that to support the Ore Reserves, there is only a requirement for TSF 5.

Lynx Resources intends to commence pre-feasibility study level designs for TSF 5 immediately upon completion of TSF 4, to provide ample time for technical evaluations and permitting preparation.

7.2.7 TSF Closure Issues

The closure design for the active TSF 3.2 is detailed within the Waste Management Plan document which covers proposals for both tailings and waste rock. This document is required in accordance with applicable Regulations and the site Permit. The tailings closure design proposed in the Waste Management Plan is similar to that adopted for TSF 1 and comprises a layered cover system including (from the bottom up): waste rock cover; restoration soil layer; and vegetation. A similar arrangement is proposed for TSF 4.

One issue for the SASA Mine closure is the management of long-term water flows in the Kamenica River valley, currently and in the future, via the river diversion tunnel/culvert and surface water diversion channels. For the diversion tunnel, potential closure options are currently being evaluated by SASA Mine, in combination with the Faculty of Engineering, Skopje and SRK. The potential options being evaluated include:

- long-term maintenance of the existing diversion tunnel/culvert;
- maintaining the existing diversion tunnel but engineering bypass sections to replace culverts and ensure long-term flows are within the in-situ rock abutments; and
- relocating flow to surface, necessitating decommissioning (sealing) of the tunnel/culvert

and engineering of an open diversion channel at surface.

7.2.8 Monitoring Data

TSF 3.2 is monitored for:

- water elevations within the dam (piezometers);
- dust emissions;
- downstream contact water quality within the sedimentation pond at the toe of the slope;
- tailings flow rate and tonnage deposited; and
- periodic topographic surveys of the dam (typically monthly).

A total of 16 piezometers are located within the downstream slope shell and mainly focussed on the north side of dam. Their response zones are all located directly above rock-head at the base of the tailings. They are monitored on a weekly basis and all report dry conditions (and have done since installation).

Compliance monitoring in the downstream environment is discussed in detail within Section 9.

With regards to reporting of all monitoring data, an independent expert (Prof Blagoj Golomeov) visits every two weeks with a specific monitoring report issued to site every month and annual report submitted to the Ministry. The periodic reports compile all relevant data including: geochemistry; tailings characterisation; topography (monthly); and dam water levels from the piezometers (weekly).

7.3 Summary of Technical Review Findings

7.3.1 General

SRK notes that the appropriate management of the tailings dam and diversion infrastructure is a priority for the SASA Mine, and a number of enhancements have been made recently with respect to the analysis and management of the tailings and associated infrastructure. SRK notes:

- Documentation: designs, validation calculations (including slope stability and river diversion integrity), standard operating procedures, risk assessments, and emergency action plans are in place (a continuous programme of regular update and review should be adopted as standard practice).
- Active dust monitoring and control measures are in place.
- Regular inspections of the tailings dam are being undertaken by experts with documented reports, covering key parameters (including pore pressure within dam, culvert condition/integrity, pond water/dam crest elevations (freeboard), downstream geochemistry).
- Regular inspections and associated reporting of the diversion tunnel are in place.
- Detailed design for TSF 4 and detailed construction documents are in place.
- The TSF 4 project design includes appropriate measures to manage some critical risks. These include: diversion of river/culvert within abutment tunnel (not below tailings); non-

contact surface water interception ditches and spillway proposed for Petrova River on north side; basal drainage system below the dam footprint; and, a progressively raised rockfill buttress at the downstream slope toe comprising free draining waste rock.

- Golder Associates has evaluated the TSF designs to confirm the designs are appropriate to manage credible storm flows (including that the pond decantation systems and freeboard allowances assigned are sufficient to prevent beach above water inundation and dam overtopping during storm events). The recent works undertaken by Golder Associates indicate there to be no credible risk of overtopping in the critical storm-flow condition.
- Evaluation of closure options for the facilities is in progress based on internationally accepted risk-based approaches (Section 9.7.5).
- Spillways are included at closure to prevent overtopping from the TSF surface once active decantation (and specifically, return water to the plant) ceases.

7.3.2 TSF 3.2 (operating)

Key issues with respect to TSF 3.2 are as follows:

- **TSF water balance:** It is acknowledged that in current configuration there is significant available freeboard above the current pond elevation, and that this is monitored and maintained. Without an emergency spillway (or similar), it is essential the operational decant structures have sufficient capacity to maintain the pond level whilst allowing for storage of storm waters without inundating the beach or overtopping the dam. Calculations undertaken by others demonstrate that 600,000 m^3 of storage capacity is required above the operating pond level to accommodate flows reporting from the 1:1,000 year return period storm event (which has been adopted for the project in line with local legislation). This volume of water is required to be stored below the adopted minimum freeboard of 1.5 m. An emergency spillway will be constructed as part of TSF 3.2 closure in the next two years. Golder Associates has undertaken a detailed review of the design criteria of the dam and water diversion works. SRK considers that there is adequate capacity in the as-built configuration to manage flows associated with the critical design storm condition (1:1,000 year event) with no credible risk of overtopping.
- **Existing river diversion structure:** The culvert section directly overlain by tailings will remain active below TSF 3.2 (and older cells). There is a risk that if a culvert roof collapse occurred, an uncontrolled release of tailings to the downstream environment could occur (although the specific failure mechanism would be different to that which occurred in 2003). The connections between the river diversion structure, the TSF 3.2 concrete decant and the side valley decants are highlighted as areas of stress and potential risk in this regard. Golder Associates' review of the river diversion structure engineering highlighted the following:
    - significant rehabilitation works were successfully completed subsequent to the 2003 failure;
    - that these works mean that the mechanism of the 2003 failure is not feasible in current configuration;

- a programme of regular inspection and maintenance is required during the active operational phase of the mine, and this is being conducted by SASA Mine on a monthly basis; and
- at closure, revisions should be made to ensure a sustainable long-term solution that does not carry water in culvert directly below tailings (either a surface diversion or a re-routed tunnel section within the abutments).

SRK notes that the tunnel is regularly inspected by SASA Mine staff, a full structural integrity survey of the river diversion tunnel also been commissioned by SASA Mine and is currently ongoing, and long-term closure options are being evaluated.

- **Phreatic surface within dam:** It is notable that all piezometers in the dam are reporting dry conditions (and have done so since installation). This indicates that drainage within the dam is operating correctly and effectively controlling pore pressures in the slope shell. Golder Associates reviewed the piezometers in 2016 and considers the readings to be correct and the dam to be dry, and that trigger values are being established by the site. No slumping, sloughing or seepage has been observed during inspection that would be indicative of saturation at higher elevations within the dam. In addition, the tailings in the dam section are cyclone sands which have low fines content and are therefore unlikely to sustain a high phreatic surface.
- **Dam slope stability and security:** A specific slope stability assessment has been completed for the active facility. In general terms, the methodologies, parameters and scenarios modelled are reasonable in the context of the stated report requirements. SRK understands that the methodologies and outcomes are reasonable in the context of relevant local and international Legislation/Guidance.
- **Downstream effects:** Regarding chemistry of discharge water, SRK notes that permit discharge levels have been exceeded at times in some discharges. To date, this has not resulted in regulatory penalties. SRK notes that SASA Mine has requested to align its permit discharge levels with Macedonian wastewater legislation (which align with international IFC guidelines), and are also currently evaluating options for capture and/or treatment of discharge waters as part of the Environmental and Social Action Plan ("ESAP"), and these matters are addressed further within Section 9.

7.3.3 TSF 4 (under construction)

Key issues with respect to TSF 4 are as follows:

- **TSF design:** See the comments highlighted above in relation to the active TSF 3.2. Recent work undertaken by Golder Associates indicates there to be no credible risk of overtopping in the critical storm-flow condition.
- **Capacity:** Based on the LoMp, there is only sufficient storage capacity in TSF 4 to allow storage of tailings to 2026, after which tailings will need to be deposited in a new downstream facility, TSF 5, for which designs need to be prepared but for which capital has been allocated.
- **Kamenica River diversion tunnel:** The initial construction (tunnelling and primary support) has been completed to a high standard. Further concrete lining works are in progress.
- **Petrova River diversion channel:** The construction is in progress.

- **Dam slope stability and security:** A specific slope stability assessment has been completed for the proposed facility. In general terms, the methodologies, parameters and scenarios modelled are reasonable and thorough in the context of the stated report requirements. Golder Associates has undertaken a review of the assessments, and as is also the case for TSF 3.2, is satisfied that the methodologies and outcomes are reasonable.
- **Liner:** SASA Mine intends to install lining for TSF 4 to address the request of the MEPP.

7.3.4 River diversion structure

- A tunnel integrity survey is underway and results will be available in 2017, along with any recommendations for further remedial actions.
- In conjunction with this study, SASA Mine has engaged the Faculty of Engineering, Skopje, to undertake analyses of catchment areas and potential flow rates and frequencies upstream of the mine, in order to understand the capacity of the river diversion structure and the intake to deal with closure requirements.
- Closure planning will evaluate alternative options for the long-term diversion of the Kamenica river, the work for which is currently ongoing.
- Extensions to the TSF 4 river diversion structures (tunnels and surface channels) will need to be made for TSF 5 and TSF 6 for the LoMp.

8 WATER MANAGEMENT

8.1 Introduction

The work undertaken to support this CPR comprised a desktop review of documentation provided by SASA Mine and draws on observations made during site visits by SRK personnel in March 2017. This chapter provides the current status on the following aspects:

- surface water management practices and status of infrastructure, including the river diversion tunnel, current discharge locations and potable water usage;
- summary of available information regarding groundwater inflows to the mine;
- review of the initial water balance model for the site; and
- overview of current water quality and flow monitoring programme.

8.2 Surface Water Management

8.2.1 General Overview

The SASA Mine operations are situated within the Kamenica River watershed. The Kamenica River runs from northwest to southeast. Two smaller drainages connect to the Kamenica River upstream of the current mine operations, the Svinja River and the Kozje River. Both drainages contain legacy mine workings (and surface waste rock dumps), with adit discharges partially captured in pipelines and partially discharged to the rivers. Seepage from the old dumps also enters the rivers.

Outflows from Levels XIVo, XIVb, XV and XVI are captured in a collection ditch and tunnel, which can discharge directly in the TSF 3.2 pond or to the process plant. Figure 8-1 shows

the parallel Kamenica River and adit discharge collection ditch.

The process water intake structure is situated upstream of the confluence with the Kozje River and consists of a concrete storage tank which fills by gravity from an overflow along the Kamenica River. The intake pipeline collects water from the storage tank and flows by gravity to the process plant, generating sufficient pressure needed for the flotation plant.

Downstream of the confluences of the Kozje and Svinja rivers, the Kamenica River is captured in a concrete diversion tunnel as shown in Figure 8-2, which was historically constructed beneath TSF 1, TSF 2 and TSF 3.1, and then extended through the western abutment of TSF 3.2. Two additional drainages collect water on the eastern and western sides of TSF 3.1 and connect to the diversion tunnel. The eastern drainage, Velkov Potok, has a catchment area of approximately 0.25 km^2 and the western drainage, Soborski Dol, has a catchment area of approximately 1.37 km^2.

The site has recently completed a new diversion project for the Petrova River, located east of TSF 3.2, with a catchment of 5.9 km^2. This drainage previously discharged directly onto the TSF 3.2 supernatant pond, but is now collected and discharged to the Kamenica River downstream of the current outlet of the diversion tunnel. This surface diversion will be extended to take account of the new TSF 4.

The current length of the diversion tunnel is 2.6 km, although an extension approximately 500 m long has been constructed through the western abutment to allow for the construction of TSF 4. Figure 8-3 shows the current diversion outlet at the toe of TSF 3.2 and the entrance to the extension for TSF 4.

Discharge from the active tailings supernatant pond is achieved via a decant pipeline which discharges directly into the diversion tunnel. This discharge occurs for approximately five months per year. Pipeline and pumping infrastructure from the supernatant pond has been installed to allow for water recycling back to the process plant. Recycling is only used occasionally if required due to low river flows, but increased recycling is currently being evaluated. Additional pipelines and a separate pump station are in place to pump water from the supernatant pond to a series of sprinklers along the existing dam faces for dust suppression.

There are two separate seepage collection systems collecting the seepage below TSF 3.1 and TSF 3.2. Both collection systems discharge downstream of the TSF 3.2 dam in a collection pond, which discharges to the Kamenica River downstream of the diversion tunnel outlet.

Downstream of the active working areas and of the property boundaries, flows from the Kamenica River are diverted into a hydro power station, which is operated externally.

Mine Adit 830 is located approximately 1.5 km downstream of the current river diversion tunnel outlet and toe of the TSF 3.2 dam. The adit discharges meteoric inflows to the tunnel to a series of three sedimentation ponds, which flow by gravity into the Kamenica River. The pond discharge is situated downstream of the hydro-station intake, and upstream of its outlet.

Beyond Adit 830, the Kamenica River valley widens and slopes are reduced via a series of constructed concrete walls across the axis of the valley, as shown in Figure 8-4. These structures continue in series for several kilometres downstream to the town of Makedonska

Kamenica.



Figure 8-1: Adit 14 collection ditch discharging into tunnel grate (right) and parallel to Kamenica River (left)



Figure 8-2: River diversion tunnel intake structure; located adjacent to the processing plant and to the north of TSF1 (March 2017)



Figure 8-3: River diversion tunnel outlet and intake of TSF 4 diversion tunnel extension



Figure 8-4: Kamenica River valley, downstream of Adit 830; wide valley floor and existing terraces create potential wetland locations

8.2.2 Discharge Locations

A total of six mine site discharges occur at the SASA Mine, although only four require monitoring by the permit.

- TSF 3.2 seepage is discharged through a pipeline into a sedimentation pond at the toe of the TSF 3.2 dam, which discharges to the Kamenica River. Water quality is monitored at this location on a weekly basis, as well as periodic flow measurements.
- TSF 3.1 seepage is discharged through a pipeline into the same sedimentation pond as TSF 3.2 seepage. Water quality is monitored at this location on a weekly basis. Flow is also measured periodically, but at the outflow of the sedimentation pond, not at the outflow of the TSF 3.1 pipeline. As part of the ongoing hydrology study, clarity is being sought on whether tributary inflows are entering this system or draining directly to the diversion channel.
- TSF 3.2 supernatant pond discharges via a decant pipeline to the river diversion tunnel. Water quality monitoring has recently begun at this location on a weekly basis.
- Storm runoff from the plant site is discharged into the Kamenica River upstream of the river diversion tunnel. No water quality monitoring is in place and this is not covered by the permit.
- The sewage plant discharges into the Kamenica River directly upstream of the river diversion tunnel. No routine water quality monitoring is in place and this is not required by the permit.

- Adit 830 discharges into a series of sedimentation ponds which discharge to the Kamenica River downstream of the river diversion tunnel. Water quality is monitored at this location on a weekly basis.

8.2.3 River Diversion Tunnel

The river diversion structure entrance portal is located at the northern end of TSF 1 adjacent to the plant (Figure 8-2) and its exit is located immediately downstream of the TSF 3.2 dam slope toe at the southern end of the facility (Figure 8-3). The main features of the diversion tunnel are described in Section 7.2.3 in the section on tailings management.

In 2003, there was a failure resulting in the flow of tailings into the river diversion structure below TSF 3.1 (see Section 7.2.3). The river diversion tunnel and other surface structures are currently being extended as part of TSF 4 development and this is discussed in more detail in Section 7.2.3.

The University of Skopje prepared a hydrologic and hydraulic analysis, which estimated a 10,000-year peak flow for the Saska River of approximately 200 m^3/s (University "Ss Cyril and Methodius", Faculty of Civil Engineering, 2017). The hydraulic model, prepared as part of the study, states that the existing diversion tunnel for the Saska River is equipped to convey the 10,000-year flood. Additional consideration may be required for the Probable Maximum Flood ("PMF") event, specifically during closure.

SRK notes that a Technical Action Plan is currently being implemented to address surface water management at the TSF, and based on this makes the following observations:

- The active TSF 3.2 emergency spillway for formal diversion of non-contact surface water is planned to be constructed when the facility reaches its design height. To ensure there are sufficient provisions within decantation capacity (floating barge pump station plus vertical decant drain) and freeboard allowance to prevent inundation of the beach and potential overtopping simple flow balance calculations are planned. Similar calculations to validate the design proposals (and previous calculations) undertaken for TSF 4 are also planned.
- Consideration is being given to modifying the operational management practices, such as requiring (as a minimum) changes in freeboard allowance on either the active or proposed facilities dependent on the ability to manage flows within the control structures.
- The decantation/spillway closure requirements are being determined to prevent overtopping from the TSF surface once active decantation (and specifically, return water to the plant) ceases.

8.2.4 Potable Water Supply

Drinking water is abstracted from Toplici well, located at Mount Ruen. Water is stored in a 37 m^3 water storage tank where it is chlorinated. Drinking water quality is controlled by the State Health Institute ("RZZZ") of Kochani and is considered safe for consumption by the same institute.

8.3 Groundwater Management

Groundwater monitoring began in 2016 following the installation of two monitoring wells down gradient of TSF 3.2 and future TSF 4. This review has relied on information provided in the report: Review of RUDNIK SASA DOO with respect to Equator Principles III, prepared in April

2016 by Strength GEC for SASA Mine (SGEC, 2016).

8.3.1 Hydrogeological Regime

The mine workings are located within a hard rock environment and as such groundwater flow is likely to be structurally controlled (rather than intergranular flow, as is typical of an unconsolidated sedimentary aquifer or weathered zone horizon, for example). The hydrogeology of the area has not been characterised by means of site specific hydrogeological testwork. Groundwater, other than the alluvial aquifer immediately below TSF 3.2, is not monitored. The monitoring below the TSF has been done on three occasions to date, with routine monitoring planned going forward (the results of this monitoring are discussed further in Section 8.5.1).

Based on currently available information, it is not possible to characterise the hydrogeological regime in detail. This includes the interaction of surface water and groundwater, which is an important aspect in understanding the migration of possible contaminants associated with acid rock drainage or metal leaching from the mine workings once mining ceases (discussed further in Section 9.5.3). Further clarity on likely post closure water movements within and from the mine workings at closure could be ascertained by having a hydrogeologist, possibly in association with a geotechnical engineer, evaluate groundwater inflow within the existing workings.

8.3.2 Mine Dewatering

The SASA Mine is dewatered primarily by gravity drainage to two levels; Level 1,065 mRL and Level 830 mRL. Pumps are installed to move water locally within the adits as required, but significant pumping capacity is not required.

Level 1,065 mRL is a 3 km long adit midway down the workings, which drains the upper workings. The volume of water collected and discharged from the adit is currently unknown as there are no flow meters installed. There is a work plan in place under the existing ESAP to install a flow monitoring network across site. The 1,065 mRL level is now connected to the 830 mRL adit by means of a decline.

Level 830 mRL is a 5 km long adit located at the base of the deposit draining the overlying workings. The exact volume of water discharging from the adit is unknown; however, it is estimated that approximately 30 L/s of ‘contact’ water (waters collected below the SASA Mine complex) is pumped back to TSF 3.2 via a pumping system installed in 2015. An additional 30 L/s of ‘non-contact’ water (meteoric waters entering the adit along the tunnel length) is channelled to three sedimentation ponds before discharging to the River Kamenica.

In addition, mine waters from active mine adits: level XV o – 1,189 m; level XVI o – 1,120 m; level XIV o –1,060 m; and level XIV b – 1,059 are collected and transported to the TSF. The total flow from these adits is estimated to be 10 L/s.

While maintenance of existing infrastructure is required to effectively manage groundwater within the mine, SRK’s opinion is that no significant additional investment will be required.

In general, mine dewatering is not considered a high risk item for the mine operation and significant volumes of water were not observed in the underground workings during the 2016 visits. From previous SRK reports, however, it is clear that pumping infrastructure must be maintained to keep the underground workings dewatered.

8.4 Water Balance

A high-level water balance was performed by Strength GEC in March 2017 for the SASA Mine. The purpose of the water balance was to assess the potential for water recycling across the site. SRK understands, based on discussions while on site, that this balance is an initial step as part of an on-going flow monitoring programme to develop a more seasonally sensitive and refined understanding of water volumes across the site. Due to limitations in the data input to the model, the current results must be considered as preliminary. This is discussed further in Section 8.5.2.

Outcomes from the study include:

- Excess water generated in the TSF 3.2 supernatant pond can be recycled to the process plant. Alternative recycling schemes are being evaluated, including options for pumping seepage discharges collected at the toe of the TSF 3.2 dam as well as outflows from Adit 830.
- Pump and pipeline infrastructure are currently in place from the TSF 3.2 pond to the plant.
- A metallurgical review of the suitability for using recycled water from the supernatant pond in the flotation plant is currently underway. Prior studies reflect overall acceptability of return water to the plant; however, additional testwork was recommended to determine whether any geochemical aspects of recycling process water will have detrimental impacts to recovery rates. SRK considers recycling of contact water within the mine site should be maximised where it is cost effective and chemically appropriate for usage in the plant.
- Further investigation into the potential usage of the Kamenica River valley for passive treatment of the Adit 830 discharge post closure is being investigated. The need for and cost of such an option post-closure will be evaluated as part of ongoing closure planning.
- An improved flow monitoring programme is being developed to augment the existing flow data and re-examine the water balance, including a sensitivity analyses for wet and dry periods should be included to verify the potential for water recycling.

Development of the water balance will consider the following:

- Evaluation of monthly and annual variability of inflows and outflows, specifically related to rainfall and runoff contributions, extended to consider the TSF 4 expansion. As part of the runoff modelling, a site-wide catchment delineation should be prepared, which evaluates runoff contributions from each tributary and/or discharge pipeline.
- Entrainment losses in the tailings solids, which can be estimated based on physical properties of the tailings; this volume of water will be unavailable for recycling purposes and could impact the recycling potential during the summer months.
- The outcome of the current assessment of the potential for recycling the TSF supernatant pond water as well as Adit 830 discharge and TSF 3.1 and 3.2 seepage discharge for reuse in the process plant.

8.5 Monitoring Data

8.5.1 Water Quality Monitoring

Historical water quality monitoring at the mine site has consisted primarily of measurements

every ten days at the four discharge locations for reporting to the MEPP, as required by the IPPC permit. Additional samples have recently been collected as outlined below:

- Water quality samples collected every 10 days at the permitted discharge locations, since May 2014 (Section 8.2.2). The current parameter suite historically reflected only the IPPC permit requirements, but has recently been expanded to include those parameters -listed in the IFC's Environmental Health and Safety Guideline (2007) mine effluent guideline table;
- Five additional locations captured on a 10-day monitoring basis since May 2016 as part of the water balance study (Strength GEC, 2017). A total of 31 sets of samples have been collected as of 25 January 2017. The four discharge locations were sampled, as well as four samples along the Kamenica River, and a sample from the tailings cyclone discharge into TSF 3.2. The same parameters were assessed; and
- Up to 34 additional locations captured during ad hoc sampling programmes, with the most recent in October 2016. This included samples in the upstream catchments of the Kozja and Svinja rivers at legacy adit discharges and seepages from old waste rock dumps. The same parameters as above were assessed.

Two boreholes were installed in 2016 at the toe of the future TSF 4 dam, with monitoring at four different depths within the boreholes. Groundwater quality samples have since been collected in each well at various depths.

SRK observed opportunities for improvement in the sample collection, handling, analytical suite and data processing aspects of the water quality monitoring. As part of the hydrogeological study outlined in the ESAP, SASA Mine is reviewing its sampling protocols. The implications of the water quality data in terms of permit compliance and potential impacts on external receptors is discussed further in Section 9.5.4.

8.5.2 Flow Monitoring

Estimated flow rates across SASA Mine site are considered to be of low to moderate accuracy, although SRK notes improvements are currently being made as part of the current hydrology study. Methodologies for capturing flow have historically varied from simple bucket and stopwatch measurements, to flow meters installed in pipelines. Measurements were done infrequently in most cases and, for several sites, flow monitoring has only been undertaken on one or two occasions. Based on the data currently presented, results of the water balance should be interpreted as an initial estimate, which have been used to further potential recycling efforts to the plant.

A handheld velocity meter has been purchased for the site and will be used to conduct regular flow measurements along the Kamenica River as part of an on-going flow monitoring programme. The monitoring programme will consist initially of bi-weekly flow measurements along the river. Additional equipment has been purchased to measure flow through pipelines, including the TSF 3.2 and TSF 3.1 seepage lines which discharge at the toe of the TSF 3.2 dam.

Additional improvements to the flow monitoring programme are being evaluated as part of the hydrogeological study.

9 ENVIRONMENTAL, SOCIAL AND PERMITTING

9.1 Introduction

This chapter addresses the environmental, social and the associated permitting requirements for SASA Mine. The information presented in this chapter is based on desktop review of English translation of the original Macedonian documentation provided by SASA Mine's Environment Manager, a site visit in March 2017, and internal management documentation from its third party environmental advisor, Strength GEC, LLC.

The chapter focuses on the requirements of the JORC Code (2012) with respect to reporting Ore Reserves, providing the current status on the following aspects:

- the status of studies of potential environmental impacts of the mining and processing operation;
- the status of governmental agreements and approvals relating to environmental matters that are critical to the viability of the project;
- details of mine residue characterisation and the status of approvals for process residue storage and waste dumps;
- the status of agreements with key stakeholders and matters leading to the social licence to operate;
- identification of potential issues of materiality; and
- the chapter concludes with a summary of recommendations on how these potential material issues can be addressed.

9.2 Background context

- The mine has operated since at least 1966 and, for most of that time, was a state-owned entity. Because of the age of the mine, no pre-disturbance EIA was prepared and limited true baseline data exists.
- There are a number of historical mine workings and waste rock dumps, which are not the legal liability of the mine, upstream of the current mine workings, along with two old TSF (TSF 1 and 2). Some adits are discharging water with metal limits above both local and international effluent guidelines.
- Regulation of the environment is by means of the Law on Environment published in the Official Gazette No.53/2005. It introduces a system of integrated control and pollution prevention and requires an Integrated Pollution Prevention and Control permit (known as the IPPC permit or "A Permit").
- Environmental issues at Lynx Resources company level are managed within the Production and Technical Department and headed by an Environmental Engineer. The Environmental Engineer prepares the necessary documents and reports for Lynx Resources' senior management and to the MEPP.
- Environmental performance is regularly monitored by the State Environmental Inspector who visits regularly, with the most recent visit in February 2017.
- Lynx Resources is ISO 14001:2015 certified based on an audit undertaken in February

2017. The audit states: “The organization has developed a new Integrated Management System Manual in accordance with the new requirements of the ISO 9001:2015 and ISO 14001:2015 standards and the existing requirements of the BS OHSAS 18001:2017 standard.” Internal and external audits against this new system highlighted a number of recommendations and these are currently being implemented, with compliance tracking in place.

- There are no designated protected areas in the vicinity of the mine.
- Water management is discussed in Section 8 and, from an environmental perspective, there are four regulated point source discharges (TSF 3.2 pond discharge, TSF 3.2 seepage, TSF 3.1 seepage, and non-contact water discharged from Adit 830) as well as a number of minor/diffuse discharges from the general mine area, generally of rainfall runoff from active areas.
- SASA Mine developed an Environmental and Social Action Plan in 2014 (2014 ESAP) aimed at aligning with good international industry practice (“GIIP”) and this was updated in 2016 to align with the latest set of Equator Principles (2013) and IFC Performance Standards (2012). These actions are currently in progress and are referenced below where relevant. Environmental and social management at the site is therefore in a state of positive flux and so the findings presented in this report represent the situation and uncertainties at the time of writing this report and may change as the actions are implemented.

9.3 Environmental Impact Studies

For the re-start of mining operations in 2006, following privatisation of the mine, the then operator submitted to the MEPP:

- An Environmental Impact Assessment Study for the mine and processing facilities, prepared in 2006 by University “Saints Cyril and Methodius”, Skopje, in accordance with MEPP guidelines (this was approved by MEPP in June 2006).
- An EIA Study for the new TSF 3, Phase 2 (TSF 3.2), which was approved in 2007.
- A Report on Strategic Environmental Assessment (“SEA”) on the territory of SASA Mine prepared in 2008 by Tehnolab DOO Skopje.

Although reviewed and approved by the MEPP, the EIA did not contain the level of detail typically associated with GIIP in some areas, for instance:

- no scoping process was undertaken to gather the views of local stakeholders (recognising the mine had been in operation for several decades at the time of preparing the documents);
- limited baseline information was collected (for example no groundwater information, inadequate description of ecological systems, limited biodiversity data and a lack of socio-economic baseline information);
- lack of modelling studies for predicted impacts to air quality, water resources and noise receptors (human and ecological);
- lack of social impact assessment with the studies focused on environmental considerations only; and

- lack of formal environmental (and social) management plans or associated management system by which to implement management measures.

A new EIA to address environmental considerations of the planned TSF 4 was submitted as a draft to the MEPP in November 2016. A public hearing was held in February 2017. As stated in Section 7, the MEPP recommended that the Minister for Environment approve the EIA, subject to SASA modifying the design to include a liner. SASA Mine management intend to install a lining to address this request.

9.4 Environmental Permits and Approvals

There is a permit register and this indicates the mine is fully permitted for continuing operations.

9.4.1 IPPC permit

Lynx Resources submitted an application for the IPPC permit on 16 June 2008. In March 2014, the mine obtained a "Permit for Alignment with the Operational Plan", which is a predecessor permit to the IPPC permit. This permit contained an Operational Plan with commitments to undertake a series of environmental improvements before the actual IPPC permit was issued. The mine completed these projects (spending approximately EUR1.2m) in November 2014. The MEPP visited again in February 2016 to confirm that the works in the Operational Plan had been completed. The IPPC permit was approved in October 2016 and is understood to be the first received by a mining operation in Macedonia. It includes a large number of conditions of approval, against which compliance needs to be shown. SRK understands this is done by means of the annual report. There is no commitments or obligations register capturing and formally tracking these requirements.

An Application for Changes to the IPPC permit was submitted in April 2017 requesting amendments to the permit for minor changes to the operation since March 2014. The application currently sits with the MEPP and Lynx Resources expects to hear back in due course. This application also included a formal request to amend the discharge limits in line with the Macedonian legislation for wastewater discharges ("Rulebook on the conditions, manner and emission limits for wastewater discharge in surface waters" published in the Official Gazette of the Republic of Macedonia No 81/2011), highlighting that the existing limits were created with reference to the Decree for Classification of Waters No 18/1999, which was applicable to in-stream surface water guidelines, and not for discharges of industrial wastewaters. In contrast the updated Macedonian wastewater legislation (81/2011) is more closely aligned with international guidelines for industrial effluent discharges to the environment, including the IFC Environmental, Health and Safety Guidelines for Mining.

Non-compliances of wastewater discharges with the IPPC permit limits are dealt with via a minor annual permit fee to the MEPP, which incorporates an annualised calculation for exceedances. This fee has historically been approximately EUR5,000 per annum, and is expected to be of the same magnitude for calendar 2017.

9.4.2 Other permits

The mine has permission to abstract water from the Kozja, Saska, and Petrova Rivers. There are also permissions to divert the Petrova River away from TSF 3.2 and divert the Saska River through a diversion channel.

SRK understands a number of additional permits are required to enable construction and operation of the planned TSF 4. These are tracked in a register, with the current status of key permits as follows:

- Permission for Facilities Construction from Ministry of Transport and Communication ("MTC"): These permissions are well advanced for the diversion tunnel and in progress for the starter dam. The EIA for TSF 4 requires approval before finalising the submissions to the MTC;
- Permission to Change the Route of the Electrical Power Structure Line (from MTC): This will be sought at the end of 2017 and the design document has been prepared by a licenced company.
- Permission for the Capture and Release of Water (from MEPP): This is only required once the construction of TSF 4 is complete.
- Modification to the existing IPCC permit once the TSF 4 is in operation, to incorporate operating requirements of the facility.

9.4.3 Non-conformances

Two non-conformance issues have been identified following State Inspectorate of Environment inspections by the MEPP: one in 2014, which is resolved; and a more recent one arising from the February 2017 inspection, which is in the process of being resolved.

2014 non-conformance

Following the inspection, a number of issues were raised. Lynx Resources appealed against the findings and following assessment by the Intermediation Committee, a settlement was reached between SASA Mine and the State Inspectorate, resulting in the payment of a small fine and an agreement to develop and implement a plan to pump contact mine water (from below operational workings) at the 830 mRL level back to the TSF. This work was completed in 2015.

2017 non-conformance

SRK understands that during past inspections, the State Inspectorate had suggested the drainage from the remainder of Adit 830 should be fully managed (treated or recycled), as the Adit 830 discharge is currently one of the IPPC permit monitoring points and has had non compliances to the discharge limits in the permit. SASA Mine has disputed this in the past, claiming that the mine already captures and pumps back to the TSF the discharge below the active mining areas in the Adit 830 horizon, and the remainder of water in the Adit 830 is meteoric water or from historical adits outside of SASA Mine's operations area. These prior inspections did not result in any decisions.

In February 2017, the State Inspectorate issued a formal Decision following an inspection, instructing the sedimentation ponds at the exit of Adit 830 be filled in as these are not within the concession area, or otherwise, to provide documentation evidencing approval of the operation of such sedimentation ponds, as well as a permit to discharge wastewaters from the mine. SASA Mine appealed this decision, and in the meantime a mediation was held on 4 April 2017 with the State Inspectorate, where it was determined that SASA Mine should apply for a formal permit for the construction of the sedimentation ponds and required water permits at the 830 mRL level. SASA Mine has reportedly received the water management consent and environmental permits required, and has submitted an application for the construction permit for the sedimentation ponds.

The February 2017 inspection also included a decision requiring improvements in dust control on the TSF. SRK understands the current maximum sprinkling capacity is 100 m^3/h pumping with 16 distributors (five active at any one time). SASA Mine informed the inspectorate that a project has been prepared to invest approximately EUR90,000 to increase sprinkler capacity to 200 m^3/h pumping with 21 distributors (10 active at any one time). The project is also proactively intending to set up 24-hour continuous dust monitoring stations. These initiatives are underway and expected to be completed in 2017.

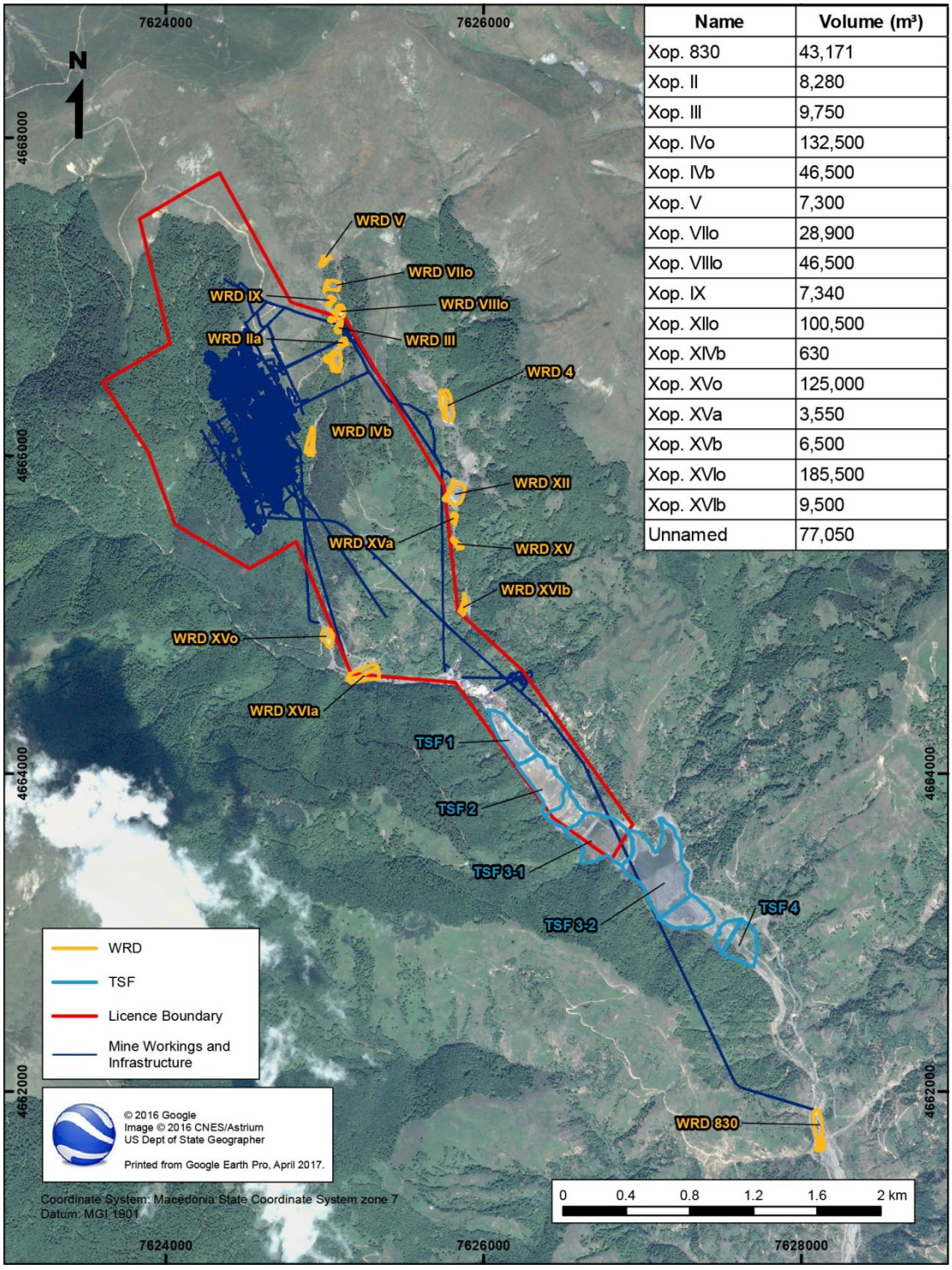
SRK notes a legal opinion (April 2016), which determined that Lynx Resources is not liable for other contributors to poor water quality of the Kamenica River, namely acid rock drainage emanating from the historical adits and legacy waste rock associated with historic State mining operations (Section 9.7.1).

9.5 Mine wastes (waste rock and tailings)

Figure 9-1 shows the location of the mine residue facilities and Table 9-1 indicates the status of the waste rock dumps with respect to whether they are active or not, and whether they are inside or outside the licence area.

Table 9-1: List of waste rock dumps and their status

Name	Active or Inactive	Licence area status	Volume (m^3)
Xop. XIVb	Active	Inside	630
Xop. 830	Inactive	Outside	43,171
Xop. II	Inactive	Inside	8,280
Xop. III	Inactive	Outside	9,750
Xop. IVo	Inactive	Outside	132,500
Xop. IVb	Inactive	Inside	46,500
Xop. V	Inactive	Outside	7,300
Xop. VIIo	Inactive	Outside	28,900
Xop. VIIIo	Inactive	Outside	46,500
Xop. XIIo	Inactive	Outside	100,500
Xop. IX	Inactive	Outside	7,340
Xop. XVo	Inactive	Partially inside	125,000
Xop. XVa	Inactive	Outside	3,550
Xop. XVb	Inactive	Not confirmed	6,500
Xop. XVIo	Inactive	Outside	185,500
Xop. XVIb	Inactive	Inside	9,500
Unnamed	Inactive	Not confirmed	77,050



Name	Volume (m³)
Xop. 830	43,171
Xop. II	8,280
Xop. III	9,750
Xop. IVo	132,500
Xop. IVb	46,500
Xop. V	7,300
Xop. VIIo	28,900
Xop. VIIIo	46,500
Xop. IX	7,340
Xop. XIIo	100,500
Xop. XIVb	630
Xop. XVo	125,000
Xop. XVa	3,550
Xop. XVb	6,500
Xop. XVIo	185,500
Xop. XVIb	9,500
Unnamed	77,050

Figure 9-1: Location of mine residue deposits (waste rock dumps) with respect to the licence area

9.5.1 Waste rock dumps

There are a number of historical adits and waste rock dumps (“WRD”) associated with the State run operations where the limited available data show they are contributing to elevated levels of acidity and metals in the receiving watercourses (which are tributaries of the Kamenica River). These features are considered by Lynx Resources and its legal advisors as a legacy of prior State operations and are discussed further in Section 9.7.1. Under the 2012

Law on Mineral Waste, waste rock was not subject to special management consideration though more recent regulation has changed this.

In terms of the legal opinion (Section 9.7.1) only the active waste rock dumps require rehabilitation.

9.5.2 Tailings storage facilities

There is a series of TSFs at the mine. The current operation is utilising TSF 3.2 and is in the process of constructing a new TSF 4. TSF 3.1 was rehabilitated by the previous private owners and the older TSFs have partially revegetated naturally. The old TSF 1 and TSF 2 remain State liabilities (Section 9.7.1), but they present an opportunity for the mine to work with the State to develop rehabilitation technologies that might be applied later to the mine's responsibilities. This opportunity is recognised in the ESAP.

In 2003, when under the responsibility of the State, there was a failure of a roof slab of a control shaft that collected drainage water above TSF 3.1, resulting in the uncontrolled inflow of tailings into the culvert section below the TSF. This, in turn, resulted in approximately 100,000 to 150,000 m^3 of tailings being released downstream with water quality and sediment effects observed as far as Lake Kalimanci. The remediation of this infrastructure is discussed in Sections 8.2.3 and 7.2.3 in more detail. Liability for the damage caused by this incident is discussed in Section 9.7.1.

9.5.3 Geochemical characterisation of mine residues

There has to date been no formal geochemical characterisation or acid rock drainage and metal leaching ("ARDML") testwork of the waste rock and low grade ore. Some information is available on tailings chemical composition and supernatant water quality, but an ARDML assessment using static and kinetic testwork has not been completed.

There was visible evidence during the site visit and water quality data indicating that ARDML is emanating from the legacy adits and from the seepage pipeline draining TSF 3.1, which may be affected by other non-contact water streams (Section 8.2.2). There is visible pyrite in the waste rock material deposited on surface and assay data confirming the pyrite reports to the current tailings facility. The tailings are pumped to the TSF at elevated pH as a result of lime addition and there is buffering capacity within the tailings as a result of the host dolomite which reports as waste.

The long term acid generation and neutralisation potential, however, needs to be established for both the waste rock and tailings. This needs to be quantified as the material removed as waste rock, tailings and remaining as wall rock within the mine may not contain sufficient buffering capacity in the longer terms (tens to hundreds of years). The cross section shown in Figure 9-2 (if it is representative of the deposit as a whole) indicates this as an example.

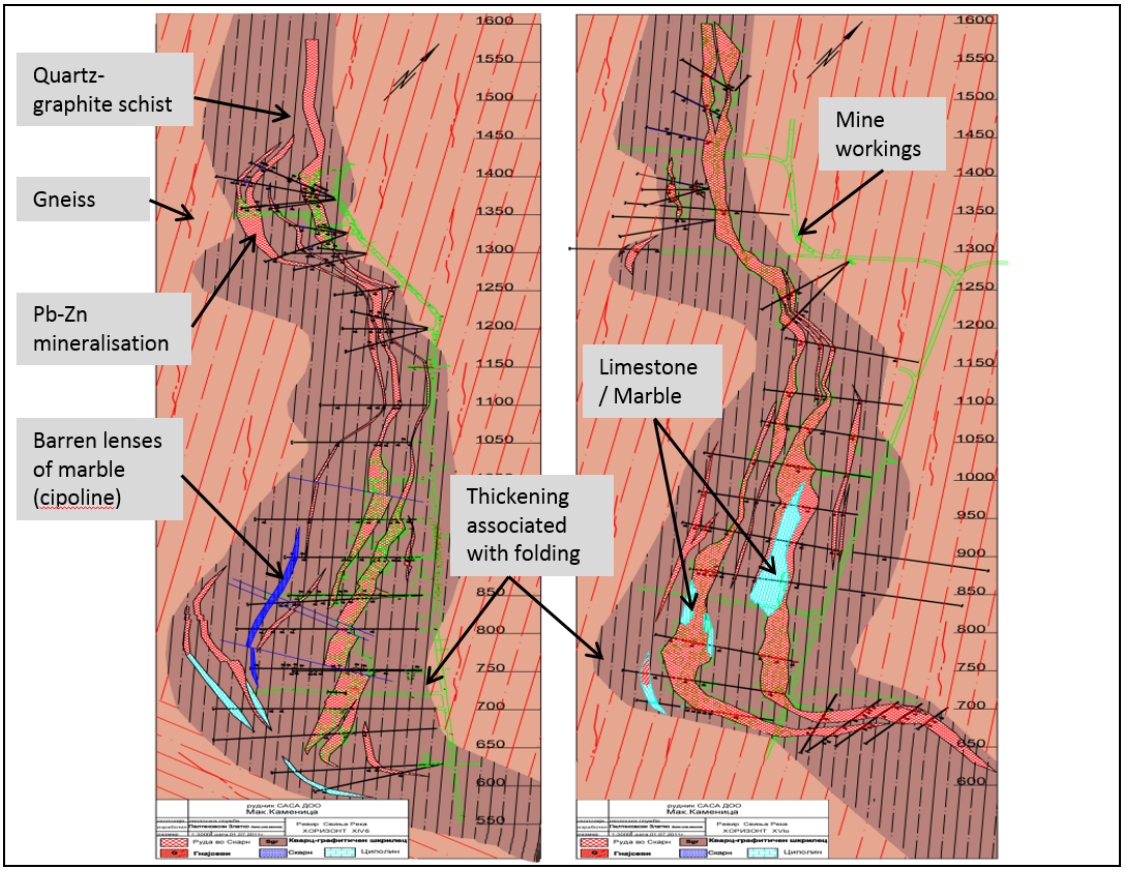


Figure 9-2: Geological Plan views at SASA Mine Levels XIVb (left) and XIV (right), (modified from SASA 2016)

Visual estimates of wall rock indicate that only a relatively small amount of limestone will be exposed or mined along with the sulphide ore, and the acid generation capacity and buffering potential of these materials needs to be assessed. The relative proportions of the different lithologies of the likely materials that will form the wall rock (and that will contact groundwater that re-enters the mine), waste rock and tailings need to be determined. Static and accelerated kinetic tests should then be conducted using this information as a sampling guide on the current and future waste rock and tailings. This will allow the determination of the long term ARDML issues that could occur with the wastes generated from the current and future operations and determine if mitigation measures may be required.

The ARDML characterisation and continued observation in trends of water quality from the TSF pond and seepages will enable an assessment of whether there is a need for water treatment of: the seepage and runoff from the TSFs; the seepage and runoff from the WRDs; and the water emanating from the underground workings. The characterisation work will determine whether a water treatment system is required and (if it is required) the component parts needed within the treatment circuit.

As part of the ongoing closure planning and hydrology studies, consideration is being given to the use of a passive water treatment system for the long term treatment of any drainage from the mine workings at closure.

9.5.4 Impact on water quality

Surface Water

There is limited water quality monitoring of some of the historical adits and WRDs (Section 8.5.1). Some of these show the effects of ARDML (with low pH and elevated metals); however, the available data on the receiving watercourses show the quality improves downstream indicating dilution and potentially natural buffering from the surrounding catchments. Water quality in the river, however, still exceeds the Macedonian Category III environmental water quality standards for parameters such as lead, zinc and manganese where the Kamenica River enters the Company's area of responsibility.

In the absence of appropriate in-stream standards included in the permit, available data have been compared to the Macedonian Category III environmental water quality standards and Macedonian and various international drinking water standards (WHO and United States ("US")), noting, however, that as a Category III river, the water is not classified as drinking water in Macedonia. Cognisance is also taken of the fact significant levels of contaminants are entering the system from upstream of SASA Mine's workings due to discharges and seepage from legacy mining operations, which remain the responsibility of the State (Section 9.7.1).

Upstream of SASA Mine's zone of influence lead, zinc, manganese, and cadmium exceed the Category III environmental water quality standards, with some of the parameters also exceeding the drinking water standards. Zinc and manganese exceed the Macedonian Category III environmental water quality standards as far as 5 km downstream of the site. SRK notes that no health-based guideline value has been proposed for zinc in drinking water by WHO 2011. Manganese levels also exceeded the US (Secondary Drinking Water Standards) and Macedonian drinking water quality standards, although SRK notes that with respect to WHO 2011 guidelines this is an aesthetic rather than a health limit. With no original baseline water quality monitoring and no monitoring of reference sites in unimpacted catchments, the natural background contribution of the deposit on water quality cannot be confirmed and thus the impact of the mine over and above this natural contribution can also not be confirmed.

The August 2016 Memo Regarding Water Testwork at SASA (Strength GEC, LLC) concludes "All monitoring points in the Kamenica River below the site show concentrations of zinc <5.0 m/L which is a widely accepted drinking water guideline. Thus it is likely that current zinc concentrations in the Kamenica River are not having an adverse environmental or ecosystems services impact". SRK considers the outcome of the currently planned hydrology and biodiversity studies, as well as the improved water quality monitoring programme, need to be evaluated before this can be confirmed. SRK recognises this cannot be done in isolation, as significant contributions are arising from the historical workings that are not the responsibility of SASA Mine. There is, however, significant time in the LoMp before closure to improve the quality, type and quantity of input data, assess this with respect to downstream water user requirements and use this in further evaluating the need for long term water treatment.

Groundwater

The groundwater below TSF 3.2 is now being monitored, although of the three samples collected during 2016, only the first involved sampling at different depths within the alluvial

aquifer. Macedonia does not have groundwater specific guidelines other than those for drinking water. Comparison of the limited data with the same guidelines used to assess surface water (see above) indicates groundwater in the alluvial aquifer, which is downgradient of TSFs 1, 2, 3.1 and 3.2, indicates:

- compliance with Macedonian drinking water quality standards other than for a slightly low pH and high suspended solids but these are not considered a major health risk;
- materially compliant with WHO drinking water standards; and
- compliance with Macedonian Category III environmental quality standards except for zinc.

Monitoring in a neighbouring alluvial catchment, unaffected by mining, would be needed to confirm if the quality was typical of water found in the wider area and naturally affected by the underlying geology. As with surface water, monitoring of the alluvial catchment upstream of SASA Mine's operations may also provide insight into the effects of any legacy mining on this catchment.

9.6 Stakeholders and social licence to operate

The project reportedly enjoys good relations with the community of Kamenica, which owes its existence to the presence of the mine. Stakeholder relations are in large part defined by the legacy of the mine as a state-owned operation and the high rate of poverty in the region, one of the poorest in Macedonia. Many individuals have moved from other parts of Macedonia to locations on the mine concession to be close to their workplace.

Approximately 5,000 people live in the city of Kamenica, located approximately 10 km below the mine concession and where the Kamenica River enters Lake Kalimanci. Another 2,000 individuals live in small settlements and villages in the Municipality of Kamenica, including some communities along the Kamenica River between the mine and Lake Kalimanci. It is estimated 50 to 60 people live in 20 houses located on the mine property. The mine has provided apartments for these families in Kamenica; however, many have chosen to stay in their old residences, particularly during the summer months.

The mine employs about 700 people with another 200 contractors. According to the Law on Mandatory Social Insurance Contributions, published in the Official Gazette of the Republic of Macedonia No.142/2008-53/2011, for each employee Lynx Resources pays 18% pension insurance, 7.3% health insurance, 1.2% unemployment insurance, and 0.5% additional health insurance (totalling 27% that is deducted each month from the employee's gross salary and paid to the State).

Following on from community complaints regarding dusting from the TSFs, additional sprinkler investments were made in 2016. Further plans are underway to increase the amount of sprinklers, evaluate other dust suppression techniques and increase dust monitoring in 2017. The ESAP includes a commitment to develop an air quality management plan to improve dust control at the site.

Approximately EUR250,000 per year has been spent on community sponsorship programmes over the last few years. Activities include repairing infrastructure in the community, donations of equipment to local schools, kindergarten and gym, support of local sporting clubs, supporting youth leadership programmes, and community events and celebrations.

The mine also pays a concession fee of 2% of the gross metal value of concentrates sold, equating to approximately EUR1.5m to EUR2m per annum, 78% of which is allocated directly to the local community. These funds have been used for critical infrastructure in the community including schools, kindergarten, special needs centre for disabled children, a new church, emergency services, a new community market place, etc.

Historically, there has been no social impact assessment and no stakeholder engagement plan, but actions to address these gaps are included in the ESAP. Communication with stakeholders is briefly touched upon in the mine's ISO14001 Communication Plan, which was updated in 2016. Social management and community development are also not formally documented although the mine maintains close contact with Kamenica elected officials regarding community needs.

9.7 Possible matters of materiality

This section identifies potential risks that may be material to the project. Material is taken to be costs greater than USD1m; it thus does not address routine day to day management of environmental issues. For example, non-mining waste management is not addressed, such as the potential development of an on-site landfill, because this is not considered material.

9.7.1 Historical liabilities

SRK notes there are two possible sources of historical contamination. The first of these is the 2003 tailings emission that occurred under state ownership, and the other is on-going point source and diffuse releases from the historical mine workings and associated mine residues. Lynx Resources has no liability for historical contamination under Macedonian law, as evidenced by a legal opinion from Georgi Dimitrov Attorneys (April 2016).

Tailings incident

Various investigations by local universities and institutes have shown historical contamination resulting from this spill may still be present in the environment, especially in down gradient soils and sediments. According to the legal review, under Macedonian law there is no liability sitting with the current owner of the mine to clean up downstream of the site any residual contamination associated with the 2003 incident (when it was operated by the State) nor is the current operator considered liable for third party claims associated with the effects of this contamination.

Contamination arising from historical mine activities

There is historical contamination arising from the historical mine workings and the associated mine residues (Section 9.5). Limited water quality and soil quality data have been collected, and with a limited number of parameters assessed, assessing actual impacts is challenging. Air quality data were collected for the IPPC permit application and continues to be collected. These data indicate there are remnant contamination issues associated with previous operations (Strength GEC, 2016).

Based on the legal opinions referenced above, Lynx Resources is not considered responsible for any historical liability. SRK notes that separating the effects of historical contamination from the historical mine workings and residues, from any new contamination generated by current operations, can be challenging for the following reasons:

- there is extensive inter-connectivity of these facilities with those used for ongoing operations and no studies have been undertaken to determine the implications on either the existing operations or the environment of closing/rehabilitating these historical features;
- there is limited background reference data from areas not disturbed by operations (i.e. representing the potential natural baseline);
- there is limited hydrogeological information of the active mining area and the current commitment in the ESAP is more focussed on surface flows than groundwater leaving this as a gap in the knowledge base; and
- although a liability assessment was undertaken by local consultants in accordance with local requirements, no primary data was collected at the time of transfer of ownership and the review relied on the existing limited data collected by the previous owners.

As indicated above, the ESAP includes a number of actions to improve the knowledge of water movement within and around the site and how this affects downstream water resources. Without an improved understanding, however, it is difficult to comment on the potential materiality of issues arising from these liabilities, such as the need for further separating water from current and historical workings, the need for operational or post closure water treatment, or the type of rehabilitation likely to be required at end of life of mine. The ESAP also recognises a potential opportunity of being able to work with the State to find rehabilitation solutions to address historical legacy mine workings and associated mine residues upstream of the current operation as part of closure planning.

9.7.2 Cyanide management

A review of the cyanide management practices was undertaken in March 2017 to evaluate current practices with the requirements laid out in the International Cyanide Management Code. The site visit included: a review of management measures, procedures and protocols related to cyanide management; an inspection of the storage and makeup areas; and an inspection of the cyanide dosing points within the processing circuit. Procedural opportunities for improvement were identified and are being considered by SASA Mine.

SRK notes the discharge limits under the IPPC permit (0.001 mg/L) are low and not in line with Macedonian wastewater legislation 81/2011 or IFC Guidelines, which both prescribe a limit of 0.1 mg/L for free cyanide. As noted above, SASA Mine is working to correct its IPPC discharge limits to align with Macedonian legislation. For the data reviewed (May 2014 – February 2017), there have been some instances where elevated levels (above the 0.001 mg/L, Macedonian IPPC maximum allowable concentrations (“MCL”) and in some cases above the Macedonian effluent guidelines of 0.1 mg/L) of free cyanide have been detected in the waters at APV 1 (spillway TSF 3.2) and APV 2 (drainage 1+2 TSF 3.2). There are several exceedances of the Macedonian IPPC MCL and one instance of exceedance of the Macedonian effluent guidelines for APV 4 (discharge from sedimentation pond at Adit 830) and APV 3 (drainage 2 TSF 3.1). As the water from Adit 830 is meteoric water, the reason for the exceedance here is unexplained and may be due to poor sample collection and handling practices observed on site. In sampling of the Kamenica River below the discharge points, cyanide has at all times been below Macedonian drinking water guidelines (0.05 mg/L) and WHO drinking water guidelines (0.07 mg/L).

Due to the lack of preservation of the samples collected and the clear glass/plastic used for

collection the sample results could be artificially low; however, due to the cross contamination of the samples with no gloves, pipettes being used for multiple samples, and sample bottles being reused, the results could also be artificially elevated. As stated in Section 8.5.1, a review of the laboratory/sampling procedures and training of onsite personnel is required to improve the confidence in the results obtained.

9.7.3 Stakeholder engagement and social licence to operate

It appears relationships with local communities and employees is good, so material risks arising from informal management of social issues is probably not material. Nonetheless, good stakeholder engagement and a transparent appropriately targeted community development plan (that looks towards post-mining sustainability, not short term infrastructure needs) are considered good international industry practice. SRK understands that as part of the ESAP and to manage the above risk, actions relating to the following are being implemented:

- development of a stakeholder engagement plan, including a grievance mechanism;
- undertaking a social baseline study and social risk assessment;
- developing a social management plan; and
- if required, developing a resettlement action plan for any people who need to be relocated.

9.7.4 Improvements in environmental and social management

Although individually, the actions included in the ESAP may not be material, combined they have the potential to improve the risk profile of the operation.

Although the mine has a certified ISO14001 management system, there are gaps in the knowledge base with respect to being able to fully understand how the project is affecting the surrounding environment (as discussed above). SRK's comments with respect to getting a better understanding of these impacts and any associated risks are given below, recognising some of the issues are already being addressed as part of the ESAP work.

- Only particulate matter with a diameter less than 10 µm (PM10) is monitored in terms of air quality and the majority of locations are next to mine infrastructure rather than at receptor locations. This means compliance with relevant standards and actual potential impacts cannot be confirmed. Amendments to the monitoring programme and assessment of these impacts by means of air quality modelling can be addressed as part of the development of the Air Quality Management Plan, which is included in the ESAP.
- It is understood no domestic water supply is occurring and the recently installed hydroelectric power station is altering river dynamics; however, a more detailed analysis of the downstream uses of the river would be beneficial. The ESAP includes both water management (see next point) and biodiversity programmes to address these gaps.
- The ESAP includes a number of actions relating to better understanding the hydrology and water quality of the catchment, including the contributions from the historical workings. The outcome of these studies will be used to revise water management and treatment for both operations and closure. In addition to the ESAP commitments, SRK has suggested further actions that would provide further critical information, namely:

- improvements to the water quality parameter suite to ensure impacts can be fully understood and confirm the quality assurance/control of the data (inclusion of cations/anions, dissolved and total metals and nutrients);
- improvements to the sampling and analysis methods to ensure consistent results;
- undertaking geochemical characterisation (static and kinetic testwork) of representative waste rock lithologies and tailings to better understand the long term potential for ARDML;
- characterising the groundwater regime in the vicinity of the mine workings to better understand ground and surface water interactions, within and outside the workings; and
- in discussion with regulatory authorities and other stakeholders, consider in-stream water quality objectives against which impacts can be evaluated and the need for treatment assessed.

9.7.5 Mine Closure and Rehabilitation Regulations

In June 2017, SRK prepared a conceptual closure plan ("CCP"), which included a closure cost estimate for the operations with a ±50% level of accuracy. The CCP has assumed the following areas will require decommissioning or rehabilitation before or during the mine closure phase:

- Surface Facilities – demolition or dismantling of structures and civil constructions and removal of resulting materials from site for disposal or recycling. The subsequent re-profiling or "regrading" of bulk earthworks is also included.
- Underground Mine and Portal – removal of equipment and infrastructure from the underground mine is required at closure. The mine access portal must be sealed off to prevent ingress post closure.
- Tailings Storage Facilities – to date a total of 4 TSFs have been constructed (TSFs 1, 2, 3.1 and 3.2). An additional three facilities (TSFs 4, 5 and 6) will be required to store all tailings produced over the remaining Life of Mine period. The TSFs shall be encapsulated with an engineered cover system to isolate stored waste from environmental receptors. As the rehabilitation of TSFs 3.2, 4 and 5 is handled as an operational cost in the financial model, the CCP only costs for the closure of TSFs 1, 2 and 3.1 (where improvements in the initial rehabilitation are required) and TSF 6.
- Waste Rock Dump – Currently there is one active WRD (WRD XVIa) that the mine owner has a legal responsibility to remediate. Historic WRD areas in the mining concession are under the responsibility of the Government to remediate and hence are not included in the cost estimate (though as stated above, SASA Mine is in discussions with government about how these could be addressed).
- Mine Adits - four mine adits currently discharge excess water from the underground mine, which is collected in a series of surface channels and transported to the active TSF (currently TSF 3.2). Whilst the legal responsibility for these adits is not with SASA Mine, the discharge reports directly to TSF 3.2 and hence adits will be sealed at closure.
- Underground Mine Water Discharge – groundwater from Adit 830 is discharged via a series of sedimentation ponds into the Kamenica River. The assumption is that a passive

water treatment option is required post closure to maintain water quality.

In addition to the above items, suitable post closure monitoring provisions are required to confirm the performance of the engineered cover systems and water treatment systems installed at closure.

For the purposes of closure design, the CCP considered two potential methods for diversion of surface water flows upstream and in the catchment of the TSFs. These are summarised below as follows:

- Option 1 – Use of the existing river diversion channel to pass a portion of the storm water flows from the upstream catchment area only. In conjunction, a surface channel diversion will be constructed adjacent to the TSFs to divert calculated flows from the adjacent catchments.
- Option 2 – Construction of an entirely new network of surface water channels designed to pass the cumulative flow from all catchments. All surface water diversions, will be constructed on the surface and the river diversion channel will be decommissioned at closure.

SRK has made the following observations associated with the conceptual options described above:

- Option 2 represents the lowest risk option to the project at closure. This alternative does not rely on use of the underground river diversion section, which passes beneath the stored tailings in some sections of the tunnel. The long-term safety of this underground tunnel (i.e. into perpetuity) cannot be guaranteed.
- Option 2 relies upon a series of surface diversion channels to convey flows at closure. Whilst these structures will also have failure modes over the long term (such as blockage due to rockfalls, silting up etc.), construction of channels in competent in-situ material is considered lower risk than the system being wholly reliant upon an already ageing river diversion tunnel.
- Option 1 requires additional engineering work to prove that use of the existing underground river diversion is feasible.

SRK notes that neither of the scenarios above have been sized to accommodate PMF conditions, which is considered best practice for this dam consequence category. Other assumptions and limitations of the proposed closure approach and the associated cost estimate are provided in the CCP report. The report also includes a risk assessment and recommendations to enable the plan to be refined and the accuracy of the cost estimate to be improved.

In accordance with the assumptions listed in the report, the CCP gives a total direct closure cost for the project (considering both surface water diversion options) as shown in Table 9-2. It includes add-ons such as monitoring, engineering, design, and construction costs. The report notes a ±50% accuracy due to the conceptual stage of design.

Table 9-2: SASA Mine Closure Cost Summary

Closure Item	Option 1 Cost (EURm)	Option 2 Cost (EURm)
Plant and Surface Infrastructure Demolition	1.71	1.71
Tailings Cover Installation	2.03	2.03
Surface Water Diversion Features	6.92	19.84
Closure of Mine Portal	0.26	0.26
Adit and Tunnel Plugging and Grouting	0.19	0.29
WRD XVIa Removal and Rehabilitation	0.52	0.52
Passive Water Treatment Pond System	0.98	0.98
Post Closure Monitoring	1.15	1.15
Total Base Case Closure Cost	**13.77**	**26.79**

SRK understands the current financial model includes provisions for improvements to environmental performance, including progressive reclamation. In addition to the technical considerations highlighted in the CCP report, other aspects that need to be considered in future iterations of the closure plan include:

- Clarification of the long term end land use of affected areas, which would need to be agreed with regulatory authorities and local communities. This would influence the extent of demolition of infrastructure required and how final restoration of TSF may need to be managed.
- Agreement with regulatory authorities and other stakeholders on environmental water quality objectives for surface and groundwaters downstream/gradient of the site, against which the effectiveness of closure measures could be evaluated.
- Requirements for social closure.

SRK notes the ongoing work of the ESAP and implementation of any recommendations provided in the conceptual closure plan will need to be completed and assessed before an accurate closure cost can be finalised; however, this confidence can be gained during the ongoing operations to ensure successful closure can be achieved.

10 OCCUPATIONAL HEALTH AND SAFETY

10.1 Introduction

This section includes discussion and comment on the occupational health and safety related aspects associated with SASA Mine.

In late 2015, Lynx Resources took management of the SASA Mine and has committed to continually reduce the number and severity of injuries and harm to health. This commitment is in the process of being implemented through a Health & Safety Strategy (the “Safety Strategy”) and Strategy Implementation Plan (“SIP”) which was developed through a structured review, gap assessment and strategy development process with on-going support from Australian based consultant, Trivett Risk Management (“TRM”).

TRM was first engaged by the SASA Mine in 2014 as an associate to SRK for a safety review, where a number of improvement opportunities were identified and recommended. A new General Director was appointed at the SASA Mine in 2017, who will continue to focus on safety. His predecessor, who was appointed in 2014, introduced systems to track compliance and reinforce appropriate disciplinary action on individuals for safety infractions. Since 2014 the number of Lost Time Injuries has reduced significantly and there have been no fatalities.

The mine health and safety regulatory environment in Macedonia comprises a number of statutes, governed through various state departments; the mine reports that it is fully committed to and provides for compliance with all requirements in law. An integrated health, safety and environment system at the mine, based on OHSAS 18001:2007, ISO 9001:2015, ISO 14001:2015, is audited annually by external parties; accreditation is maintained.

Supplementing these compliance and systems approaches, the Safety Strategy also includes a range of continual improvement initiatives drawing on established and internationally recognized good practice.

10.2 Legislation

Occupational health and safety requirements in Macedonia are enacted through a combination of some 75 Laws, Rulebooks, Decrees and Decisions and governed through various regulatory bodies. The mine maintains a register of statutory requirements; these are summarised in Appendix B.

The large number of Rulebooks (42) and Decrees (2), setting out specific methods and means for performing work, illustrates the primarily compliance-based approach adopted by Macedonian regulators. Contemporary health and safety governance in jurisdictions outside of Macedonia places more obligations on the operator to ensure appropriate hazard identification, risk assessment and control. In many cases, those jurisdictions then also provide general guidance on approaches and techniques.

Whilst not diminishing its statutory compliance responsibilities, SASA Mine is systematically improving hazard management capabilities through the implementation of risk-based approaches wherever appropriate.

10.3 Health & Safety Performance

As a measure of safety performance, the Lost Time Injury Frequency Rate (“LTIFR”) for SASA Mine is compared to three operating underground metalliferous mines in the European region, with similar scale and mining methods and where benchmarking data is readily available; namely Chelopech mine (Bulgaria, Dundee Precious Metals), Olympias mine (Greece, El Dorado) and Tara mine (Ireland, Boliden). Source data is obtained from the published Annual and/or Global Reporting Initiative reports from these companies. The definition of Lost Time Injury at SASA Mine is consistent with that at the comparison mines.

Figure 10-1 shows that the SASA Mine has achieved a significant improvement in LTIFR since 2014. In 2013, the SASA Mine recorded a higher LTIFR than the benchmark operations. Performance for the period 2014 onwards is equitable with or better than those benchmarks.

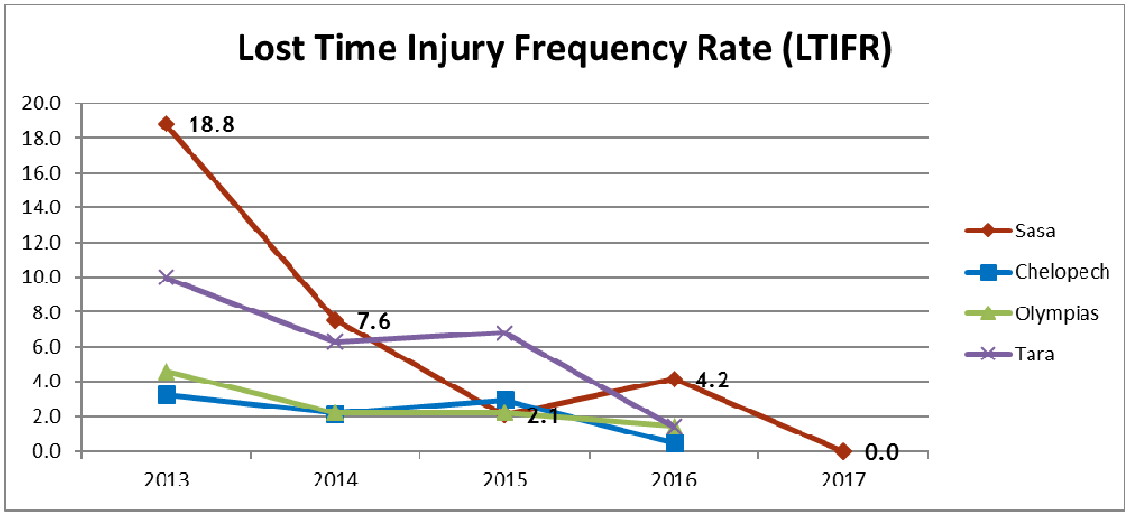


Figure 10-1: Lost Time Injury Frequency Rate

Table 10-1 lists the number of Fatal and Lost Time Injuries incurred at SASA Mine since 2013.

Table 10-1: SASA Mine Fatal and Lost Time Injuries per year

Year	Fatal Injuries	Lost Time Injuries
2013	2	27
2014	0	11
2015	0	3
2016	0	6
H1 2017	0	0

Following a period of closure, the mine was acquired by Solway in 2005; new mining and milling equipment was installed and the mine ramped-up to its current production levels. During the period of operation between 2007-2013, the mine experienced poor safety performance with a high number of Lost Time Injuries and a number of fatalities. In 2014 a number of changes were introduced to improve the safety focus at the mine, including commissioning a safety improvement study, replacing the General Director, and introducing systems to track compliance and reinforce appropriate disciplinary action on individuals for safety infractions, which appear to have driven an improvement in safety performance in 2014 and 2015.

In 2015 the SASA Mine was acquired by Lynx Resources, and safety was further reinforced as the highest priority of the business, with a focus on raising safety awareness, changing attitudes and risk behaviours to create a safety culture, and systematically eliminating risks that can cause injuries via the Safety Strategy programme. Health and Safety performance and progress on the implementation of the 23 initiatives within the Safety Strategy are frequently reviewed. The positive safety performance has continued in 2016 and 2017 year to date, with only a limited number of minor lost time injuries in 2016.

10.4 Safety Performance Tracking

The mine tracks both Leading and Lagging Indicators of safety performance; these are reported and monitored monthly by Management and the owners. Any injury or high potential incidents are immediately reported and investigated.

The primary Lagging indicators of injury or harm (Fatal, Lost Time and Recordable cases) are defined in accordance with guidelines in the 2014 Health and Safety Performance Indicators report of the International Council on Mining & Minerals.

SASA Mine has also established a number of Leading Indicators of safety performance which are designed to track the identified pro-active management and supervisory requirements of the SIP, and are reviewed monthly with Management. The key Leading Indicators in place include:

- Tracking of Safety related disciplinary actions/trends;
- Daily Blood/Alcohol level monitoring (by breathalyser);
- Attendance of Hazard ID Training by all employees and contractors.
- Planned Task Observations ("PTOs") completed vs plan;
- High Potential Hazard Investigations ("HPHIs") completed vs plan;
- Re-training of "At-Risk" workers identified during PTOs; and
- Close-out of corrective actions from Incident investigations, HPHI's and other non-compliance observations.

10.5 Overview of the Safety Strategy

The objectives of the Safety Strategy are to enable the following:

1. To continually improve the identification and management of Occupational Health & Safety ("OHS") hazards at the operations.
2. To continually reduce the number and severity of injuries and harm to health.
3. To prevent fatalities.
4. To apply and improve integrated management systems based on ISO 9001:2015, ISO 14001:2015, and OHSAS 18001:2007.
5. To align with the Environmental Health and Safety ("EHS") General Guidelines and the EHS Guidelines (Mining) of the IFC / World Bank Group as referenced in Equator Principles, June 2013.
6. To comply with Macedonian EHS related legislation.
7. To meet all other commitments in the SASA Quality, Environment and Health and Safety Policy.

The Safety Improvement Plan of the SASA Mine Safety Strategy comprises 23 initiatives grouped within seven Strategy Elements; these are listed and described in Appendix C.

Each initiative is assigned an 'owner' from within the mine's senior management team; a formal implementation plan addressing activity planning, resource requirements, schedules and integration requirements is in place for each initiative.

11 PRODUCTION SCHEDULE AND SALES

11.1 RoM Production Schedule

The LoMp runs up to 2037 (minor production during 2038 is considered negligible and has been excluded in the financial model) and includes production from the main Svinja Reka deposit (Indicated and Inferred Mineral Resource material) and from the Golema Reka deposit (Inferred Mineral Resource only) (Figure 11-1). For the purposes of Ore Reserve reporting, only the production supported by the Indicated Mineral Resource material from the Svinja Reka area is considered. SRK expects the zinc recovery to decline as a result of the decline in zinc grade as mining moves into the Inferred portion of Svinja Reka and then into Golema Reka.

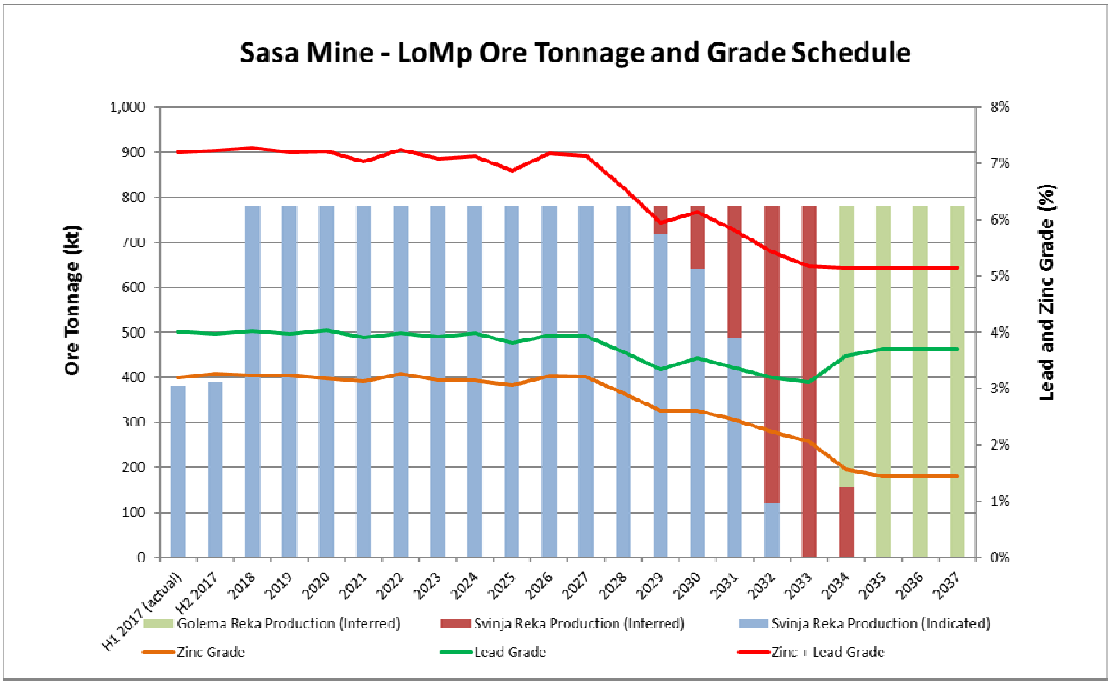


Figure 11-1: LoMp Ore Tonnage and Grade Schedule

11.2 Off-Takers

11.2.1 Off-Take Agreements

Under the previous mine owner, the zinc and lead concentrates produced by the mine were sold to a Russian trading Company (Solway Commodities). This trading company sold both concentrates to a local European smelter by truck.

Following its acquisition of the SASA Mine at the end of 2015, Lynx Resources conducted competitive global tenders for concentrates in 2016 and 2017, culminating in a significant improvement in terms for 2017 volumes (see Payment Terms in Section 11.2.2 below).

11.2.2 Payment Terms

Payability

The payability terms are market standard, namely:

- Pb in lead concentrate, the lesser of 95% or a unit deduction of 3%. At a lead in

concentrate grade of 73%, a 95% payability is applicable;

- Ag in lead concentrate: the lesser of 95% or a unit deduction of 1.6 oz/t. The silver grade ranges between 285 g/t to 320 g/t;
- Zn in zinc concentrate: the lesser of 85% or a unit deduction of 8%. At the zinc in concentrate grade of 49.3%, the payability results in 83.8%; and
- the silver content in the zinc concentrate is below payability thresholds, and is therefore not modelled.

Treatment Charges

The concentrate treatment charges applied for 2017 are:

- Pb concentrate, USD130/t, with an escalator of USD10 for every USD100 of lead price above USD2,200/t and a further USD5 for every USD100 of lead price above USD2,500/t;
- for 75% of Zn concentrates, sold to Customer 1, USD110/t in 2017, with an escalator of USD10 for every USD100 of lead price above USD2,600/t and a further USD5 for every USD100 of lead price above USD 2,800/t; and
- for 25% of Zn concentrates, sold to Customer 2, USD97/t in 2017, with no escalators.

Going forward, based on market intelligence and Lynx Resources' contacts with potential customers, the Financial Model assumes USD100/t for zinc and lead concentrates, with no escalators based on changes in commodity prices. As the Financial Model results (Section 13) are reported in nominal terms, inflation to the treatment charges going forward has been applied.

Freight

The freight costs are:

- Pb concentrates EUR17.5/wmt;
- Zn concentrates to Customer 1, EUR17.5/wmt; and
- no freight for Zn concentrates to Customer 2, as the customer buys concentrates at the mine gate.

In the Financial Model, the freight for Zn concentrates is modelled as a weighted average rate between Customer 1 and Customer 2.

The Financial Model does apply inflation to the freight costs going forward, in line with the nominal terms of the model.

12 CAPITAL AND OPERATING COSTS

12.1 Introduction

The Capital and Operating cost estimates for the SASA Mine have been determined by Lynx Resources based on recent historical performance and the current 2017 budget for the mine.

The currency used for reporting at the mine is the Euro ("EUR"); however, the economic

assessment has been undertaken in United States Dollars ("USD"), with a constant exchange rate of 1.09 USD/EUR applied over the LoM.

All amounts stated in this section are in real 2017 money terms, with inflation applied in the Financial Model.

12.2 Capital Cost Estimate

12.2.1 Historical Investment

Lynx Resources has continued its sustaining capital investment over the past years. This has primarily consisted of maintaining the existing facilities to maintain the historical production rate, including replacing mobile equipment, undertaking overhauls of fixed plant, expanding the tailings storage capacity, upgrading various plant (including expanding the flotation plant) and slurry pipeline, improving automation, and undertaking ongoing underground exploration drilling and geological investigation. Figure 12-1 provides a summary of the 3.5 years of capital investment from 2014 to H1 2017 alongside the subsequent .5 years of forecast investment. The USD to EUR exchange rate as applied in the economic assessment is as shown in Table 12-1.

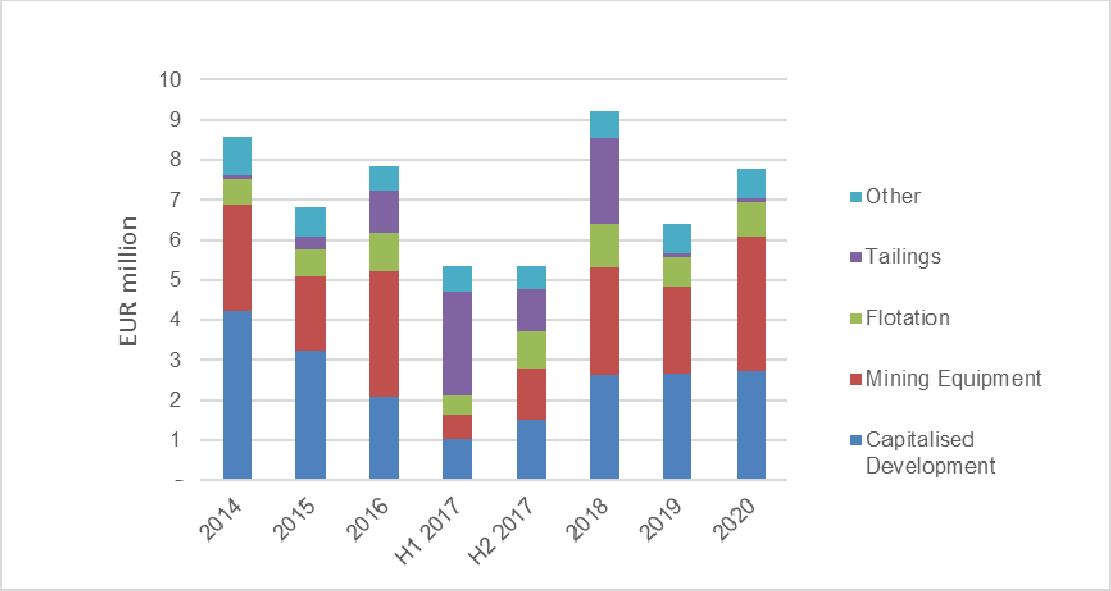


Figure 12-1: Historical vs Forecast Capital Costs (forecast in real money terms)

Table 12-1: Exchange Rates (EUR:USD)

	2014	2015	2016	H1 2017	H2 2017 onwards
USD/EUR	1.33	1.11	1.11	1.09	1.09

12.2.2 Planned Investment

SASA Mine has provided a summary of planned investment on an annual basis for the LoMp. This is presented graphically in Figure 12-2 and in Table 12-2, in real 2017 money terms.

Whilst capital expenditures are relatively stable, the cost of TSFs are more project based as new TSFs and associated infrastructure are constructed, notably historically during 2016 and H1 2017, and going forward during H2 2017 and 2018 (TSF 4), then assumed in 2025/2026 (TSF 5) and finally in 2033/2034 (TSF 6).

The LoMp capital is roughly attributed one third to ongoing underground development, and one third to mining equipment; mining therefore accounts for some two thirds of the capital costs. Processing and tailings costs are comparatively less, although significant.

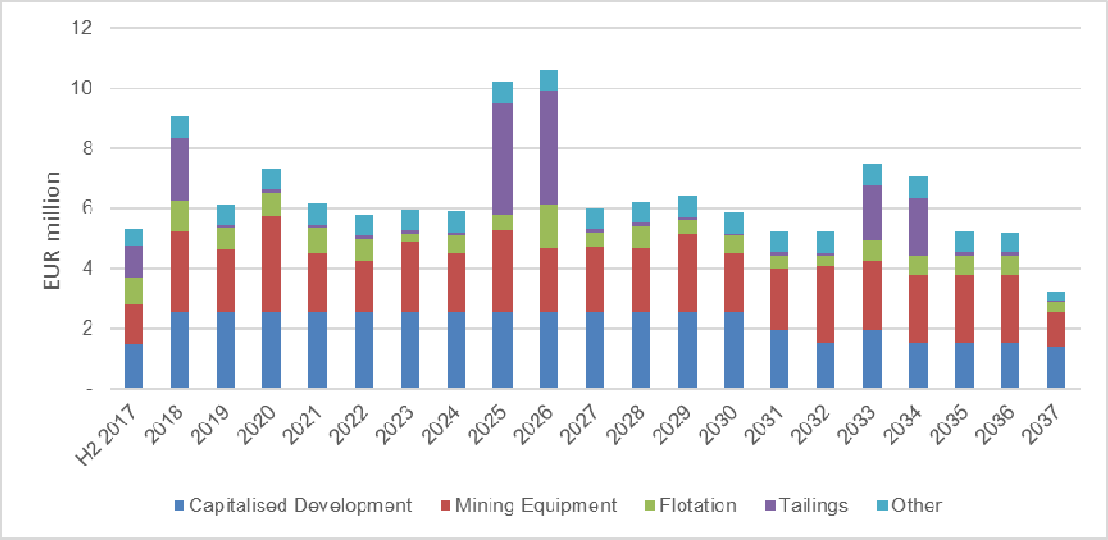


Figure 12-2: LoMp Planned Investment (Real money terms)

Table 12-2: Summary LoMp Planned Investment (Real money terms)

(EURm)	H2 2017	2018	2019	2020	2021	2022	2023-2027	2028-2037	LoMp
Capitalised Development	1.5	2.6	2.6	2.6	2.6	2.6	12.8	19.0	46.0
Mining Equipment	1.3	2.7	2.1	3.2	2.0	1.7	11.3	21.6	45.8
Flotation	0.9	1.0	0.7	0.8	0.8	0.7	3.3	5.5	13.9
Tailings	1.0	2.1	0.1	0.1	0.1	0.1	7.8	4.5	15.8
Other	0.6	0.7	0.7	0.7	0.7	0.7	3.5	6.6	14.2
Total	5.3	9.1	6.1	7.3	6.2	5.8	38.7	57.2	135.7

12.2.3 SRK Observations

SRK has reviewed the capital cost forecasts, and finds that these are sufficient to support the LoM production plan. No contingencies have been added to the capital expenditure forecast due to the nature of steady state production.

12.3 Operating Cost Estimate

12.3.1 Historical operating costs

The historical operating costs for the last 3.5 years are presented in Figure 12-3, split for mining, processing (milling) and administration (G&A). Forecast cost for the next 3.5 years are included for comparison.

The total costs as well as the unit costs fluctuate very little due to the steady state nature of the operations. In addition to the operating costs shown in Figure 12-3, a compensation for exploitation of the minerals (Concession Fee) is payable, which amounts to 2% of the market value of the metals contained in both concentrates produced.

Historical operating costs are further detailed in Table 12-3. This illustrates the relatively constant operating costs in EUR, and the strengthening USD through 2015–H1 2017. Table 12-3 does include the Concession Fee as paid as part of the G&A cost. SRK understands that

during 2016, a total of EUR934k was spent on one-off projects related to, amongst others, geological investigations for an updated Mineral Resource Estimate, ESAP development and refinancing. Without these non-recurring costs, the underlying unit cost for 2016 for mining, milling and G&A costs would drop from EUR30.6/t to EUR29.4/t, in line with historical performance.

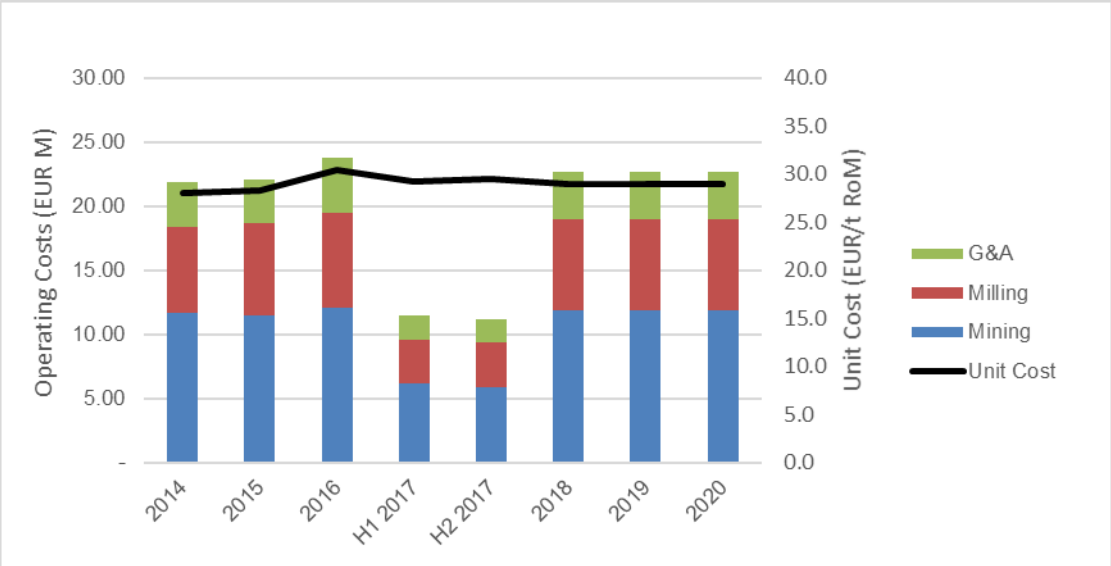


Figure 12-3: Historical vs Forecast Operating Costs (forecast in real money terms)

Table 12-3: Historical Operating Cost Breakdown

	2014 (EURk)	2015 (EURk)	2016 (EURk)	H1 2017 (EURk)	2014 (USDk)	2015 (USDk)	2016 (USDk)	H1 2017 (USDk)
Mining								
Consumables	6,250	5,901	5,967	2,848	8,303	6,552	6,603	3,105
Services	1,782	1,826	2,119	1,177	2,368	2,028	2,345	1,284
Salaries	3,660	3,703	3,961	2,138	4,863	4,111	4,384	2,331
Total	**11,692**	**11,431**	**12,047**	**6,163**	**15,533**	**12,691**	**13,331**	**6,720**
Processing								
Consumables	5,300	5,747	5,825	2,665	7,041	6,380	6,446	2,906
Services	325	422	487	186	432	468	539	203
Salaries	1,074	1,063	1,099	587	1,427	1,180	1,216	640
Total	**6,699**	**7,232**	**7,411**	**3,439**	**8,899**	**8,029**	**8,201**	**3,750**
G&A								
Consumables	173	194	312	99	230	216	345	107
Services	743	750	832	419	987	832	920	457
Salaries	737	779	771	423	979	865	854	461
Other	1,848	1,689	2,443	880	2,455	1,875	2,704	960
Total	**3,501**	**3,412**	**4,358**	**1,821**	**4,651**	**3,789**	**4,822**	**1,985**
Concession Fees								
Total	1,908	1,938	1,989	1,255	2,535	2,152	2,201	1,368
Operating Cost								
Total	**23,800**	**24,013**	**25,805**	**12,677**	**31,618**	**26,661**	**28.556**	**13,824**
RoM (t)	780,285	777,121	779,231	391,043	780,285	777,121	779,231	391,043
Unit Costs per tonne of RoM								
Mining	15.0	14.7	15.5	15.8	19.9	16.3	17.1	17.2
Processing	8.6	9.3	9.5	8.8	11.4	10.3	10.5	9.6
G&A	4.5	4.4	5.6	4.7	6.0	4.9	6.2	5.1
Concession	2.4	2.5	2.6	3.2	3.2	2.8	2.8	3.5
Total	30.5	30.9	33.1	32.4	40.5	34.3	36.6	35.4
Total (excl Concession)	28.1	28.4	30.6	29.2	37.3	31.5	33.8	31.9

12.3.2 Forecast operating costs

The operating costs have been forecast for the LoMp.

There are no operational changes within the mining or processing operations that are

expected to result in materially fluctuating operating costs until 2034, whilst mining is solely from the Svinja Reka deposit. Thereafter, there is an increase in the mining costs assumed as a result of mining the Golema Reka deposit and an assumed change to a cut and fill mining method. The variable mining cost at this time increases from EUR7/t to EUR12/t (in addition to the annual fixed mining cost of EUR6.38m) (real 2017 money terms).

The operating cost of tailings disposal is included within the processing costs. A mine closure cost of USD15m has been allowed for in line with the Option 1 as shown in Table 9-2. Figure 12-4 graphically presents a breakdown of the operating costs during the LoMp in real 2017 money terms; detailed values are presented in Table 12-4, both presented in Euros. The Concession Fee is added in the financial model separately, as related to metal price assumptions. Option 1 for site closure has been incorporated in the financial assessment.

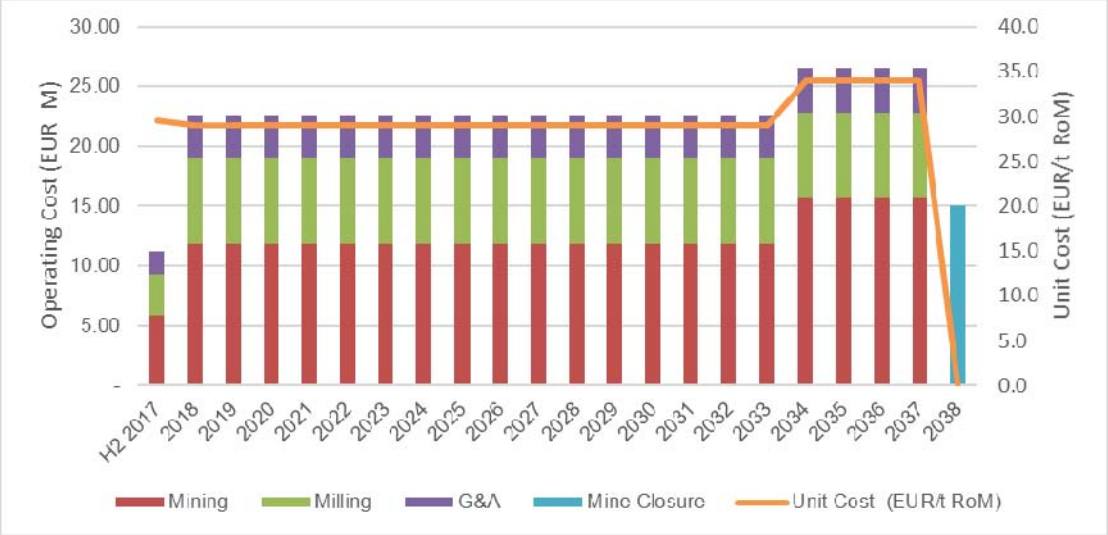


Figure 12-4: Graphical Distribution of LoM Operating Costs (Real money terms)

Table 12-4: LoM Operating Costs (Real money terms)

	H2 2017	2018	2019	2020	2021	2022	2023-2027	2028-2037	2038	LoM
Operating Costs (EURm)										
Mining	5.9	11.9	11.9	11.9	11.9	11.9	59.4	134.3	-	258.9
Milling	3.5	7.2	7.2	7.2	7.2	7.2	36.0	70.7	-	144.8
G&A	1.8	3.6	3.6	3.6	3.6	3.6	17.9	36.9	-	75.7
Mine Closure	-	-	-	-	-	-	-	-	13.8	13.8
Total	11.2	22.6	22.6	22.6	22.6	22.6	113.2	241.9	13.8	493.2
Unit Operating Costs (EUR/t RoM)										
Mining	15.5	15.2	15.2	15.2	15.2	15.2	15.2	17.2	-	16.2
Milling	9.1	9.2	9.2	9.2	9.2	9.2	9.2	9.1	-	9.1
G&A	4.9	4.6	4.6	4.6	4.6	4.6	4.6	4.7	-	4.7
Mine Closure	-	-	-	-	-	-	-	-	-	0.9
Total	29.5	29.0	29.0	29.0	29.0	29.0	29.0	31.0	-	30.9

12.3.3 SRK Observations

SRK has reviewed and compared the costs from 2014 to H1 2017 with the forecast costs. Some variance can be seen from year to year. SRK is satisfied that the forecast unit and fixed annual costs applied are reasonable.

No contingencies have been added to the operating cost forecast due to the nature of steady

state production.

13 PROJECT ECONOMICS

13.1 Introduction

SRK has prepared a financial model to evaluate the economics of:

- the Ore Reserves and
- the LoMp (including Inferred material).

Reporting at the mine is in EUR; however, the economic assessment has been carried out in USD. A constant exchange rate of 1.09 USD/EUR has been applied over the LoM.

The financial model has been prepared in Microsoft Excel, in USD, in nominal money terms assuming a 2% annual inflation for both the EUR and USD denominated costs.

A discounted cash flow has been prepared, on a post-tax basis. No financing terms are modelled except for the silver streaming agreement, which forms the basis of the reduced silver price included in the financial model.

SRK has applied consensus market forecast prices (see Table 13-1).

13.2 Key Inputs and Assumptions

13.2.1 Commodity Prices

SRK has applied consensus market forecast prices for lead and zinc, sourced from Bloomberg as at 19 July 2017. The prices applied are the median of the forecasts of a range of analysts as compiled by Bloomberg. The silver price actually used in the financial model is as per the long-term streaming agreement, for the LoM. The streaming agreement included a price of USD5.0/oz of refined silver for the period up to 31 December 2016. In respect of each subsequent calendar year of the agreement, the fixed silver price in respect of the immediately preceding calendar year increased by a percentage equal to the lesser of inflation over the previous calendar year measured by the CPI Index and 3%. The financial model assumes a slightly more conservative approach, with the silver price only increasing after 2021 by the flat inflation of 2% per annum. The consensus market forecast silver price is only used to calculate the concession fee. The commodity prices are presented in Table 13-1.

The payability terms and TC/RCs as described in Section 11.2 have been applied.

Table 13-1: Bloomberg Consensus Commodity Prices (nominal)

	Units	Spot (19 July 2017)	2017	2018	2019	2020	2021
Zinc	(USD/t)	2,747	2,665	2,622	2,450	2,398	2,508
Lead	(USD/t)	2,217	2,205	2,150	2,200	2,250	2,300
Silver (CMF)	(USD/oz)	16.3	17.4	18.2	19.3	20.0	20.0
Silver (streaming agreement)	(USD/oz)		5.00	5.00	5.00	5.00	5.00

13.2.2 Taxes and Concession Fees

Corporate Income Tax

SRK has modelled corporate income tax payments, based on a 10% tax rate. Since every year is cash flow positive, there are no taxes losses to be brought forward in any year.

Depreciation is modelled applying a simple 10% reducing method. An opening depreciation balance of EUR47m as of 1 July 2017 is included.

Concession Fee

The compensation for exploitation of the minerals (Concession Fee) amounts to:

- 2% of the market value of the metal of lead per tonne in each tonne of lead concentrate produced.
- 2% of the market value of the metal of zinc per tonne in each tonne of zinc concentrate produced.

The grounds for calculation of the compensation for exploitation of the minerals that the concessionaire is obliged to pay for the produced quantities of minerals is the Official Report on the average price of metals on the London Metal Stock Exchange for the period of 3 (three) months backwards (market value). Based on the Official Report on the average price of metals, the Ministry of Economy quarterly publishes the average price of the metals in the Official Gazette of the Republic of Macedonia.

13.2.3 Working Capital and Value Added Tax

Working capital has been modelled on a simple basis, taking the opening balance at 01 July 2017 into account.

Value Added Tax has not been modelled. The financial model assumes that the VAT is paid and recovered within the same year.

13.3 Revenue

The revenues of the lead and zinc concentrates during the years of production for the Ore Reserves and LoMp cases are presented in Figure 13-1 and Figure 13-2, respectively. The lead and zinc grades are included in the graphs, showing the direct relationship between grade and revenue.

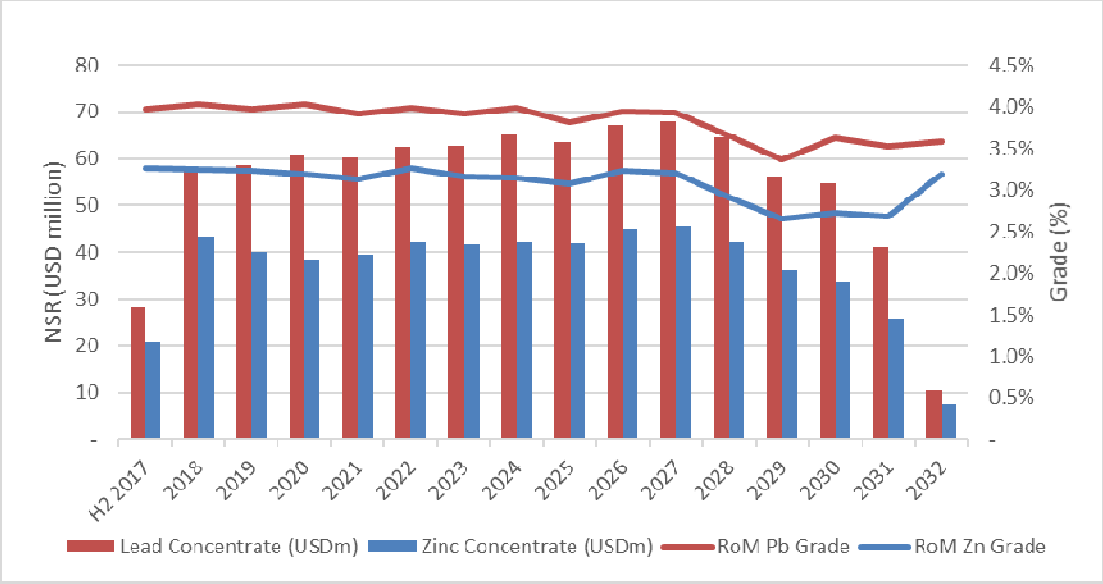


Figure 13-1: Ore Reserve Case Net Smelter Return (nominal)

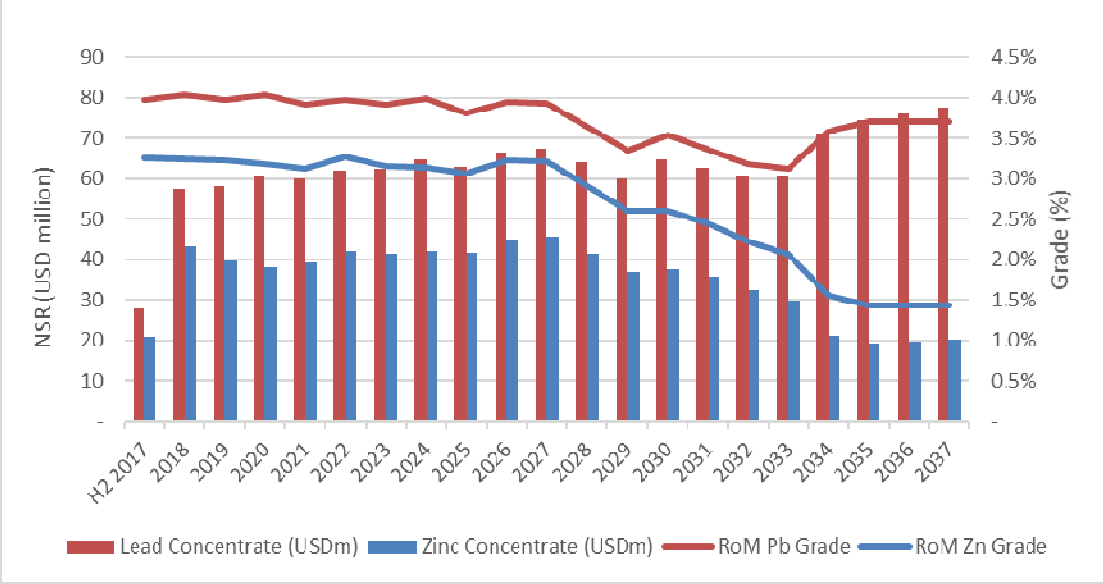


Figure 13-2: LoMp Net Smelter Return (nominal)

13.4 Cash Flow Model

SRK's economic assessment presents a solid economic case, with a low risk of any production being cashflow negative.

Table 13-2 presents the overall inputs and outputs of the financial in USD for:

- The LoMp case; and
- The Ore Reserve case.

Net present values ("NPVs") are presented for different discount rates. The NPVs are a measure of economic viability of the operations. They do not constitute a project valuation. SRK notes that the LoMp case includes a proportion of Inferred Mineral Resources, to be mined from 2028 onwards. At the base discount rate of 10%, the LoMp case reports an NPV of USD461m, and the Ore Reserve reports an NPV of USD413m.

Table 13-2: Summary of the Cash Flow Model Assessment (Nominal)

	Unit	LoMp	Ore Reserve
Economic Output			
Revenue	(USDm)	2,056	1,467
Operating Costs	(USDm)	724	466
EBITDA	(USDm)	1,333	1,001
Capital Costs	(USDm)	180	127
Non-cash items (due to Ag streaming)	(USDm)	20	20
Working Capital	(USDm)	5	5
Corporate Income Tax	(USDm)	114	85
Net Free Cash (undiscounted)	(USDm)	1,024	773
NPV, discount rate:			
6.0%	(USDm)	610	518
8.0%	(USDm)	527	461
10.0%	**(USDm)**	**461**	**413**
12.0%	(USDm)	408	372
14.0%	(USDm)	364	337
16.0%	(USDm)	327	308
Net Smelter Return (Revenue)			
Pb Concentrate	(USDm)	1,418	937
Zn Concentrate	(USDm)	748	596
Treatment Charges			
Pb Concentrate	(USDm)	95	63
Zn Concentrate	(USDm)	87	69
Mining			
Tonnage	(kt)	15,979	10,927
Pb Grade	(%)	2.65%	3.08%
Zn Grade	(%)	3.73%	3.85%
Processing			
Tonnage	(kt)	15,979	10,927
Pb Grade	(%)	2.65%	3.08%
Zn Grade	(%)	3.73%	3.85%
Recovery			
Pb	(%)	94.0%	94.0%
Zn	(%)	84.5%	87.4%
Concentrate			
Pb Concentrate	(kt conc)	767	542
Pb Content	(kt metal)	560	395
Zn Concentrate	(kt conc)	725	598
Zn Content	(kt metal)	357	295
Operating Costs			
Mining	(USDm)	352	214
Processing	(USDm)	195	126
G&A	(USDm)	102	68
Mine Closure	(USDm)	23	21
Concession	(USDm)	53	38
Total	(USDm)	724	466
Capital Costs			
Capitalised Development	(USDm)	61	46
Mining Equipment	(USDm)	61	42
Flotation	(USDm)	18	13
Tailings	(USDm)	21	12
Other	(USDm)	19	13
Total	(USDm)	180	127

13.5 Sensitivity Analysis

SRK has considered the potential areas of risk to the project and has accordingly run sensitivities on the NPV. For this purpose, SRK has assumed a discount rate of 10% for the runs.

SRK has tested the NPV sensitivity to operating, capital costs, and commodity prices. This is illustrated in Table 13-3 for the LoMp case, and in Table 13-4 for the Ore Reserve case. A sensitivity to the discount rate is already included under Table 13-2.

Table 13-3: Sensitivity Tables, LoMp Case (NPV 10% discount rate, nominal)

Capital Cost							
Sensitivity	-5%	**0%**	5%	10%	15%	20%	25%
NPV (USDm)	465	**461**	458	454	451	447	444
Operating Cost							
Sensitivity	-5%	**0%**	5%	10%	15%	20%	25%
NPV (USDm)	472	**461**	450	439	428	417	405
Commodity Prices							
Sensitivity	-15%	-10%	-5%	**0%**	5%	10%	15%
NPV (USDm)	338	379	420	**461**	503	544	585

Table 13-4: Sensitivity Tables, Ore Reserve Case (NPV 10% discount rate, nominal)

Capital Cost							
Sensitivity	-5%	**0%**	5%	10%	15%	20%	25%
NPV (USDm)	416	**413**	410	407	403	400	397
Operating Cost							
Sensitivity	-5%	**0%**	5%	10%	15%	20%	25%
NPV (USDm)	422	**413**	403	394	385	376	367
Commodity Prices							
Sensitivity	-15%	-10%	-5%	**0%**	5%	10%	15%
NPV (USDm)	305	341	377	**413**	449	485	521

13.6 Conclusion

SRK has prepared a financial model to test the economic viability of the Ore Reserve and the LoMp case. SRK has considered the technical and cost parameters, including commodity prices, off-take commitments, working capital and corporate income tax. SRK has not considered the cost of any outstanding debt or other financial structure repayment commitment.

Due to the positive outcome of the assessment on the Ore Reserve scenario, SRK considers sign off on the Ore Reserves to be warranted.

14 MINERAL RESOURCE AND ORE RESERVE STATEMENT

The Ore Reserve estimate for the SASA Mine has been undertaken in accordance with the JORC Code (2012) guidelines and is stated in Table 14-1 as at 01 July 2017. The Ore Reserves are classified as Probable based on the current Mineral Resource classification of Indicated.

In line with reporting an Ore Reserve under the JORC Code (2012), SRK has prepared a financial model to test the economic viability of the Ore Reserve case, taking into account the various technical, operating cost, capital expenditure and corporate income tax parameters (excluding any debt of financing structures). The assessment demonstrates that the Ore Reserve is economically viable, with robust economics that remain positive when tested against appropriate increases in operating and capital costs, and changes in commodity prices.

The JORC Code Table 1 is provided in Appendix A. Mineral Resources are reported inclusive of that material used to derive the Ore Reserves.

Table 14-1: Statement of Mineral Resources and Ore Reserves for the SASA Mine at 01 July 2017

Category	Gross							Net Attributable							Operator
	Tonnage	Grade			Content			Tonnage	Grade			Content			
	(Mt)	Pb (%)	Zn (%)	Ag (g/t)	Pb (kt)	Zn (kt)	Ag (koz)	(Mt)	Pb (%)	Zn (%)	Ag (g/t)	Pb (kt)	Zn (kt)	Ag (koz)	
Ore Reserves															
Proved															
Svinja Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Golema Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal Proved	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Probable															
Svinja Reka	10.9	3.85	3.08	18.4	421	337	6,447	10.9	3.85	3.08	18.4	421	337	6,447	
Golema Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal Probable	10.9	3.85	3.08	18.4	421	337	6,447	10.9	3.85	3.08	18.4	421	337	6,447	
Total Reserves	**10.9**	**3.85**	**3.08**	**18.4**	**421**	**337**	**6,447**	**10.9**	**3.85**	**3.08**	**18.4**	**421**	**337**	**6,447**	Rudnik “SASA” DOOEL
Mineral Resources															
Measured															
Svinja Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Golema Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal Measured	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Indicated															
Svinja Reka	13.3	4.59	3.68	22.0	611	490	9,403	13.3	4.59	3.68	22.0	611	490	9,403	
Golema Reka	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Subtotal Indicated	13.3	4.59	3.68	22.0	611	490	9,403	13.3	4.59	3.68	22.0	611	490	9,403	
Inferred															
Svinja Reka	2.7	3.16	2.08	16.6	84	56	1,426	2.7	3.16	2.08	16.6	84	56	1,426	
Golema Reka	7.4	3.69	1.52	18.6	273	112	4,424	7.4	3.69	1.52	18.6	273	112	4,424	
Subtotal Inferred	10.1	3.55	1.67	18.1	357	168	5,849	10.1	3.55	1.67	18.1	357	168	5,849	
Total Resources	**23.4**	**4.14**	**2.81**	**20.3**	**968**	**658**	**15,252**	**23.4**	**4.14**	**2.81**	**20.3**	**968**	**658**	**15,252**	Rudnik “SASA” DOOEL

Source: CP Mineral Resources – Guy Dishaw, CP Ore Reserves - Chris Bray

For and on behalf of SRK Consulting (UK) Limited

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Glossary – Mineral Resources and Ore Reserves

Ore Reserves	The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit.
Proved Ore Reserves	The economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Proved Ore Reserve represents the highest confidence category of reserve estimate. The style of mineralisation or other factors could mean that Proved Ore Reserves are not achievable in some deposits.
Probable Ore Reserves	The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit.
Mineral Resource	A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
Measured Mineral Resource	That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are spaced closely enough to confirm geological and grade continuity.
Indicated Mineral Resource	That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill-holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed.

Inferred Mineral Resource	That part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes which may be limited or of uncertain quality and reliability.

Glossary - Terms

Company	Central Asia Metals PLC
Concentrate	A metal-rich product resulting from a mineral enrichment process such as gravity concentration or flotation, in which most of the desired mineral has been separated from the waste material in the ore.
Cut-off grade	The grade of mineralised rock which determines as to whether or not it is economic to recover its gold content by further concentration.
Decline	A surface or sub-surface excavation in the form of a tunnel which is developed from the uppermost point downwards.
Dilution	The contamination of ore with barren or grade bearing wall rock in stoping. The assay of the ore after mining is frequently lower than when sampled in place. The proportion of waste that is contained in the Run-of-Mine ore delivered to the metallurgical processing plant.
Dip	Inclination of geological features from the horizontal.
Facies	An assemblage or association of minerals reflecting the environment and conditions or origin of the rock.
Footwall	The mass of rock underlying the mineral deposit or reef or the underlying side of an orebody or stope.
Geophysics	Branch of physics dealing with the Earth, including its atmosphere and hydrosphere. It includes the use of seismic, gravitational, electrical, thermal, radiometric, and magnetic phenomena to elucidate processes of dynamical geology and physical geography, and makes use of geodesy, geology, seismology, meteorology, oceanography, magnetism, and other Earth sciences in collecting and interpreting Earth data. Geophysical methods have been applied successfully to the identification of underground structures in the Earth and to the search for structures of a particular type, as, for example, those associated with oil-bearing sands.
Hanging wall	The mass of rock overlying the mineral deposit or reef.
JORC Code (2012)	The 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia”
Kriging	An interpolation method of assigning values from samples to blocks that minimises the estimation error.
Mineral Assets	Lynx Resources’ assets subject to SRK's review.
Modifying Factors	The term ‘Modifying Factors’ is defined to include mining, metallurgical, economic, marketing, legal, environmental, social and governmental considerations.
SEC or “United States Securities and Exchange Commission”	The United States government agency having primary responsibility for enforcing US federal securities laws and regulating the US securities industry.
Stoping	The process of extracting the ore from an underground mine, leaving behind an open space known as a stope.
Strike	Direction of line formed by the intersection of strata surfaces with the horizontal plane, always perpendicular to the dip direction.

Tailings Storage Facility	An impoundment used to deposit tailings arising as waste from a metallurgical processing facility.

Abbreviations

2D	two dimensional
3D	three dimensional
Ag	Silver
ARDML	acid rock drainage and metal leaching
ASX	Australian Stock Exchange
CCP	Conceptual Closure Plan
CPR	Competent Persons' Report
CRIRSCO	Committee for Mineral Reserves International Reporting Standards
DPA 1998	Data Protection Act 1998 of the United Kingdom
EHS	Environmental Health and Safety
EIA	Environmental Impact Assessment
ESAP	Environmental and Social Action Plan
EUR	Euro
GIIP	good international industry practice
HPI	high potential incidents
HPHIs	High Potential Hazard Investigations
HV	High voltage
IPPC	Integrated Pollution Prevention and Control permit
ITR	Independent Technical Report
LoM	Life of Mine
LoMp	Life of Mine plan
LTIFR	Lost Time Injury Frequency Rate
LV	Low voltage
MCL	maximum allowable concentrations
MEPP	Ministry of Environment and Physical Planning
MRA	Mineral Resource Advisors
MRE	Mineral Resource Estimate
MRMR	Modified Rock Mass Rating
MTC	Ministry of Transport and Communication
NPV	Net Present Value
NSR	Net Smelter Return
Pb	Lead
PMF	Probable Maximum Flood
PTOs	Planned Task Observations
OHS	Occupational Health & Safety
QAQC	Quality Assurance Quality Control
RMR	Rock Mass Rating
RoM	Run of Mine
ROPO	Recognised Overseas Professional Organisation
RQD	Rock Quality Designation
RZZZ	State Health Institute
SEA	Strategic Environmental Assessment
SEC	U.S. Securities and Exchange Commission
SGEC	Strength GEC

SIP	Strategy Implementation Plan
SMD	stirred mill detritor
SRK	SRK Consulting (UK) Limited
TRM	Trivett Risk Management
TSF	Tailings Storage Facility
US	United States
USD	United States Dollar
WRD	Waste Rock Dump
Zn	Zinc

Units

dmt	dry metric tonne
EUR	Euro
g/t	grams per tonne
k	Thousand
km	kilometre
ktpa	thousand tonnes per annum
m	metre
m^3	cubic metre
m^3/s	cubic metres per second
mm	millimetre
MPa	Mega Pascals
mRL	metres reduced level
Mtpa	million tonnes per annum
oz	troy ounce
t	tonne
t/m^3	tonnes per cubic metre (density)
tph	tonnes per hour
USD	United States Dollar
USDm	A million United States Dollars

APPENDIX

A TABLE 1 JORC CODE (2012)

Section 1 Sampling Techniques and Data

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (e.g. cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc.). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (e.g. 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (e.g. submarine nodules) may warrant disclosure of detailed information.*	Sampling for chemical assay was undertaken using 76mm diameter diamond core drilling, from surface and underground. In addition, a small number of channel samples were completed, however this now resides in mined-out areas. Channel samples from underground workings were used to measure for density. Downhole surveys at approximately every 50 m have been completed for most of the recent surface drilling, however the inclinometry data collected under historic Government ownership has not yet been added to the database. Underground drillholes typically range in length between 50 and 70 m. No downhole surveys were recorded for these holes.
Drilling techniques	• *Drill type (e.g. core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc.) and details (e.g. core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc.).*	All surface drillholes were completed using 76mm diameter, HQ or NQ diamond core. Underground drillholes were completed using 36 mm diameter (BQ) or AX diamond core in up-holes.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	Drilling interval was reconciled to length of recovered core to derive sample recovery. For the majority of the programs completed, this information has not been transferred to the Excel drillhole database and therefore is not readily available for review. However, based on observations made by SRK at drill sites and the core storage facility, core recovery is considered to be good (generally greater than 90%). Historical core recovery, where recorded, is generally above 80% in surface holes and 75% in underground drilling, which is considered acceptable given the support provided by adjacent close spaced drilling.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.* • *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc.) photography.* • *The total length and percentage of the relevant intersections logged.*	All drillcore is logged for geology, core recovery and, recently, digital photographs of the core are now being taken. The current drilling and sampling protocols do not incorporate the transfer of recovery, lithological and structural data (from borehole logging) from DWG storage format in to Excel for use in construction of the 3D resource model.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc. and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the*	Sampling lengths for drillcore are allocated guided by visually logged geological contacts and typically range between 0.3 and 1m in length, using half core for analysis. The remaining half core was stored for between three to five years in case external controls require re-assay.

Criteria	JORC Code explanation	Commentary
	sample preparation technique. • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	Samples were submitted for preparation to the Sasa Mine laboratory, where half core is crushed to -3 mm and then dried in an oven at 130°C. The sample is passed through a riffle splitter to derive a 50% split, which is pulverised using a disc mill to give a -0.74 mm powder pulp. The pulp is coned and quartered with 25% subsampled into 1 g portions for Pb and Zn analysis.
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc., the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (e.g. standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (i.e. lack of bias) and precision have been established.*	The Sasa Mine laboratory analysed the samples for Pb and Zn by XRF. Ag is only routinely assayed in the concentrate, but is reasonably correlated with the Pb+Zn grade. The laboratory has obtained valid international accreditation to MKC EN ISO/TEC 17025 and is annually audited by the Macedonian Accreditation Institute. The Sasa Mine laboratory also regularly submits check samples to KCM laboratory in Sofia, Bulgaria. Independent QAQC analysis of the Pb and Zn assay database completed historically by SRK (during 2006) highlighted in general a reasonable quality in the results, albeit with slight bias toward lower grade. Whilst routine assay QAQC is currently limited to internal standard checks by the Sasa Mine laboratory staff, fundamentally, diluted ore grades seen in the mine production records provide comfort that mineralisation exists at grades close to those in the drilling sample database.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	SRK was supplied with a Microsoft Excel database containing the drillhole data. SRK has completed a number of checks on the raw data and data entry process and applied corrections where necessary. Based on the verification work completed, SRK is confident that the excel database is an accurate reflection of the drilling and sampling data. SRK would strongly recommend the implementation of full assay verification QAQC procedures for sampling and assay (including blanks, duplicates and standards) for all future drilling campaigns.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	The topographic survey of all the surface drillhole collars completed by Lynx Resources has been completed by using a Precision GPS. Underground drillhole collars and development surveys are located based on total station surveys by mining surveyors and are translated to the Macedonian grid (Gauss-Krüger coordinate system, Hermannskogel datum) for storage in the master database. Downhole surveys for surface holes, where recorded, were completed using a reflex gyro probe by the Geoma (Bulgaria) survey contractor, with readings taken at approximately every 50 m. No downhole surveys were recorded for underground these holes, which typically range in length between 50 and 70 m.
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.*	Underground drilling within mining areas are typically collared at 20-30 m spacing with multiple (fan) holes often drilled at a range of inclinations from a single collar, providing sample coverage ranging from 10-30m. Surface drillholes provide intersections at approximate 200 m spacing. SRK consider the resultant drilling pattern is sufficiently dense to interpret the geometry and

Criteria	JORC Code explanation	Commentary
	• *Whether sample compositing has been applied.*	boundaries of the Lead-Zinc-Silver mineralisation with a reasonable level of confidence.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	Surface drillholes are oriented NE-SW across the deposit and intersection angles with the mineralisation are broadly perpendicular. Underground drilling are typically drilled towards the SW (from footwall to hangingwall) with multiple (fan) holes drilled at a range of inclinations providing intersection angles with the mineralisation typically ranging from perpendicular to -45°. SRK does not consider the drillhole orientation to have introduced any significant bias into the grade and tonnage estimation procedures.
Sample security	• *The measures taken to ensure sample security.*	The core is transported to Lynx Resources' core logging facility at the end of each drilling shift. All sampling and analysis is carried out on site, at or in close proximity to the Mine Laboratory, by Sasa Mine employees. SRK is satisfied that Lynx Resources utilised industry best practices for Chain of Custody procedures. All cores and samples are stored on site, which is secured.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	The Sasa Mine laboratory is annually audited by the Macedonian Accreditation Institute. The Sasa Mine laboratory also regularly submits check samples to KCM laboratory in Sofia, Bulgaria. Independent QAQC analysis of the Pb and Zn assay database completed historically by SRK (during 2006).

Section 2 Reporting of Exploration Results

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	The Project comprises a 4.22 km^2 mining concession, and adjacent 1.42 km^2 exploration concession, located in north-eastern Macedonia, some 150 km east of the Macedonian capital, Skopje. Mineral exploration and exploitation is governed by the State law on Mineral Resources of the Republic of Macedonia (Br.132 Gazette of RM/2013). The Title to the Sasa Mine exploration and exploitation concessions is held by Rudnik SASA DOOEL. The exploitation concession (24-5550/1) covers an area of 4.22 km^2 was most recently issued to Lynx Resources during 13/11/14 and is valid until 28/09/30, with the possibility of extending for another 30 years. The exploration concession (24-4971/1) covers an area of 1.42 km^2 and was most recently issued to Lynx Resources on 22/08/13 and is valid until 22/08/17. The application process for renewal is currently ongoing.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	During 1936, 1945 and 1946 the Project area was prospected by Bulgarian geologists but detailed work only began in 1952 when geological mapping by a team from the Geological Institute Skopje produced maps over the mineralised occurrences. This was followed by geophysics, trenching, drilling and excavating cross-cuts through mineralisation as surface. The history of mining and exploration at the Sasa Mine is summarised below: -The Sasa mine originally started working in 1965 but stopped in 2001 when government funding of operating capital ended. -Solway Investment Group Ltd (Solway) acquired the mine from a group of creditors in 2005. The plant was re-equipped with a state of the art flotation circuit allowing production of separate zinc and lead concentrates. -On 03.11.2015, Solway announced that it had sold the Sasa mine to the Orion Mine Finance Group (Orion) partnered with Fusion Capital AG (Fusion) in Lynx Resources Ltd to acquire the mine through its wholly owned subsidiary Lynx Europe SPLLC Skopje.
Geology	• *Deposit type, geological setting and style of mineralisation.*	The Project is located in the Serbo-Macedonian massif which comprises greenschist and amphibolite facies metamorphic rocks, Precambrian to Palaeozoic in age, which have been variably intruded by andesitic to trachytic volcanic rocks during the Tertiary. Lead-Zinc-Silver mineralisation at Sasa occurs as bedding concordant deposits hosted predominantly by quartz-graphite schist and marbles of Lower Paleozoic age at Svinja Reka and by gneisses at Golema Reka. High-temperature hydrothermal fluids and bedding-parallel faulting (related to the intrusion of Tertiary volcanics) is responsible for metasomatism of the host sediments to develop skarn and base metal mineralisation. The well-defined, partially exploited lenses of Lead-Zinc-Silver mineralisation dip at approximately 35° to the south-west and typically range in true thickness from between 2 – 30 m.
Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:* ○ *easting and northing of the drill hole*	Listing this material would not add any further material understanding of the deposit and Mineral Resource. Furthermore, no Exploration Results are specifically reported.

Criteria	JORC Code explanation	Commentary
	collar ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar* ○ *dip and azimuth of the hole* ○ *down hole length and interception depth* ○ *hole length.* • *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*	
Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.* • *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	Not applicable - No Exploration Results are specifically reported.
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	Not applicable - No Exploration Results are specifically reported.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	Various maps, sections and diagrams are reported in this document.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	Not applicable - No Exploration Results are specifically reported.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	Not applicable - No Exploration Results are specifically reported.
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially*	If a structural study is completed in the future, SRK would recommend completing additional exploration based on the findings given its potential to highlight areas that may host further Lead-Zinc-Silver mineralisation.

Criteria	JORC Code explanation	Commentary
	sensitive.	

Section 3 Estimation and Reporting of Mineral Resources

Criteria	JORC Code explanation	Commentary
Database integrity	• *Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.* • *Data validation procedures used.*	SRK has completed a number of checks on the raw excel database supplied by Lynx Resources and is satisfied that the data does not contain significant errors nor has it been corrupted.
Site visits	• *Comment on any site visits undertaken by the Competent Person and the outcome of those visits.* • *If no site visits have been undertaken indicate why this is the case.*	SRK visited the Project from 26 September to 11 October 2016 and 24 January to 28 January 2017. During the site visits, SRK was able to witness the exploration and mining work completed to date, review geological relationships exposed in underground workings and geological maps, review drill holes for to confirm values stored in the database and discuss geological and structural interpretations
Geological interpretation	• *Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.* • *Nature of the data used and of any assumptions made.* • *The effect, if any, of alternative interpretations on Mineral Resource estimation.* • *The use of geology in guiding and controlling Mineral Resource estimation.* • *The factors affecting continuity both of grade and geology.*	SRK used underground mapping, combined with diamond drilling information to interpret the mineralised zones using Leapfrog Geo 3.1 software. A roughly 2% Pb+Zn cut-off was used to constrain the mineralised domains, although, since the contacts are generally sharp, some weaker mineralisation was included in the model. Due to the multiple lenses, and pinching and swelling morphology, the underground maps were invaluable to guiding the interpretation of the 3 dimensional domain solids. SRK modelled a total of 8 mineralised zones in Svinja Reka and 4 mineralised zones in Golema Reka. Internal waste zones (<2% Pb+Zn) are common within the mined, mapped, and modelled zones for Svinja Reka. In many cases it is practically impossible to remove all of these zones. SRK has modelled internal waste zones within the mineralised lenses where the internal waste is mappable through multiple drillhole intersections and supported by underground mapping.
Dimensions	• *The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.*	At Svinja Reka, the well-defined, partially exploited lenses of Lead-Zinc-Silver mineralisation dip at approximately 35° to the south-west and typically range in true thickness from between 2 – 30 m. The mineralised lenses are present in parallel sheets (typically 2 or 3 bodies), separated by an interburden with thicknesses of 1 - 10 m. The lenses pinch and swell along strike and down-dip, with an apparently dominant southerly plunge. The Lead-Zinc-Silver mineralisation is continuous along strike, in some lenses up to 1,000m. Lead-Zinc-Silver mineralisation at Golema Reka is hosted within granitoid gneiss and strikes approximately 135 degrees and dips moderately, at approximately 45 degrees, to the Southeast. The Lead-Zinc-Silver mineralisation occurs as stacked massive to semi-massive sulphide lenses, each with variable thickness (0.5 to 10 m) along strike and down dip, separated by weakly mineralised gneiss
Estimation and modeling	• *The nature and appropriateness of the estimation technique(s) applied and key*	In summary, for the October 2016 Mineral Resource update, SRK has completed the following:

Criteria	JORC Code explanation	Commentary
techniques	*assumptions, including treatment of extreme grade values, domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.* • *The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.* • *The assumptions made regarding recovery of by-products.* • *Estimation of deleterious elements or other non-grade variables of economic significance (e.g. sulphur for acid mine drainage characterisation).* • *In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.* • *Any assumptions behind modelling of selective mining units.* • *Any assumptions about correlation between variables.* • *Description of how the geological interpretation was used to control the resource estimates.* • *Discussion of basis for using or not using grade cutting or capping.* • *The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.*	• Modelled Lead-Zinc-Silver lenses in 3D; • Composited the sample data to 1m intervals at Svinja Reka and 3m and Golema Reka and undertaken statistical analysis for each mineralised domain; • Applied high grade caps per estimation domain from log histograms and log probability plots; • Undertaken geostatistical analyses to determine appropriate interpolation algorithms; • Created a block models with block dimensions of 3.5 x 14 x 7 m; • Undertaken a Quantitative Kriging Neighbourhood Analysis (QKNA) to test the sensitivity of the interpolation parameters; • Interpolated Pb and Zn grades into the block model and assigned Ag grades based on a regression with estimated Pb grade; • Assigned density to the block model based on a regression with Pb and Zn; • Visually and statistically validated the estimated block grades relative to the original sample results
Moisture	• *Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.*	All tonnages are reported as dry tonnages.
Cut-off parameters	• *The basis of the adopted cut-off grade(s) or quality parameters applied.*	To determine this, the Mineral Resource has been evaluated based on a minimum net smelter return (NSR) including Pb, Zn and Ag credits, using a Pb price of USD2,550/t, a Zn price of USD2,800/t and a silver price of 25 USD/oz based on typical long term consensus forecasts (to reflect the requirement for "reasonable prospects" for eventual extraction) and a set of assumed technical and economic parameters economic which were selected based on the current mining operations at the Sasa Mine. SRK considers that the blocks with a value greater than USD30.0 at Svinja Reka and USD35.0 at Golema Reka have "reasonable prospects for eventual economic extraction" and can be reported as a Mineral Resource
Mining factors or assumptions	• *Assumptions made regarding possible mining methods, minimum mining dimensions and internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.*	Ongoing development of the Svinja Reka deposit will likely continue to be via underground sub-level stoping, with ore hauled to surface by trucks and trams through lateral development accesses at various mining elevations. Potential future mining of Golema Reka is assumed to be via mechanized cut & fill, which remains consistent with previous mining at the deposit.

Criteria	JORC Code explanation	Commentary
Metallurgical factors or assumptions	• *The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.*	SRK has applied the following to determine its cut-off value for the Mineral Resource, based on current mining operations at the Sasa Mine: • Pb Process Recovery: 94% • Zn Process Recovery: 85.5% • Ag Process Recovery: 70% • Pb Payability: 95% • Zn Payability: 85% • Ag Payability: 95%
Environmental factors or assumptions	• *Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.*	SRK is unaware of any environmental factors which would preclude the reporting of Mineral Resources.
Bulk density	• *Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.* • *The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc.), moisture and differences between rock and alteration zones within the deposit.* • *Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.*	SRK designed and carried out a program of density sampling and measurement in 2006. 50 samples were collected from 11 locations from the Svinja Reka mine workings. 25 samples were collected from 5 locations from the Golema Reka mine workings. Samples were washed and dried before density measurements were taken using scales provided by the Sasa Mine. Each sample was suspended on a wireloop, hung from a cross bar on the scales; the scales were placed on a wood beam clamped to a bench top overhanging the edge. Samples were weighed first in air and then after careful immersion in water, using Archimedean principles to determine the density. Dry density values were plotted versus combined Pb+Zn and a linear regression determined. SRK used the relationship between Zn+Pb grade and density for determining individual block tonnages in the resource model as follows: Dry Density for Svinja Reka (t/m^3) = 3.039 + (0.0382 x (Zn% + Pb%)). Dry Density (t/m^3) for Golema Reka = 2.7058 + (0.0354 x (Zn% + Pb%))
Classification	• *The basis for the classification of the Mineral Resources into varying confidence categories.* • *Whether appropriate account has been taken of all relevant factors (i.e. relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).* • *Whether the result appropriately reflects the Competent Person's view of the deposit.*	Data quality, drillhole spacing, geological confidence and the interpreted continuity of grades controlled by the mineralisation domains have allowed SRK to classify portions of the deposit in the Indicated and Inferred Mineral Resource categories.
Audits or reviews	• *The results of any audits or reviews of Mineral Resource estimates.*	Historical estimates, which have been reported in compliance with the JORC Code, include the following:

Criteria	JORC Code explanation	Commentary
		• SRK produced a Mineral Resource Estimate on the Sasa Mine Swine River (Svinja Reka) deposit with effective date of October 2006, reporting above a 5% Pb+Zn cut-off an Indicated Mineral Resource of 7.8 Mt grading 4.9% Pb and 5.0% Zn and an Inferred Resource of 25.4 Mt grading 5.0% Pb and 5.2% Zn. In addition SRK also produced an Inferred Resource in October 2006 on the Sasa Mine Grand River (Golema Reka) deposit which occurs some 1km to the SE to Svinja Reka, reporting 2.1 Mt grading 6.2% Pb and 2.6% Zn; • Wardell Armstrong (UK) produced a Mineral Resource Estimate on the Sasa Mine Svinja Reka deposit with effective date of October 2011, reporting above a 2% Pb+Zn cut-off a Measured and Indicated Mineral Resource of 4.2 Mt grading 5.14% Pb and 4.78% Zn and an Inferred Resource of 13.5 Mt grading 5.17% Pb and 4.06% Zn; • Mineral Resource Advisors (MRA) produced an updated Mineral Resource Estimate on the Sasa Mine Svinja Reka deposit with effective date of October 2015, reporting above a 2% Pb+Zn cut-off an Indicated Mineral Resource of 14.29 Mt grading 4.81% Pb, 3.79% Zn and 22.2 g/t Ag and an Inferred Resource of 3.53 Mt grading 3.84% Pb, 3.23% Zn and 19.8 g/t Ag.
Discussion of relative accuracy/ confidence	• *Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.* • *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.* • *These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.*	The Sasa mine Svinja Reka deposit is an underground mine which is at an advanced stage of drilling and geological understanding. Recent infill drilling from surface and underground, digitising of underground geological maps and geological modelling in 3D has added further geological confidence to the local scale geometry of the mineralisation and grade distributions in the Resource model. The Golema Reka deposit is an underground mine which is at a lower level of geological understanding than that of Svinja Reka. Data used to interpret the mineralisation model is historic, and no drill core samples or underground exposures are available for inspection/investigation. The geological interpretation used to generate the Mineral Resource presented herein is generally considered to be robust; however, there are areas of lower geological confidence which may be subject to further revision in the future. SRK has classified portions of the deposits in the Indicated and Inferred Mineral Resource categories.

Section 4 Estimation and Reporting of Ore Reserves

Criteria	JORC Code explanation	Commentary
Mineral Resource estimate for conversion to Ore Reserves	• *Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve.* • *Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves.*	• The Mineral Resource estimate and block model used as a basis for the Ore Reserve estimate was completed by SRK Consulting (UK) Ltd has an effective date of 01 October 2016, with the Competent Person responsibilities taken by Mr Guy Dishaw in line with the requirements of the JORC Code (2012) guidelines. There are no reported Measured Resources. Indicated Resources only have formed the basis of the Ore Reserve Estimate. • The Mineral Resource estimate is reported as inclusive of Ore Reserves.
Site visits	• *Comment on any site visits undertaken by the Competent Person and the outcome of those visits.* • *If no site visits have been undertaken indicate why this is the case.*	• Site visits were undertaken by the designated SRK Competent Persons, including Chris Bray (Mining Engineer) for Ore Reserves and Richard Oldcorn (Project Director) for overall preparation of the supporting Competent Persons Report ("CPR") in March 2017. • Other Persons who assisted the Competent Persons undertook separate site visits in March 2017 (Mineral Processing, Geochemistry, Environmental and Water Management) and earlier site visits in February 2016 (Geotechnical and Tailings). • The Competent Person for the Mineral Resource Estimate, Guy Dishaw, visited the SASA Mine most recently in January 2017.
Study status	• *The type and level of study undertaken to enable Mineral Resources to be converted to Ore Reserves.* • *The Code requires that a study to at least Pre-Feasibility Study level has been undertaken to convert Mineral Resources to Ore Reserves. Such studies will have been carried out and will have determined a mine plan that is technically achievable and economically viable, and that material Modifying Factors have been considered.*	• The SASA Mine reopened in 2006 and has been operating using a similar mining method approach and production rate in recent years as that used for the Life of Mine plan ("LoMp"). A sufficiently detailed mine plan and schedule has been developed, based on the Indicated classified Mineral Resources and applying reasonable modifying factors (mining dilution and recovery). Recent historical operating costs and recoveries have been used as a basis in the economic assessment as well as an estimate of Capital costs (including closure provision) over the Life of Mine.
Cut-off parameters	• *The basis of the cut-off grade(s) or quality parameters applied.*	• Mine planning by Lynx Resources has assessed the Mineral Resource for a range of Net Smelter Return ("NSR") cut-off values using the Deswik Stope Optimiser, which was reviewed by SRK. Based on these results, Lynx Resources determined that a NSR cut-off of USD30 per tonne (based on a break-even operating cost) provided a suitable basis for the mine design and life of mine schedule.
Mining factors or assumptions	• *The method and assumptions used as reported in the Pre-Feasibility or Feasibility Study to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimisation or by preliminary or detailed design).*	• The sub-level caving method has been used for many years at the SASA Mine. The LoMp is based on using the same mining method approach, which is supported by the SRK Geotechnical and Mining Assessment. The mine has well established access and

Criteria	JORC Code explanation	Commentary
	• *The choice, nature and appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc.* • *The assumptions made regarding geotechnical parameters (eg pit slopes, stope sizes, etc), grade control and pre-production drilling.* • *The major assumptions made and Mineral Resource model used for pit and stope optimisation (if appropriate).* • *The mining dilution factors used.* • *The mining recovery factors used.* • *Any minimum mining widths used.* • *The manner in which Inferred Mineral Resources are utilised in mining studies and the sensitivity of the outcome to their inclusion.* • *The infrastructure requirements of the selected mining methods.*	material handling systems. • The mine design is based on a sub-level spacing of 7 m, which also considers a recent geotechnical assessment by SRK in 2016. • A budget allowance is provided for grade control drilling which is in line with historic costs. • As the mine has been operating for many years there is a reasonable assumption that the same mining method approach will be suitable for mining the Inferred classified Resources. • Mine dilution is based on historical performance at 21.9% at the Svinja Reka deposit, which is primarily incurred as a result of the sub-level cave method. • Mining losses are based on historical performance at 18% and are mainly due to sterilisation of identified Resources by the sub-level caving method. • Mine planning has considered a mining selectivity of 7 m in the horizontal direction and 7 m in the vertical direction which is considered reasonable for the mining method approach and production equipment used. • In the Golema Reka deposit, a cut and fill mining method is planned (which was previously used in this deposit), with 95% recovery and 8% dilution. • Mine planning has only considered the Indicated classified Mineral Resources to support the Ore Reserve estimate. Inferred classified Mineral Resources are considered in the LoMp but only the Indicated portion of the LoMp supports Ore Reserves. • The mine is well established and there is significant underground development already in place to access the identified Ore Reserves. The materials handling systems are already established and with sufficient capacity for the production rate used for mine planning.
Metallurgical factors or assumptions	• *The metallurgical process proposed and the appropriateness of that process to the style of mineralisation.* • *Whether the metallurgical process is well-tested technology or novel in nature.* • *The nature, amount and representativeness of metallurgical test work undertaken, the nature of the metallurgical domaining applied and the corresponding metallurgical recovery factors applied.* • *Any assumptions or allowances made for deleterious elements.* • *The existence of any bulk sample or pilot scale test work and the degree to which such samples are considered representative of the orebody as a whole.* • *For minerals that are defined by a specification, has the ore reserve estimation been based on the*	• There are established metallurgical process concentrator facilities at the operating SASA Mine which has achieved similar production rates and recovery parameters in recent years that are used as a basis of the Ore Reserves, the LoMp. • The process plant is conventional and the metallurgy for both lead and zinc, based on historical performance, is relatively straightforward • The forecast lead and zinc feed grades of 3.37% to 4.03% Pb and 2.65% to 3.27% Zn are below the nominal design figures and are within the historical grades processed previously such that the lead and zinc loads within the flotation circuit are acceptable and should not be an issue. • There are no significant deleterious elements reported.

Criteria	JORC Code explanation	Commentary
	appropriate mineralogy to meet the specifications?	• There are no issues with zinc in lead concentrate and lead in zinc concentrate.
Environmental	• *The status of studies of potential environmental impacts of the mining and processing operation. Details of waste rock characterisation and the consideration of potential sites, status of design options considered and, where applicable, the status of approvals for process residue storage and waste dumps should be reported.*	• An initial Environmental Impact Assessment ("EIA") was undertaken in 2006 to meet regulatory requirements, long after operations commenced. A new EIA for TSF4 was submitted in 2016. • There is upstream contamination from the historical mine workings and the associated mine residues. However, according to a legal review, the current operators are not responsible for this. SRK notes separating the effects of historical contamination from any new contamination generated by current operations remains a challenge. • No geochemical characterization of operational mine residues has been undertaken to determine long term acid rock drainage and metal leaching potential. Currently available water quality data indicates this is not currently a problem; however, implementation of agreed environmental and social action plan ("ESAP") items is needed to confirm if this will remain the case long term and if water treatment post-closure may be required. • TSF 4, located immediately downstream of the active TSF 3.2, is currently under construction. In order to fulfill the LoMp for the Ore Reserves, an additional similar sized facility, TSF 5, will be required in 2026. Whilst formal designs have not yet been prepared for TSF 5, the location will be immediately downstream of TSF 4, it will be constructed in the same way as TSF 4 (downstream construction using cycloned tailings plus starter dam) and a similar amount of capex has been provided for its construction in Lynx Resources' financial model. • Following from work completed as part of the conceptual closure cost study, a closure cost provision of USD15M (real 2017 terms) has been allowed for.
Infrastructure	• *The existence of appropriate infrastructure: availability of land for plant development, power, water, transportation (particularly for bulk commodities), labour, accommodation; or the ease with which the infrastructure can be provided, or accessed.*	• The SASA mine is operating and the infrastructure and services are well established and considered appropriate and sufficient for the duration of the LoMp. • There is a requirement for significant infrastructure to be developed as part of the development of tailings storage facilities to fulfil the LoMp. A tunnel in bedrock within the western abutment of TSF 4 is partially completed and a surface channel river diversion is planned for the eastern abutment. Downstream extensions to these structures will be required for TSF 5 and capital has been allocated for this in Lynx Resources' financial model. SRK has recommended that Lynx Resources begins the permitting process for TSF 5 in 2018.

Criteria	JORC Code explanation	Commentary
Costs	• *The derivation of, or assumptions made, regarding projected capital costs in the study.* • *The methodology used to estimate operating costs.* • *Allowances made for the content of deleterious elements.* • *The derivation of assumptions made of metal or commodity price(s), for the principal minerals and co- products.* • *The source of exchange rates used in the study.* • *Derivation of transportation charges.* • *The basis for forecasting or source of treatment and refining charges, penalties for failure to meet specification, etc.* • *The allowances made for royalties payable, both Government and private.*	• The Capital and Operating cost estimates for the SASA Mine have been determined Lynx Resources based on recent historical performance and the current 2017 budget for the mine. A conceptual cost for mine closure has also been included. • The currency used for reporting at the mine is the Euro ("EUR"); however, the economic assessment reports in United States Dollars ("USD") where a constant exchange rate of 1.09 USD/EUR has been applied over the LoM. • Transportation charges are based on off-take agreements with customers to European smelters. • Treatment and refining charges are based on current offtake agreements with customers. • The compensation for exploitation of the minerals (Concession Fee) amounts to: o 2% of the market value of the metal of lead per tonne in each tonne of lead concentrate produced. o 2% of the market value of the metal of zinc per tonne in each tonne of zinc concentrate produced.
Revenue factors	• *The derivation of, or assumptions made regarding revenue factors including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, net smelter returns, etc.* • *he derivation of assumptions made of metal or commodity price(s), for the principal metals, minerals and co-products.*	• Treatment and refining charges are based on a standard approach used at smelters using the current terms for concentrate treatment which are also factored according to the forecast metal prices. • Concentrate grades and payability terms for the separate lead and zinc concentrates are based on those achieved in recent operating history. • The commodity price profile used in the economic assessment has been sourced from Bloomberg as at 17 July 2017. • The forecast silver price is as per a long-term streaming agreement which is in place.
Market assessment	• *The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future.* • *A customer and competitor analysis along with the identification of likely market windows for the product.* • *Price and volume forecasts and the basis for these forecasts.* • *For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract.*	• The SASA Mine is a long term producer of lead and zinc concentrates and primary supplier to European smelters. • New offtake agreements have been negotiated by SASA mine in November 2016 and January 2017. • The forecast silver price is as per a long-term streaming agreement which is in place.
Economic	• *The inputs to the economic analysis to produce the net present value (NPV) in the study, the source and confidence of these economic inputs including estimated inflation, discount rate, etc.* • *NPV ranges and sensitivity to variations in the significant assumptions and inputs.*	• SRK has prepared a financial model, based on Lynx Resources' financial model, to test the economic viability of the Ore Reserves, taking into account the various technical, operating cost, capital expenditure and corporate income tax parameters (excluding any debt or financing structures). The assessment demonstrates that the Ore Reserve is economically viable, with robust economics that remain

Criteria	JORC Code explanation	Commentary
		positive when tested against appropriate increases in operating and capital costs, and changes in commodity prices. • A break even assessment has been undertaken for the Ore Reserve case. At an undiscounted basis, the cashflow supported by the Ore Reserve breaks even at prices of USD910/t for Pb and USD1,100/t for Zn.
Social	• *The status of agreements with key stakeholders and matters leading to social licence to operate.*	• The project reportedly enjoys good relations with the community of Kamenica and its employees. Therefore, no material risks arising from the current informal management of social issues have been identified. However, closer to the mine community members have complained about dust and this issue has been picked up in the latest Decision from the regulatory authority. The stakeholder engagement and social actions committed to in the mine's ESAP need to be implemented to manage any potential community risks going forward.
Other	• *To the extent relevant, the impact of the following on the project and/or on the estimation and classification of the Ore Reserves:* • *Any identified material naturally occurring risks.* • *The status of material legal agreements and marketing arrangements.* • *The status of governmental agreements and approvals critical to the viability of the project, such as mineral tenement status, and government and statutory approvals. There must be reasonable grounds to expect that all necessary Government approvals will be received within the timeframes anticipated in the Pre-Feasibility or Feasibility study. Highlight and discuss the materiality of any unresolved matter that is dependent on a third party on which extraction of the reserve is contingent.*	• The Exploitation concession (Concession Agreement) has been provided by Lynx Resources as no. 24-5550/1 dated 13/11/2014, as amended with Annex to Concession Agreement No. 24 2413/1 dated 26/03/2015, and exploitation permit thereto dated 13/05/2015. The concession is valid until 28/09/2030. • The challenges identified for the existing tailings facility (TSF 3.2) include the following: ○ The flows in to and out of the TSF are not quantified and there is no emergency spillway during the operational phase. It is acknowledged that in the current configuration there is significant available freeboard above the current pond elevation, and this is monitored and maintained. The outcome of the planned site-wide water balance is needed to validate the pond decantation systems and freeboard allowances for managing potential storm events. ○ There is risk that if the culvert roof collapses, uncontrolled release of tailings to the downstream environment could occur, similar to the failure that occurred in 2003. The mechanism would not be the same because remedial works were undertaken subsequently that reinforced the culvert roof at the location of the hatch that failed and caused the release. Lynx Resources is currently undertaking a structural integrity survey of the tunnels under the TSFs and will act on the findings and recommendations, as

Criteria	JORC Code explanation	Commentary
		appropriate. ○ The consented levels of metals and cyanide in the discharge water chemistry have been exceeded. To date, this has not prevented continuity of operations but there is a risk.
Classification	• *The basis for the classification of the Ore Reserves into varying confidence categories.* • *Whether the result appropriately reflects the Competent Person's view of the deposit.* • *The proportion of Probable Ore Reserves that have been derived from Measured Mineral Resources (if any).*	• The Ore Reserve estimate is based on Indicated classified Mineral Resources to determine Probable Reserves only. • The Mineral Resource statement does not include any Measured classified Resources and there are no Proved Ore Reserves declared by SRK. • Underground Probable Ore Reserves at the SASA Mine reflect the Indicated Mineral Resource available for stoping after accounting for depletion, pillars, and Modifying Factors for recovery and dilution.
Audits or reviews	• *The results of any audits or reviews of Ore Reserve estimates.*	• SRK has undertaken a multidisciplinary review of the Mineral Assets including an economic assessment. The Indicated classified Mineral Resources have been estimated by SRK. The Indicated Mineral Resources are a suitable basis for the Ore Reserves and SRK agrees that appropriate modifying factors have been applied. The mine planning, undertaken by Lynx Resources, has been completed in sufficient detail to provide a robust LoM schedule which is supported by the historical performance of the mine and process facilities. The economic assessment completed on the Mineral Assets is based on a reasonable forecast of metal prices and capital and operating cost estimates and shows a positive economic outcome for the discounted cashflow analysis.
Discussion of relative accuracy/ confidence	• *Where appropriate a statement of the relative accuracy and confidence level in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate.* • *The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.* • *Accuracy and confidence discussions should extend to specific discussions of any applied Modifying Factors that may have a material impact on Ore Reserve viability, or for which there are remaining areas of uncertainty at the current study stage.* • *It is recognised that this may not be possible or appropriate in all*	• The SASA Mine has been operating using a similar approach and production rate as that used in the LoMp. There is significant underground development in place and sufficient capacity with the existing materials handling systems for the duration of the LoMp which has been based on Indicated classified Resources. The Ore Reserve estimate is robust given the significant history of production and confidence in the parameters (based on actual) used in the mine planning and analysis. • The economic assessment has undertaken sensitivity analysis on the key drivers which has confirmed the robustness of the financial results. • SRK has provided Lynx Resources with technical recommendations to further improve the accuracy and confidence in mine planning in the future.

Criteria	JORC Code explanation	Commentary
	circumstances. These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.	

APPENDIX

B REGISTER OF MACEDONIAN STATUTES

Register of Macedonia Statutes

Register of applicable legislation		
1	Labour Relations Law	Official Gazette of RoM no. 54-2013 г
2	Law on Safety and Health at Work - final text	Official Gazette of RoM no. 53-2013 г
3	Law on Minerals	Official Gazette of RoM no. 136-2012 г
4	Law Amending and the Law on Minerals	Official Gazette of RoM no. 44-2014 г
5	Law Amending the Law on Prevention of and Protection against Discrimination	Official Gazette of RoM no. 44-2014 г
6	Rulebook on Safety and Health at Work - Manual Handling of Loads	Official Gazette of RoM no. 135-2007 г
7	Rulebook on Safety and Health at Work - Use of Work Equipment	Official Gazette of RoM no. 116-2007 г
8	Rulebook on Minimum Requirements on Safety and Health of Workers at the Workplace Area	Off. Gazette на P.M. бр.154-2008 г
9	Rulebook on Safety and Health of Workers Exposed to Risk of Noise	Off. Gazette на P.M. бр.21-2008 г
10	Rulebook on Safety and Health of Workers Exposed to Risk of Vibrations	Official Gazette of RoM no. 26-2008 г
11	Rulebook on the Amount of Costs for Performing Expert Activities Related to Health and Safety at Work	Official Gazette of RoM no. 10-2014 г
12	Rulebook on Safety and Health at Work Signs	Official Gazette of RoM no. 127-2007 г
13	Rulebook on the Format and Content of the Form of Reporting on Start of Performing an Activity	Official Gazette of RoM no. 136-2007 г
14	Rulebook on the Manner of Development a Safety Statement, its Content and Data to be Used as the Basis for Risk Assessment	Official Gazette of RoM no. 2-2009 г
15	Rulebook on Personal Protection Equipment Workers Use at Work	Official Gazette of RoM no. 116-2007 г
16	Rulebook on Minimum HS Requirements for Employees in the Mineral Exploitation by Drilling	Official Gazette of RoM no. 163-2011 г
17	Rulebook on the Conditions, Manner and Program for Sitting an Expert Exam on Safety at Work	Official Gazette of RoM no. 138-2007 г
18	Rulebook on the Conditions to be Met by Employees and the Organization and the Technical and Other Conditions to be Met by the Legal and Physical Entity to Perform Professional Activities	Official Gazette of RoM no. 37-2008 г
19	Law Amending the Law on Technical Inspection	Official Gazette of RoM no. 119-2010 г
20	Law on Technical Inspection	Official Gazette of RoM no. 88-2008 г
21	Rulebook on the Minimum Health and Safety Requirements for Employees in Mining Companies Exploiting Mineral Resources on Surface and Underground	Official Gazette of RoM no. 64-2012 г
22	Rulebook on Health and Safety while Using Work Equipment a	Official Gazette of RoM no. 116-2007 г
23	Rulebook on the Manner of Keeping Records in the Area of Health and Safety at Work	Official Gazette of RoM no. 136-2007 г
24	Rulebook on the Minimum Health and Safety Requirements for Work of Temporary Mobile Construction Sites	Official Gazette of RoM no. 105-2008 г
25	Law Amending the Law on Health and Safety at Work	Official Gazette of RoM no. 23-2013 г
26	Law Amending the Law on Health and Safety at Work	Official Gazette of RoM no. 25-2013 г
27	Law Amending the Law on Health and Safety at Work	Official Gazette of RoM no. 136-2011 г
28	Law Amending the Technical Inspection Law	Official Gazette of RoM no. 119-2010 г
29	Law Amending the Technical Inspection Law	Official Gazette of RoM no. 36-2011 г
30	Law on Health and Safety at Work	Official Gazette of RoM no. 92-2007 г
31	Law Amending the Technical Inspection Law	Official Gazette of RoM no. 164-2013 г
32	Law Amending the Law on Health and Safety at Work	Official Gazette of RoM no. 164-2013 г
33	Rulebook on the Minimum Health and Safety Requirements for Employees Potentially Exposed to Risk of Explosive Environments	Official Gazette of RoM no. 74-2009 г
34	Rulebook on the minimum requirements for safety and health at work of employees from the risks related to exposure to asbestos at work	Official Gazette of RoM no. 50-2009 г
35	Rulebook on the Minimum Health and Safety Requirements for Employees with Regard to Risks Related to Exposure to Biological Agents	Official Gazette of RoM no. 170-2010 г
36	Rulebook on the Minimum Health and Safety Requirements for Employees with Regard to Exposures to Cancer-causing, Mutagen Substances or Substances Toxic to the Reproductive System	Official Gazette of RoM no. 110-2010 г

Register of applicable legislation		
37	Rulebook on the Minimum Health and Safety Requirements for Employees with Regard to Risks Related to Exposure to Chemical Substances	Official Gazette of RoM no. 46-2010 г
38	Rulebook on the Use of Pressurized Equipment	Official Gazette of RoM no. 32-2009 г
39	Rulebook on the Use of Lifts and Transporters	Official Gazette of RoM no. 26-2009 г
40	Rulebook on the Use of Cranes and Industrial Transporters	Official Gazette of RoM no. 32-2009 г
41	Law Amending the Health and Safety at Work Law	Official Gazette of RoM no. 158-2014 г
42	Law Amending the Health and Safety at Work Law	Official Gazette of RoM no. 137-2013 г
43	Rulebook on the Closer Types of Special Sources of Noise and Conditions to be Met by Plants, Equipment, Installations and Devices Used in Outdoor Areas with Regard to Emissions of Noise and Protection against Noise Standards	Official Gazette of RoM no. 142-2013 г
44	Integral text of the Technical Inspection Law	Official Gazette of RoM no. 88/08,119/10, 36/11, и 136/11
45	Rulebook on Protection Measures for Operating Cranes	Official Gazette of RoM no. 13-1998
46	Rulebook on Professional Development of Safety Professionals	Official Gazette of RoM no. 92/07 и 136/11
47	Rulebook on the Amount of Costs for Issuance of Permits for Performance of Expert Activities and Taking Expert Exams on Safety at Work	Official Gazette of RoM no. 92/07 и 136/11
48	Rulebook on the Minimal Health and Safety Requirements for Young Workers	Official Gazette of RoM no. 127-2012 г
49	Rulebook on the Minimal Health and Safety Requirements for Workers With Regard to Exposure to Asbestos at the Workplace	Official Gazette of RoM no. 50-2009 г
50	Rulebook on the Minimal Health and Safety Requirements for Pregnant Women Workers, Women Workers Who Have Recently Given Birth or Are Breast Feeding	Official Gazette of RoM no. 119-2011 г
51	Rulebook on the Manner of Scoring Active and Passive Participation in Trainings on Professional Development of Safety Professionals and the Format of and Form for Certificates of Scores Obtained for Participation in Professional Development Trainings	Official Gazette of RoM no. 41-2014 г
52	Rulebook on the Amount of Costs of Performance of Safety-at-Work-Related Expert Activities	Official Gazette of RoM no. 10-2014 г
53	Decree on the Type, Manner, Scope and Pricelist of Health Examinations of Employees	Official Gazette of RoM no. 60-2013 г
54	Decree Amending the Decree on the Type, Manner, Scope and Pricelist of Health Examinations of Employees	Official Gazette of RoM no. 168-2014 г
55	Law Amending the Law on Health and Safety at Work	Official Gazette of RoM no. 129-2015 г
56	Law Amending the Law on Health and Safety at Work	Official Gazette of RoM no. 15-2015 г
57	Law Amending the Law on Minerals	Official Gazette of RoM no. 39-2016 г
58	Law Amending the Law on Health and Safety at Work	Official Gazette of RoM no. 192-2015 г
59	Law Amending the Law on Health and Safety at Work	Official Gazette of RoM no. 30-2016 г
60	Rulebook on Mobile Equipment under Pressure	Official Gazette of RoM no. 17-2007 г
61	Rulebook on the Equipment and Procedure for Provision of First Aid and Organizing the Rescue Unit in Case of Incidents at Work	Official Gazette of RoM no. 21-1971 г
62	Law Amending the Law on Minerals	Official Gazette of RoM no. 93-2013 г
63	Rulebook on the Manner of Identification of Locations at which Firefighting Devices and Installations, Other Firefighting Equipment and Fire Extinguishers Must be Located, in Full Functionality, Specially Marked and Available for Use	Official Gazette of RoM no. 74-2006 г
64	Law Amending the Law on Rescue and Protection	Official Gazette of RoM no. 49-2004 г
65	Rulebook on Technical Norms for Handling Explosives and Blasting Operations in Mining	Official Gazette of RoM no. 26-1988 г
66	Law on Rescue and Protection	Official Gazette of RoM no. 36-2004 г
67	Law on Trading in Explosive Substances	Official Gazette of RoM no. 30-1985 г
68	Law on Protection against Explosive Substances	Official Gazette of RoM no. 4-1978 г
69	Rulebook on Releasing PPE on the Market	Official Gazette of RoM no. 13-2007 г
70	Decision of the Constitutional Court (98/10)	Official Gazette of RoM no. 98-2010 г
71	Decision of the Constitutional Court (93/11)	Official Gazette of RoM no. 93-2011 г
72	Decision of the Constitutional Court (60/12)	Official Gazette of RoM no. 60-2012 г
73	Rulebook on the Use of Technical Mining Equipment	Official Gazette of RoM no. 170-2010 г
74	Rulebook on Safety of Machines	Official Gazette of RoM no. 123-2009 г
75	Rulebook on Minimum HS Requirements for Temporary and Mobile Construction Sites	Official Gazette of RoM no. 105-2008 г

APPENDIX

C SASA MINE SAFETY STRATEGY ELEMENTS AND IMPROVEMENT INITIATIVES

Appendix C: Sasa Mine Safety Strategy Elements and Improvement Initiatives

Strategy Framework Element	ID	Initiative Name	Initiative Description	Initiative Owner
Safety Strategy Implementation Plan (SIP)	00	Safety Strategy and SIP	A formal strategy document and strategy implementation plan of action. - These documents are key governance controls for safety improvement activities at the mine - Apply Change Management Principals when reviewing/updating operating procedures (rulebook)	Technical Director
1. Enhance Hazard Identification Skills	01	Hazard ID Skills Training	A program of formal Hazard ID skills training. Training is delivered by an accredited training entity. Training content is to reference the Sasa OHS baseline risk register, the hazards and hazard controls documented therein. Training includes the skills to conduct Job Safety Analyses (JSA) and the facilitation of Take 5 risk assessments	Safety Manager
	02	Safety Audio Visual / Poster campaign	A program of topical safety and operational related audio visual presentations and posters aligned with selected hazard or operational safety communication requirements identified through the weekly safety meetings.	Safety Manager
2. Review Risk Assessment & Operating Rules	03	Review of Risk Assessment	The establishment of the Sasa OHS baseline risk register. This document is a key governance control for safety improvement at the mine.	Safety Manager
	04	Review Mining operating rules	The development and implementation of a series of Mining related safety and operational management documents: - Principle Hazard Management Plans (PHMP) for hazards or operational activities which pose a fatality risk. - Standard Operating Procedures for each standard mining activity - Safe Work Method Statements (SWMS) for non-standard activities	Mine Manager
	05	Review Flotation operating rules	The development and implementation of a series of Flotation related safety and operational management documents: - Principle Hazard Management Plans (PHMP) for hazards or operational activities which pose a fatality risk. - Standard Operating Procedures for each standard flotation activity - Safe Work Method Statements (SWMS) for non-standard activities	Flotation Manager
	06	Review Mechanical operating rules	The development and implementation of a series of Mechanical related safety and operational management documents: - Principle Hazard Management Plans (PHMP) for hazards or operational activities which pose a fatality risk. - Standard Operating Procedures for each standard mechanical installation or maintenance activity - Safe Work Method Statements (SWMS) for non-standard activities	Mechanical Engineer
	07	Review Electrical operating rules	The development and implementation of a series of Electrical related safety and operational management documents: - Principle Hazard Management Plans (PHMP) for hazards or operational activities which pose a fatality risk. - Standard Operating Procedures for each standard electrical installation or maintenance activity Safe Work Method Statements (SWMS) for non-standard activities	Electrical Engineer

Strategy Framework Element	ID	Initiative Name	Initiative Description	Initiative Owner
3. Strategize Equipment Safety Improvements	08	Safety in Design (SID) – Equipment and Material	- Processes to ensure the capital replacement program fully leverages the principals of Inherently Safer Design. - Processes to ensure that all materials and consumables fully leverage the principals of Inherently Safer Design	Technical director
	09	Mechanical Equipment Safety Compliance Renewal Program	Minimise residual risk exposure from old mechanical assets by applying a risk-based approach to prioritisation for replacement. - Audit of all fixed and mobile equipment to determine inherent safety shortcoming - Clearly tag all “Old generation” or non-compliant assets - Communicate that the unsafe and/or non-standard assets are being tolerated temporarily because there is a phased renewal/replacement program - Ensure adequate Procedural/Administrative controls in the interim	Mechanical Engineer
	10	Electrical Equipment Safety Compliance Renewal Program	Minimise residual risk exposure from old electrical assets by applying a risk-based approach to prioritisation for replacement. Yes - Audit of all fixed and mobile equipment to determine inherent safety shortcomings - Clearly tag all “Old generation” or non-compliant assets - Communicate that the unsafe and/or non-standard assets are being tolerated temporarily because there is a phased renewal/replacement program - Ensure adequate Procedural/Administrative controls in the interim	Electrical Engineer
	11	ISO/IEC Technical Standards & Specifications	- Ensure relevant ISO/IEC Technical Standards & Specifications are met where appropriate. - Ensure all other relevant Macedonia Technical Standards & Specifications are met	Technical Director
4. Integrate and Automate Safety Management Systems	12	Alignment with the EHS General Guidelines and the EHS (Mining) guidelines.	A register of EP alignment requirements indicating current status, gaps identified and gap close-out requirements.	Safety Manager / Environmental Manager
	13	Intranet-based OHS workflow	Implement an “Intranet” based data management, workflow and reporting application.	Safety Manager
	14	Accident and Incident Investigation Tools	Implement appropriate technical accident investigation techniques.	Safety Manager
5. Develop Safety Performance Monitoring & Targets	15	Safety Performance Indicators (Lagging)	- Continue with accurate historical statistics (Lag Indicators) i.e. Fatalities, Injuries, Occupational Diseases etc. - Apply ICMM Guideline classification definitions - Benchmark against best in class operations	Safety Manager
	16	Safety Performance Indicators (Leading)	Identify appropriate Lead Indicators and establish a LI implementation plan. - Safety inspections / observations etc. - Include High Potential Incidents (HPI’s)	Technical Director
	17	“Zero Tolerance” policy position	Establish a concise one-liner Safety Policy or mantra which is easy to memorise and implementable by all persons at the mine	General Manager
	18	OHS and Environmental performance targets	Set achievable targets and milestones 2016, 2017, 2018 etc for each Leading and Lagging Indicators	General Manager
	19	Personal OHS KPI’s	Ensure line management are assigned clear, achievable performance targets	General Manager

Strategy Framework Element	ID	Initiative Name	Initiative Description	Initiative Owner
6. Understand & Monitor Workforce Fitness	20	Explore best in class recruitment /filtering methods	Investigate, consider and implement international best in class recruitment/filtering methods with the aim to developing the "Safety Climate" at the mine.	HR Manager
	21	Workforce Monitoring and Management	- Understand Safety and Productivity capabilities of individuals based on individual assessment and monitoring - Develop and implement an appropriate workforce (fit-for-work) management plan	HR Manager
7. Regulator and Worker Interactions	22	Safety Strategy Union Communication	Obtain Union buy-in on all Strategy action plans	General Manager
	23	Regulator Interactions	- Proactively involve regulators in understanding Sasa's intentions and changes regarding safety management - Consider the potential benefits of improving the capability and competence of the mining inspectorate. - Additional use of regulator skills/capability where appropriate - Motivate increased collaboration by Macedonian regulators with counterparts in other countries where regulatory compliance and safety performance has been positively impacted by a risk-based approach to hazard management	General Manager

PART IX

GROUP HISTORICAL FINANCIAL INFORMATION

The following financial information on the Company and the Group is available at www.centralasiametals.com, and is incorporated by reference into this document:

- Interim results for the six months ended 30 June 2017;
- Annual consolidated accounts for the financial year ended 31 December 2016;
- Annual consolidated accounts for the financial year ended 31 December 2015; and
- Annual consolidated accounts for the financial year ended 31 December 2014.

CAML will provide, without charge, to each person to whom a copy of this document has been sent, upon their written or verbal request, a copy of any information incorporated by reference in this document. Copies of any information incorporated by reference in this document will not be provided unless such a request is made. These documents will also be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Jones Day from the date of this document until one month from the date of Admission.

Requests for any such copies should be directed to Anthony Hunter at Masters House, 107 Hammersmith Road, London, W14 0QH, or by email to coseccaml@nautilusmanagement.com

PART X

LYNX GROUP HISTORICAL FINANCIAL INFORMATION

The following Part X contains the historical financial information on the Lynx Group.

The historical financial information of the Lynx Group presented in this Admission Document reflects the historic ownership of the SASA Mine.

For the period from 1 January 2014 to 3 November 2015, SASA was owned and controlled by Solway Industries Ltd and Solway Industries Eesti AS.

On 3 November 2015, Lynx Europe acquired the entire issued share capital of SASA. Lynx Europe is a wholly owned subsidiary of Lynx Resources, the entity that is being acquired by CAML in connection the Acquisition. Lynx Resources was incorporated on 19 June 2015.

The financial information has been prepared under IFRS as adopted by the European Union. The financial information of SASA for 2015 and 2014 has been translated from SASA's functional currency of MKD into USD for comparability.

The financial information of the Lynx Group has been impacted by related party transactions with entities that do not form part of the Lynx Group. In particular, the Lynx Group had contractual arrangements with Lynx Metals, a related party that is not part of the Lynx Group, including with respect to marketing services and silver streaming that have impacted on the Lynx Group financial information. Certain of these arrangements, including the marketing services provided by Lynx Metals, will not continue following completion of the Acquisition. Therefore the historic financial performance of the Lynx Group may not be wholly consistent with its financial performance as part of the Enlarged Group.

The following historical financial information of the Lynx Group is presented in this document:

- Section A: Historical financial information of Rudnik SASA DOOEL for the financial years ended 31 December 2014 and 31 December 2015
- Section B: Reporting Accountants' report on the historical financial information of Rudnik SASA DOOEL
- Section C: Historical financial information of Lynx Resources for the financial period from 19 June 2015 to 31 December 2015 and the financial year ended 31 December 2016
- Section D: Reporting Accountants' report on the historical financial information of Lynx Resources
- Section E: Interim financial information of Lynx Resources for the six months ended 30 June 2017

SECTION A: HISTORICAL FINANCIAL INFORMATION OF RUDNIK SASA DOOEL FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2014 AND 31 DECEMBER 2015

Rudnik SASA dooel—Makedonska Kamenica

IFRS Financial information for the two years ended 31 December 2015

(all amounts are in USD unless otherwise stated)

Statement of comprehensive income

	Note	Year ended 31 December 2015	2014
Gross revenue	5	70,491,829	82,837,582
Transportation expenses		(35,930)	(10,830)
Revenue		**70,455,899**	**82,826,752**
Inventory movement		(2,577)	54,777
Consumed raw materials	7	(13,110,079)	(15,520,032)
Salaries/payroll expenses	8	(7,614,271)	(8,678,947)
Cost value of tools and consumable goods		(43,444)	(38,370)
Concession expenses	9	(2,175,835)	(2,558,767)
Write off/disposals	13	(59,193)	(345)
Depreciation expenses	13	(5,471,987)	(5,299,455)
Other operating expenses	10	(3,579,879)	(4,242,290)
Other operating income	6	77,067	51,482
Total operating profit		**38,475,701**	**46,594,805**
Finance income	11	14,862,593	24,102,409
Finance costs	11	(7,456,370)	(6,561,409)
Finance (costs)/income—net		**7,406,223**	**17,541,000**
Profit before income tax		**45,881,924**	**64,135,805**
Income tax expense	12	(5,670,052)	(14,351,957)
Profit for the year		**40,211,872**	**49,783,848**
Other comprehensive income		**(5,389,552)**	**(15,355,838)**
Total other comprehensive income for the year		**34,822,320**	**34,428,010**
Profit attributable to the owners		**34,822,320**	**34,428,010**
Total comprehensive income attributable to the owners:		**34,822,320**	**34,428,010**

Rudnik SASA dooel—Makedonska Kamenica

IFRS Financial information for the two years ended 31 December 2015

(all amounts are in USD unless otherwise stated)

Statement of financial position

	Note	As at 31 December 2015	As at 31 December 2014	As at 1 January 2014
ASSETS				
Non-current assets				
Property, plant and equipment	13	46,123,471	49,053,587	49,710,928
Total non-current assets		**46,123,471**	**49,053,587**	**49,710,928**
Current assets				
Inventories	14	1,538,766	2,032,084	2,287,103
Trade receivables	15	6,022,610	45,415,543	48,720,568
Other receivables	15	1,374,647	2,351,664	2,078,910
Income tax receivable		169,882	—	86,887
Loans	16	—	55,500,372	152,853,968
Cash and cash equivalents	17	216,641	962,947	1,487,671
Total current assets		**9,322,546**	**106,262,610**	**207,515,107**
TOTAL ASSETS		**55,446,017**	**155,316,197**	**257,226,035**
EQUITY AND LIABILITIES				
Equity				
Own capital		4,672,933	4,672,933	4,672,933
Statutory reserves		934,596	934,596	934,596
Other reserves		(20,656,718)	(15,267,166)	137,866,133
Retained earnings		53,362,909	78,759,564	91,592,049
Total equity	18	**38,313,720**	**69,099,927**	**235,065,711**
Non-current liabilities				
Borrowings	20	—	5,019,047	9,234,874
Provisions for liabilities and charges	19	2,449,711	2,335,326	2,124,472
Total non-current liabilities		**2,449,711**	**7,354,373**	**11,359,346**
Current liabilities				
Borrowings	20	11,208,226	4,209,520	4,536,423
Trade and other payables	21	2,097,672	1,882,145	3,491,756
Other current liabilities	21	1,240,687	63,815,239	2,635,236
Provisions for liabilities and charges	19	136,001	55,716	90,834
Income tax payable		—	8,899,277	46,729
Total current liabilities		**14,682,586**	**78,861,897**	**10,800,978**
Total liabilities		**17,132,297**	**86,216,270**	**22,160,324**
TOTAL LIABILITIES AND EQUITY		**55,446,017**	**155,316,197**	**257,226,035**

Rudnik SASA dooel—Makedonska Kamenica

IFRS Financial information for the two years ended 31 December 2015

(all amounts are in USD unless otherwise stated)

Statement of changes in equity

	Own Capital	Statutory reserves	Other reserves	Retained Earnings	Total
Balance at 1 January 2014	**4,672,933**	**934,596**	**137,866,132**	**91,592,049**	**235,065,710**
Transactions with owners					
Other reserves distribution	—	—	(137,777,460)	—	(137,777,460)
Dividends distribution	—	—	—	(62,616,333)	(62,616,333)
	4,672,933	**934,596**	**88,672**	**28,975,716**	**34,671,917**
Net profit for 2014	—	—	—	49,783,848	49,783,848
Other comprehensive income	—	—	(15,355,838)	—	(15,355,838)
Total comprehensive income	**—**	**—**	**(15,355,838)**	**49,783,848**	**34,428,010**
Balance at 31 December 2014	**4,672,933**	**934,596**	**(15,267,166)**	**78,759,564**	**69,099,927**
Balance at 1 January 2015	**4,672,933**	**934,596**	**(15,267,166)**	**78,759,564**	**69,099,927**
Transactions with owners					
Dividends distribution	—	—	—	(65,608,527)	(65,608,527)
	4,672,933	**934,596**	**(15,267,166)**	**13,151,037**	**3,491,400**
Net profit for 2015	—	—	—	40,211,872	40,211,872
Other comprehensive income	—	—	(5,389,552)	—	(5,389,552)
Total comprehensive income	**—**	**—**	**(5,389,552)**	**40,211,872**	**34,822,320**
Balance at 31 December 2015	**4,672,933**	**934,596**	**(20,656,718)**	**53,362,909**	**38,313,720**

Rudnik SASA dooel—Makedonska Kamenica

IFRS Financial information for the two years ended 31 December 2015

(all amounts are in USD unless otherwise stated)

Statement of cash flows

	Year ended 31 December	
	2015	2014
Operating activities		
Profit/(Loss) before tax	**45,881,924**	**64,135,805**
Adjustments for:		
Depreciation (Note 13)	5,471,987	5,299,455
Interest expense (Note 11)	676,975	1,195,528
Interest income (Note 11)	(265,366)	(1,448,526)
Accretion expense (Note 11)	185,848	182,589
Unrealized foreign exchange (gain) loss (Note 13)	(185,092)	(237,129)
Cash generated from operations before changes in working capital	**51,766,276**	**69,127,722**
Cash flow from operating activities		
(Increase)/ decrease in inventories	288,252	(16,020)
(Increase)/ decrease in trade receivables	35,257,987	(2,656,865)
(Increase)/ decrease in other receivables	746,078	(563,808)
Increase/ (decrease) in trade payables	416,114	(1,304,457)
Increase/ (decrease) in other current liabilities	(59,319)	(953,662)
Cash generated from operations	**88,415,388**	**63,632,910**
Interest and bank charges paid	(676,975)	(1,195,528)
Income taxes paid	(13,950,631)	(4,625,167)
Net cash generated from operating activities	**73,787,782**	**57,812,215**
Cash flow from investing activities		
Acquisition of property, plant and equipment	(8,059,612)	(9,713,590)
Proceeds from loans	50,563,614	85,638,365
Interest received	265,366	1,448,526
Net cash used in investing activities	**42,769,368**	**77,373,301**
Cash flow from financing activities		
Repayment of borrowings	(8,407,685)	(3,177,460)
Proceeds from borrowings	12,258,355	—
Dividends paid	(121,065,047)	(132,388,737)
Net cash used in financing activities	**(117,214,377)**	**(135,566,197)**
Net decrease in cash and cash equivalents	**(657,227)**	**(380,681)**
Effects of exchange rate changes on cash and cash equivalents	(89,079)	(144,043)
Cash and cash equivalents at 1 January	962,947	1,487,671
Cash and cash equivalents at 31 December (Note 17)	**216,641**	**962,947**

Rudnik SASA dooel—Makedonska Kamenica

Notes to the Financial information for the two years ended 31 December 2015

(all amounts are in USD unless otherwise stated)

1. General information

Sasa—dooel Makedonska Kamenica ("SASA") is a base metals company which operates the Sasa zinc and lead mine registered in:

Rudarska No. 28 Makedonska Kamenica.

The company was founded on 28 June 2005. The registration in the Central Register is done with the Decision no. 4047/2005 in the Primary Court Skopje. The initial capital amounts to USD 4,672,933.

From 4 November 2015 SASA's new owner was Lynx Europe dooel Skopje with 100% ownership from Solway Industries Limited and Solway Industries EESTI AS. The ultimate parent is Lynx resources resident in Hamilton, Bermuda. As of 31 December 2015, SASA had 680 employees (2014: 689 employees). The General Manager of SASA serving during the financial year was:

Aleksandr Rakov

The primary activity of SASA is the extraction of mineralized ores and the production of zinc and lead concentrates under the code 7.29—Extraction of other ores of coloured metals.

The activity of SASA is organized through the following organizational activities:

- Mine
- Flotation
- Laboratory
- Machine workshop
- General administration

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of this financial information is out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation and statement of compliance with IFRS

This financial information has been prepared for the purposes of the re-admission of CAML to AIM. This special purpose financial information has been prepared in accordance with the requirements of the AIM Rules for Companies and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The financial information relating to "SASA" has been prepared in a form that is consistent with the accounting policies adopted in CAML's latest annual accounts.

Prior to the adoption of IFRS, for all periods up to and including the year ended 31 December 2014, SASA prepared its financial statements in accordance with Macedonian generally accepted accounting principles ("Macedonian GAAP"). This financial information for the year ended 31 December 2015 represents the first time SASA has prepared its financial information in accordance with IFRS. Accordingly, SASA has prepared financial information which comply with IFRS applicable for periods ending on or after 31 December 2015, together with the comparative period data as at and for the year ended 31 December 2014, as described in the accounting policies. In preparing this financial information, SASA's opening statement of financial position was prepared as at 1 January 2014 in accordance with IFRS.

The main changes to the presentation of the financial information as a result of adopting IFRS are due to the following accounting policies:

- Asset Retirement Obligation (Note 19),
- Employee Benefits (Note 19), and
- Jubilee Awards (Note 19).

2. Summary of significant accounting policies (Continued)

Disclosure of our elected transition exemptions and reconciliation and explanation of account policy differences compared to Macedonian GAAP have been provided in Note 24 to this financial information.

The financial information is presented in USD, unless otherwise stated.

The historical consolidated financial information has been prepared on a going concern basis.

2.2. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial information are measured using the currency of the primary economic environment in which the entity operates ('the functional currency') which is MKD and which, for the purposes of the re-admission of CAML to AIM, are translated to the presentation currency which is USD.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income, within finance income and costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within finance income and costs.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

2.3. Property, plant and equipment

Property acquisition costs are capitalized. Property, plant and equipment is stated at cost, as defined in IAS 16, less accumulated depreciation and accumulated impairment losses.

2. Summary of significant accounting policies (Continued)

2.4. Mining properties and mine development costs

Development costs relating to specific properties are capitalized once management determines a property will be developed. A development decision is made based upon consideration of project economics, including future metal prices, reserves and resources, and estimated operating and capital costs. Capitalization of costs incurred and proceeds received during the development phase ceases when the property is capable of operating at levels intended by management and is considered commercially viable. Costs incurred during the production phase to increase future output by providing access to additional reserves, are deferred and depreciated on a units-of-production basis over the component of the reserves to which they relate. Ore reserves may be declared for an undeveloped mining project before its commercial viability has been fully determined.

Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit. The cost of mineral properties also includes the estimated close-down and restoration costs associated with the asset.

Interest on borrowings related to qualifying assets for construction or development projects is capitalised, at the rate payable on project-specific debt if applicable or at SASA's cost of borrowing, until the project becomes commercially viable.

2.5. Depreciation

Property, plant and equipment is depreciated over their useful life, or over the remaining life of the operation if shorter, to residual value. No depreciation is recorded until the assets are substantially complete and ready for productive use. The major asset categories are depreciated as follows:

Mining Properties, including capitalised financing costs, are depreciated on a Unit of Production basis (UoP), in proportion to the volume of ore extracted in the year compared with total proven and probable reserves at the beginning of the year. Assets within operations for which production is not expected to fluctuate significantly from one year to another or which have a physical life shorter than the related mine are depreciated on a Straight-Line basis. This pertains to all asset classes, including:

- Buildings and mining infrastructure (which includes mining properties)
- Machinery, Plant and other equipment

Depreciation calculated on a straight-line basis is as follows for major asset categories:

Office equipment	20%-37.5%
Furniture and fittings	20%-37.5%
Other Mining Infrastructure and buildings	2.5%-10%
Motor vehicles	25%-37.5%

Land is not depreciated.

Development costs are not depreciated. Depreciation on equipment utilized in the development of assets, including underground mine development, is depreciated and recapitalized as development costs attributable to the related asset.

The depreciation of property, plant and equipment shall start after expiration of the month of the start-up in the year in which the utilisation of the property, plant and equipment started.

2.6. Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs that are directly attributable to:

- researching and analysing existing exploration data;
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and/or

2. Summary of significant accounting policies (Continued)

- compiling pre-feasibility and feasibility studies.

Evaluation expenditure relates to a detailed assessment of deposits or other projects that have been identified as having economic potential. Exploration and evaluation costs are expensed in the period incurred.

2.7. Impairment of property plant and equipment

At each reporting date, under IAS 36 SASA reviews the carrying amounts of its mineral properties, and property, plant and equipment to determine whether there is any indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, SASA estimates the recoverable amount of the CGU to which the asset belongs.

Internal and external factors are considered in assessing whether indicators of impairment are present. Significant assumptions regarding commodity prices, operating costs, capital expenditures and discount rates are used in determining whether there are any indicators of impairment. These assumptions are reviewed regularly by senior management and compared, where applicable, to observable market data.

Recoverable amount is the higher of fair value less costs of disposal and value in use (VIU). Fair value less costs of disposal is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to present value, assumptions used are those that an independent market participant would consider appropriate. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or CGU. A reversal of an impairment loss is recognised in the income statement.

2.8. Inventories

Inventories comprise raw materials (mined ore and other), work-in-progress (crushed ore), finished products (concentrate), spare parts and other materials and are carried at lower of cost and net realisable value.

The cost of inventories comprises all costs of purchase, production and other production overheads attributable to the production of finished goods (such as electricity, salaries, transport costs, fuel costs, food, beverages, and other) and other costs incurred in bringing the inventories to their present location and condition as follows:

Raw materials	Mining costs incurred
Spare parts and other materials	Purchase cost on a weighted average basis
Finished goods, work in progress	Cost of direct materials and labour and a proportion of production overheads, based on normal operating capacity

Obsolete, redundant and slow-moving inventories are identified and written down to their net realisable value as required.

Stockpiles comprise coarse ore that has been extracted from the mine and is available for further processing. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile. Stockpile tonnages are verified by periodic surveys, and valued based on procurement or mining costs incurred up to the point of stockpiling the ore.

2. Summary of significant accounting policies (Continued)

Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated costs necessary to make the sale.

2.9. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that SASA will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in Profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

2.10. Cash and cash equivalents

Cash and cash equivalents comprise bank balances in local and foreign currency, cash in hand and deposits in banks with original maturity with less than 3 months. The carrying amount of cash and cash equivalents is stated at cost, which approximates fair value.

2.11. Impairment of financial assets

SASA assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, bankruptcy or other such events.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of comprehensive income.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that SASA will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2.12. Own capital

(a) Own capital consists of paid in monetary considerations contributed by the shareholders.

2. Summary of significant accounting policies (Continued)

(b) Statutory and other Reserves

Legal reserves are created during the periods by transfer from retained earnings based on the legislation and decisions of the Management of SASA.

(c) Retained earnings

Retained earnings comprise of non-distributed earnings from the current and past periods.

(d) Dividends

Dividend distribution to SASA's owners is recognised as a liability in SASA's financial information in the period in which the dividends are approved (declared) by SASA's shareholders.

2.13. Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14. Provisions and contingent liabilities

Provisions are recognized when SASA has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured and recorded as the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provision charge is recognized in the statement of comprehensive income within the expense corresponding to the nature of the provision.

Provision for rehabilitation and environment

Management estimate, and provide for, obligations to incur restoration, rehabilitation and environment costs when environmental disturbance is caused by the initial or ongoing development of a mining property. Costs arising from establishing infrastructure at the start of a project are discounted to their net present value, provided for and capitalised when obligation arises. These costs are charged against profits over the useful life of the related asset through the unwinding of the discount and depreciation charge.

The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the costs of the asset. No provision is recognized for contingent liabilities. A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

2.15. Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively. Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered or paid to

2. Summary of significant accounting policies (Continued)

the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date.

Current income tax

Companies did not have to pay income tax on their profit before tax (earned since 1 January 2009) until that profit was distributed in a form of dividend or other forms of profit distributions. If dividend was paid, 10% income tax was payable at the moment of the dividend payment, regardless of whether in monetary or non-monetary form, to the foreign non-resident legal entities and, foreign and domestic individuals. The dividends paid out to the resident legal entities were tax exempt. Apart from distribution of dividends, the tax was still payable on the non-deductible expenses incurred in that fiscal year, decreased by the amount of tax credits and other tax reliefs.

In January 2014 the profit tax law was amended whereby the income tax is payable at the moment of dividend distribution regardless of the ownership structure. In accordance with these changes applicable as of January 2014, the income tax in Macedonia ceased to have the characteristics of withholding taxes. Consequently, as per IAS 12, the income tax arising from the payment of dividends was accounted for as a liability and profit and loss in the period in which dividends were declared, regardless of the actual payment date or the period for which the dividends were paid.

As of 1 August 2014, new profit tax law came into force being applicable from 1 January 2015 for the net income for 2014, with which the base for income tax computation had been shifted from income "distribution" concept to the profit before taxes. According to the provisions of the new law, the tax base is the profit generated during the fiscal year increased for non-deductible expenses and reduced for deductible revenue (i.e. dividends already taxed at the payer) and the income tax rate is 10%. In line with these changes income tax for the year was calculated and recorded in the Statement of comprehensive income.

Deferred income tax

Deferred tax is recognized applying the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred tax is determined using income tax rates that have been enacted or substantially enacted by the financial statement date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit (or reversing deferred tax liabilities) will be available against which the temporary differences can be utilized. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16. Employees Benefits

a) Pension

SASA, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax which are calculated on the basis on gross salaries and wages according to the legislation. SASA makes these contributions to the Governmental health and retirement funds as well to private retirement funds. The cost of these payments is charged to the income statement in the same period as the related salary cost.

SASA does not operate any other pension scheme or post-retirement benefits plan and consequently, has no obligation in respect of pensions.

2. Summary of significant accounting policies (Continued)

b) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. SASA recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

c) Retirement benefits and jubilee awards

Pursuant to the Labour law prevailing in the Republic of Macedonia, SASA is obliged to pay retirement benefits in an amount equal to two average monthly salaries, at their retirement date. According to the Collective agreement, SASA is also obliged to pay jubilee anniversary awards that correspond to the total number of years of service of the employee. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. In addition, SASA is not obligated to provide further benefits to current and former employees.

Retirement benefit obligations arising on severance pay are stated at the present value of expected future cash payments towards the qualifying employees. These benefits have been accrued by an independent actuary in accordance with the prevailing rules of actuarial mathematics. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives.

2.17. Borrowings

Borrowings are recognised initially at fair value. Borrowings are subsequently carried at amortised cost; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2.18. Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.19. Revenue

Revenue is derived principally from the sale of metal concentrate and is measured at the fair value of consideration received or receivable, after deducting discounts, volume rebates, value added tax and other sales taxes. A sale is recognised when the significant risks and rewards of ownership have passed. This is when title and insurance risk have passed to the customer and the goods have been delivered to a contractually agreed location.

Sales of metal concentrate are stated at their invoiced amount which is net of treatment and refining charges. Sales of metal concentrate are determined based on the market price from the LME at the date of sale. Sales are not provisionally priced.

Revenues from the sale of material by-products are included within revenue. Where a by-product is not regarded as significant, revenue will be credited against the cost of sales. Revenue from services is recognised as services are rendered and accepted by the customer. Amounts billed to customers in respect of shipping and

2. Summary of significant accounting policies (Continued)

handling activities are classified as revenue where SASA is responsible for freight. In situations where SASA is acting as an agent, amounts billed to customers are offset against the relevant costs.

3 Financial risk management

3.1 Financial risk factors

SASA does not apply hedge accounting for its financial instruments, all gains and losses are recognized in the income statement. SASA is exposed in particular to risks from movements in exchange rates and market prices that affect its assets and liabilities, credit risk and liquidity risk. Financial risk management aims to limit these market risks through ongoing operational and finance activities.

(i) Market risk

Market risk is defined as the 'risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices' and includes interest rate risk, currency risk and other price risk. The majority of the revenues of SASA are generated in USD and the remaining part mainly in MKD.

Expenses incurred by SASA are primarily in MKD, followed by EUR and USD and the residual amounts in Swedish Krona ("SEK"). As a result, SASA's objective is to minimize the level of its financial risk in MKD terms. For the presentation of market risks in accordance with IFRS 7 a sensitivity analyses is prepared below to show the effects of hypothetical changes of the relevant risk variables on profit or loss and owner's equity. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the balance sheet date. The balance at the balance sheet date is representative for the year as a whole.

Commodity prices, primarily lead and zinc, are key revenue drivers for SASA. The prices for lead and zinc can fluctuate widely and are affected by various factors beyond SASA's control. The main driver for metal price fluctuations is the supply and demand balance but other factors such as exchange rates, interest rates or speculative activities and the change in global economies can impact price levels and volatility too. To anticipate the full extent of the impact of any driver for commodity prices market developments is impossible management believes that is taking all the necessary measures to support the sustainability and growth of SASA's business in the current circumstances. Nevertheless, future market fluctuations cannot be predicted with accuracy. SASA does not currently hedge interest commodity price exposure. Any hedging activity requires approval of SASA's Board of Directors. SASA will not hold or issue derivative instruments for speculation.

Commodity price sensitivity

SASA is affected by the volatility of certain commodities. Its operating activities require the ongoing sales of Pb and Zn and processing of ore. The following table shows the effect of metal prices on SASA's financial results:

	Change in metal prices	Effect on financial position	Effect on profit before tax
		USD	USD
2015	100 USD	3,921,567	3,147,332
	(100) USD	(4,083,591)	(3,147,332)
2014	100 USD	4,372,513	3,760,884
	(100) USD	(4,553,168)	(3,760,884)

Foreign exchange risk

SASA's functional currency is the MKD. The foreign exchange risk exposure of SASA is related to holding foreign currency cash balances, and operating activities through revenues from and payments to international companies as well as capital expenditure contracted with vendors in foreign currency.

3 Financial risk management (Continued)

The currency giving rise to this risk is primarily USD. SASA manages the foreign exchange risk exposure by striving to manage sales contracts in USD and thus most of the trade receivables are in USD. SASA has small cash reserves in USD currency. SASA uses cash deposits in MKD or cash deposits in MKD indexed to EUR, to economically manage its foreign currency risk as well as local currency risk in accordance with the available banks offers.

However, the purchase of spare parts and raw materials are mostly denominated in MKD or EUR and connected to the price movement on the global movement, which is denominated in the both currencies. Therefore there is associated inherent business risk with such transactions. SASA's exposure to foreign currency risk was as follows:

2015	MKD	EUR	USD	SEK	Other
Assets					
Cash and cash equivalents	62,262	154,379	—	—	—
Trade and other receivables	72,411	97,810	6,014,982	—	—
Total assets	**134,673**	**252,189**	**6,014,982**	**—**	**—**
Liabilities					
Trade payables	1,473,914	442,470	45,641	135,647	—
Other current financial liabilities	1,240,687	—	—	—	—
Borrowings	11,208,226	—	—	—	—
Total liabilities	**13,922,827**	**442,470**	**45,641**	**135,647**	**—**
Net balance sheet exposure	**(13,788,154)**	**(190,281)**	**5,969,341**	**(135,647)**	**—**

2014	MKD	EUR	USD	SEK	Other
Assets					
Cash and cash equivalents	24,308	15,506	923,134	—	—
Trade and other receivables	2,137,028	223,732	45,406,425	—	—
Short-term loans	12,688,013	24,559,636	18,252,723	—	—
Total assets	**14,849,349**	**24,798,874**	**64,582,282**	**—**	**—**
Liabilities					
Trade payables	1,412,350	380,871	—	88,923	—
Other current financial liabilities	63,815,239	—	—	—	—
Borrowings	—	—	9,228,567	—	—
Total liabilities	**65,227,589**	**380,871**	**9,228,567**	**88,923**	**—**
Net balance sheet exposure	**(50,378,240)**	**24,418,003**	**55,353,715**	**(88,923)**	**—**

At 31 December 2015, if the MKD had weakened/strengthened by 0.5%, 2% i.e. 0.5% against the EUR/USD/SEK respectively with all other variables held constant, the recalculated post-tax profit for the year would have been for USD 958 lower/higher (2014: USD 122,092 lower/higher) for EUR; USD 119,380 lower/higher (2014: USD 1,107,072 lower/higher) for USD; and USD 674 lower/higher (2014: USD 435 lower/higher) for SEK.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Change in the interest rates and interest margins may influence financing costs and returns on financial investments. Changes in market interest rates affect the interest income on time deposits with banks.

SASA has borrowings in amounts of USD 11,208,226 as of 31 December 2015 (2014: USD 9,228,566), therefore 1 percentage point rise in market interest rate would have caused (ceteris paribus) the interest paid to

3 Financial risk management (Continued)

increase by approximately USD 112,072 annually before tax (2014: USD 92,305), while a similar decrease would have caused the same decrease in interest paid.

SASA has nil loans receivables as of 31 December 2015 (2014: USD 55,500,372), therefore 1 percentage point rise in market interest rate would have caused (ceteris paribus) the interest received to increase by MKD nil (2014: USD 555,000) annually before tax, while a similar decrease would have caused the same decrease in interest received.

SASA has cash and cash equivalents in amounts of USD 216,641 as of 31 December 2015 (2014: USD 923,391), therefore 1 percentage point rise in market interest rate would have caused (ceteris paribus) the interest received to increase by approximately USD 2,164 annually before tax (2014: USD 9,632), while a similar decrease would have caused the same decrease in interest paid.

(ii) Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. SASA is exposed to credit risk from its operating activities and certain financing activities, as it carries similar credit risk borne by its Ultimate parent, which exposes it to all financial consequences of default from the parent company's customers failing to make required payments. The process of managing the credit risk from operating activities includes preventive measures such as creditability checking and prevention barring, corrective measures during legal relationship for example reminding and disconnection activities. The overdue payments are followed through a debt escalation procedure based on customer's type, credit class and amount of debt. The credit risk is controlled through credibility checking—which determines that the customer is not indebted and the customer's credit worthiness.

SASA's procedures ensure on a permanent basis that sales are made to one customer who is a related party with an appropriate credit history and not exceed acceptable credit exposure.

SASA does not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Consequently, SASA considers that its maximum exposure is reflected by the amount of debtors net of provisions for impairment recognized and the amount of cash deposits in banks at the Balance Sheet date. Management is focused on dealing with most reputable banks in foreign and domestic ownership on the domestic market.

The following table represents SASA's exposure to credit risk as at 31 December 2015 and 31 December 2014:

	2015	2014
Cash and cash equivalents	216,641	962,947
Trade receivables	6,022,610	45,415,543
Other receivables	1,374,647	2,351,664
Loans	—	55,500,372
	7,613,898	**104,230,526**

3 Financial risk management (Continued)

The receivables are summarized as follows:

	31 December 2015		31 December 2014	
	Trade receivables—domestic	Trade receivables—foreign	Trade receivables—domestic	Trade receivables—foreign
Neither past due nor impaired	905	6,021,705	1,622	45,413,921
Past due but not impaired	—	—	—	—
Impaired	6,723	—	7,496	—
Gross	**7,628**	**6,021,705**	**9,118**	**45,413,921**
Less: allowance for impairment	(6,723)	—	(7,496)	—
Net	**905**	**6,021,705**	**1,622**	**45,413,921**

Trade receivables of USD 6,022,610 (2014: USD 45,415,543) were neither past due nor impaired. Main part of these receivables is matured up to 120 days, with no recent history of default. SASA analyzes the credit quality of neither past due nor impaired dividing between related parties and third parties. The amount presented as neither past due nor impaired is from related parties. Impaired receivables of USD 6,723 (2014: USD 7,496) relates to third party receivables which are due over 360 days. Further details are presented in Note 15.

SASA's maximum exposure to credit risk for trade receivables at the reporting date by geographic regions is as follows:

	2015	2014
Domestic	905	1,622
Other Foreign countries	6,021,705	45,413,921
	6,022,610	**45,415,543**

(iii) Liquidity risk

Liquidity risk is defined as the risk that SASA could not be able to settle or meet its obligations on time. SASA's policy is to maintain sufficient cash and cash equivalents to meet its commitments in the foreseeable future. Any excess cash is mostly deposited in commercial banks. SASA's liquidity management process includes projecting cash flows by major currencies and considering the level of necessary liquid assets, considering business plan, historical collection and outflow data. Regular cash projections are prepared and updated by Management.

3 Financial risk management (Continued)

The table below analyses SASA's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

At 31 December 2015	Carrying amount	6 months	6 to 12 months	1 to 5 years	Over 5 years
Financial assets					
Cash and cash equivalents	216,641	216,641	—	—	—
Trade receivables	6,022,610	6,022,610	—	—	—
Other receivables	1,374,647	1,374,647	—	—	—
	7,613,898	**7,613,898**	—	—	—
Financial liabilities					
Trade payables	2,097,672	2,097,672	—	—	—
Other current financial liabilities	1,240,687	1,240,687	—	—	—
Borrowings	11,208,226	11,208,226	—	—	—
	14,546,585	**14,546,585**	—	—	—
Net exposure	**(6,932,687)**	**(6,932,687)**	—	—	—

At 31 December 2014	Carrying amount	6 months	6 to 12 months	1 to 5 years	Over 5 years
Cash and cash equivalents	962,947	962,947	—	—	—
Trade receivables	45,415,543	45,415,543	—	—	—
Other receivables	2,351,664	2,351,664	—	—	—
Short-term loans	55,500,372	55,500,372	—	—	—
	104,230,526	**104,230,526**	—	—	—
Financial liabilities					
Trade payables	1,882,145	1,882,145	—	—	—
Other current financial liabilities	1,448,466	1,448,466	—	—	—
Loans and borrowings	9,228,566	2,483,900	6,744,666	—	—
Dividend liability	62,366,773	62,366,773	—	—	—
	74,925,950	**68,181,284**	**6,744,666**	—	—
Net exposure	**29,304,576**	**36,049,242**	**(6,744,666)**	—	—

3.2 Capital risk management

SASA's objectives when managing capital are to safeguard the SASA's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

3.3 Fair value estimation

Cash and cash equivalents, trade receivables and other current financial assets mainly have short term maturity. For this reason, their carrying amounts at the reporting date approximate their fair values.

3 Financial risk management (Continued)

The table below shows the categorisation of financial assets and liabilities as at 31 December 2015 and 31 December 2014:

31 December 2015	Loans and receivables	Carrying amount	Fair value
Assets as per the Statement of financial positions			
Trade and other receivables	7,397,257	7,397,257	7,397,257
Cash and cash equivalents	216,641	216,641	216,641
	7,613,898	**7,613,898**	**7,613,898**

	Other financial liabilities	Carrying amount	Fair value
Liabilities as per the Statement of financial position			
Trade payables and other current liabilities	3,338,359	3,338,359	3,338,359
Interest bearing borrowings	11,208,226	11,208,226	11,208,226
	14,546,585	**14,546,585**	**14,546,585**

31 December 2014	Loans and receivables	Carrying amount	Fair value
Assets as per the Statement of financial position			
Trade and other receivables	47,767,207	47,767,207	47,767,207
Cash and cash equivalents	962,947	962,947	962,947
Short-term loans	55,500,372	55,500,372	55,500,372
	104,230,526	**104,230,526**	**104,230,526**

	Other financial liabilities	Carrying amount	Fair value
Liabilities as per the Statement of financial position			
Interest bearing borrowings	9,228,566	9,228,566	9,228,566
Trade payables and other current financial liabilities	65,697,384	65,697,384	65,697,384
	74,925,950	**74,925,950**	**74,925,950**

The fair value of borrowings has been calculated by discounting the expected future cash flows at contracted interest rates. The fair value of loan notes and other financial assets has been calculated using market interest rates. As at 31 December 2015 and 31 December 2014, SASA measured the fair value using techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly (Level 2).

4. Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1. Critical accounting estimates and assumptions

SASA makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most critical estimates and assumptions are discussed below.

4. Critical accounting estimates and judgments (Continued)

(i) Useful lives of assets

Units of production basis

For mining properties and leases and certain mining equipment, consumption of the economic benefits of the asset is linked to production. Except as noted below, these assets are depreciated on a unit of production basis.

In applying the units of production method, depreciation is normally calculated based on production in the period as a percentage of total expected production in current and future periods based on ore reserves and, for some mines, other mineral resources and therefore the annual depreciation expense could be materially affected by changes in the underlying estimates which are driven by the life of mine plans. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral reserves through exploration activities, differences between estimated and actual costs of mining and differences in the commodity prices used in the estimation of mineral reserves.

The required level of confidence is unlikely to exist for minerals that are typically found in low-grade ore. Specific areas of mineralisation have to be evaluated in considerable detail before their economic status can be predicted with confidence. In calculating the units of production ratio, management made significant estimates. Changes in the proven and probable reserves estimates may impact the carrying value of property, plant and equipment.

Straight-line basis

Assets within operations for which production is not expected to fluctuate significantly from one year to another or which have a physical life shorter than the related mine are depreciated on a straight-line basis.

Further, due to the significant weight of depreciable assets in SASA's total assets, the impact of any changes in these assumptions could be material to SASA's financial position, and results of operations. If depreciation cost is decreased/increased by 10%, this would result in additional annual depreciation of approximately USD 547,199 (2014: USD 529,946).

(ii) Potential impairment of property, plant and equipment and intangibles

SASA is assessing the impairment of identifiable property, plant, equipment and intangibles whenever there is a reason to believe that the carrying value may materially exceed the recoverable amount and where impairment in value is anticipated. The recoverable amounts are determined by value in use calculations, which use a broad range of estimates and factors affecting those. Among others, SASA typically considers future revenues and expenses, macroeconomic indicators, technological obsolescence, discontinuance of operations and other changes in circumstances that may indicate impairment. If impairment is identified using the value in use calculations, SASA also determines the fair value less cost to sell (if determinable), to calculate the exact amount of impairment to be charged (if any). As this exercise is highly judgmental, the amount of potential impairment may be significantly different from that of the result of these calculations.

(iii) Impairment of trade and other receivables

SASA calculates impairment for doubtful accounts based on estimated losses resulting from the inability of its customers to make required payments. For customers in bankruptcy and liquidation, impairment is calculated on an individual basis, while for other customers it is estimated on a portfolio basis, for which SASA bases its estimate on the aging of its account receivables balance and its historical write-off experience, customer credit-worthiness and changes in its customer payment terms. These factors are reviewed periodically, and changes are made to calculations when necessary. The estimates involve assumptions about future customer behaviour and the resulting future cash collections. If the financial condition of its customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the impairment losses recognized so far.

4. Critical accounting estimates and judgments (Continued)

(iv) Ore reserves & Resources

Mineral Reserves and Resources may be used to calculate useful economic lives of assets and depreciation on SASA's mining properties and are defined as SASA's best estimate of Mineral Ore that can be mined in an economically viable fashion from the relevant property. Feasibility is determined based on operational assumptions that include, but are not limited to, production costs, mining and processing recoveries, cut-off grades, long term commodity prices as well as, possibly, exchange rates, inflation rates and capital costs. SASA's estimates are supported by geological studies conducted by appropriately qualified persons. However, SASA maintains that estimates ultimately depend upon interpretation and statistical inferences drawn from drilling and sampling analysis, and may therefore be subject to upward or downward restatements over time.

Mineral Reserves and Resources are determined based on assumptions that were valid at the time of estimation may change when new information becomes available. In addition, the calculation of the unit of production rate of amortisation could be impacted to the extent that actual production in the future is different from current forecast production. Any changes in estimate could affect prospective depreciation rates and asset carrying values and, as a result, the determination of Ore Reserves is considered a key source of estimation uncertainty.

(v) Provisions for rehabilitation and environmental provision

Management estimates and recognizes provisions for rehabilitation and environmental disturbances at the moment when disruption of the environment is caused by the initial and current development of the mine. Expenses for withdrawal are calculated at the present value of the estimated future expenses for settlement of liabilities based on projected cash flows. Consequently, a rehabilitation asset is recognized within property, plant or equipment. Cash flows are discounted using a risk free rate and changes are recognized as financial expenses. Estimated future expenses for withdrawal are estimated each year. Changes in the estimated future expenses or discount rates are added or deduct from the expense of the asset.

(vi) Income taxes

SASA is subject to income taxes in the Country of operation. Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. SASA recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Gross Revenue

	2015	2014
Revenue on foreign markets—lead and zinc concentrate	70,424,600	82,725,595
Revenue on domestic market	67,229	111,987
	70,491,829	**82,837,582**

6. Other operating income

	2015	2014
Income from insurance claims	40,417	10,378
Other operating income	36,650	41,104
	77,067	**51,482**

7. Consumed raw materials

	2015	2014
Consumed materials	5,418,344	5,729,401
Consumed spare parts and tools	4,381,150	5,343,789
Consumed electricity	2,312,402	2,784,462
Consumed petrol	998,183	1,662,380
	13,110,079	**15,520,032**

8. Salaries/payroll expenses

	2015	2014
Net salaries	3,918,367	4,677,210
Compulsory social security contributions	1,910,235	2,042,802
Other staff costs	1,458,515	1,573,841
Employee related expenses	275,818	329,090
Termination benefits (Note 19)	51,336	56,004
	7,614,271	**8,678,947**

9. Concession expenses

	2015	2014
Concession for water use	35,173	40,867
Concession for space use	13,586	13,737
Concession for the use of mineral resources	2,127,076	2,504,163
	2,175,835	**2,558,767**

10. Other operating expenses

	2015	2014
Maintenance expenses	1,948,273	2,120,122
Marketing and representation expenses	573,132	681,501
Consultancy and audit expenses	71,788	79,237
Security expenses	136,350	155,115
Bank charges	53,661	78,376
Telecommunication expenses	103,465	121,417
Insurance expenses	170,424	210,666
Rental expenses	53,444	45,324
Other expenses	469,342	750,532
	3,579,879	**4,242,290**

11. Finance income and costs

	2015	2014
Foreign exchange gain	14,597,227	22,653,883
Interest income	265,366	1,448,526
Finance income	**14,862,593**	**24,102,409**
Foreign exchange loss	(6,593,547)	(5,183,292)
Interest expenses	(676,975)	(1,195,528)
Accretion expense (Note 19)	(185,848)	(182,589)
Finance costs	**(7,456,370)**	**(6,561,409)**
Net finance income	**7,406,223**	**17,541,000**

12. Income tax expense

Recognized in the statement of comprehensive income:

	2015	2014
Current tax expense		
Current year	(4,593,270)	(6,807,990)
Tax of dividend paid	(1,076,782)	(7,543,967)
Deferred tax income/(expense)		
(Decrease)/ increase in deferred tax assets	—	—
Total income tax in the statement of comprehensive income	**(5,670,052)**	**(14,351,957)**

	2015	2014
Profit before tax	45,881,925	63,933,751
Tax rate	10%	10%
Tax expense at SASA tax rate	4,588,193	6,393,375
Items which are not deductible (taxable) in calculating taxable income:		
Other non-deductible expenses	1,376,889	3,780,671
Tax credit	(1,611,875)	(353,551)
Unwinding of discount	152,801	222,057
Depreciation for provision for rehabilitation and environment	81,572	87,419
Provision for retirement and other employment benefit obligation	51,336	409,551
Subtotal	**50,723**	**4,146,147**
Current tax rate	10%	10%
Tax effect	**5,072**	**414,615**
Tax of dividend paid	1,076,787	7,543,967
Income tax expense	**5,670,052**	**14,351,957**
Effective tax rate	12%	22%

According to the provisions of the Profit Tax Law the tax base is the profit generated during the fiscal year increased for non-deductible expenses and reduced for deductible revenue (i.e. dividends already taxed at the payer), with profit tax at rate of 10%.

The tax authorities may at any time inspect the books and records within 5 to 10 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. SASA's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

13. Property Plant and Equipment

	Land	Buildings and mining infrastructure	Machinery and equipment	Const. in progress	Total
Year ended 31 December 2015					
Opening net book amount	**670,505**	**25,358,739**	**14,636,672**	**8,387,671**	**49,053,587**
Additions	—	—	—	7,508,625	7,508,625
Transfer from construction in progress	—	5,121,931	3,123,042	(8,244,973)	—
Write-off/Disposal	—	—	(59,193)	—	(59,193)
Depreciation charge	—	(1,191,834)	(4,280,153)	—	(5,471,987)
Foreign exchange gain (loss)	—	185,093	—	—	185,093
Exchange differences	(69,150)	(2,679,356)	(1,490,574)	(853,574)	(5,092,654)
Closing net book amount	**601,355**	**26,794,573**	**11,929,794**	**6,797,749**	**46,123,471**
At 31 December 2015					
Cost	601,355	29,820,858	36,566,207	6,797,749	73,786,169
Accumulated depreciation	—	(3,026,285)	(24,636,413)	—	(27,662,698)
Net book amount	**601,355**	**26,794,573**	**11,929,794**	**6,797,749**	**46,123,471**
Year ended 31 December 2014					
Opening net book amount	760,148	26,134,571	15,750,114	7,066,095	49,710,928
Additions	—	—	—	10,729,092	10,729,092
Transfer from construction in progress	—	3,279,477	5,103,710	(8,383,187)	—
Disposals	—	—	(345)	—	(345)
Depreciation charge	—	(1,005,984)	(4,293,471)	—	(5,299,455)
Foreign exchange gain (loss)	—	237,129	—	—	237,129
Exchange differences	(89,643)	(3,286,454)	(1,923,336)	(1,024,329)	(6,323,762)
Closing net book amount	**670,505**	**25,358,739**	**14,636,672**	**8,387,671**	**49,053,587**
At 31 December 2014					
Cost	670,505	27,424,822	37,945,902	8,387,671	74,428,900
Accumulated depreciation	—	(2,066,083)	(23,309,230)	—	(25,375,313)
Net book amount	**670,505**	**25,358,739**	**14,636,672**	**8,387,671**	**49,053,587**

SASA has pledged building and equipment with an estimated value of USD 3,590,974 (2014: USD 5,234,749) as a guarantee for the Borrowings (See Note 20).

14. Inventories

	2015	2014
Raw materials	248,641	202,866
Finished goods and production	184,800	283,206
Spare parts and other materials	1,105,325	1,546,012
	1,538,766	**2,032,084**

Finished goods represent lead and zinc concentrate.

15. Trade and other receivables

	2015	2014
Trade receivables		
Trade receivables—domestic	7,628	9,118
Trade receivables—foreign	6,021,705	45,413,921
Less: Provision for impairment	(6,723)	(7,496)
Trade receivables—net	**6,022,610**	**45,415,543**
Other receivables		
Prepaid expenses	19,885	135,719
Advance payments	734,055	1,023,904
VAT receivables	620,317	1,232,091
Other short term receivables	390	6,251
Less: Provision for impairment	—	(46,321)
Other receivables	**1,374,647**	**2,351,644**

Movements on the provision for impairment of trade receivables are as follows:

	2015	2014
At 1 January	7,496	8,515
Write off of previously impaired receivables	—	—
Exchange difference	(773)	(1,019)
At 31 December	**6,723**	**7,496**

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The ageing analysis of provision for impairment is as follows:

	2015	2014
Over 180 days	—	—
Over 1 year	6,723	7,496
	6,723	**7,496**

According to SASA's policies the following factors are been taken into consideration when assessing the impairment of receivables: receivables above 90 days or more, frequent late payments, high-risk customers and customer with financial difficulties.

The carrying amounts of SASA's trade receivables are denominated in the following currencies:

	2015	2014
USD	6,014,982	45,406,425
MKD	7,628	9,118
	6,022,610	**45,415,543**

The carrying amounts of SASA's other receivables are denominated in the following currencies:

	2015	2014
MKD	1,276,837	2,127,910
EUR	97,810	223,734
	1,374,647	**2,351,644**

The fair value of the trade receivables and the other receivables at the balance sheet date is the same as their carrying value.

16. Short term loans

	2015	2014
Short term loans	—	55,500,372
	—	**55,500,372**

Short-term loans was granted on 19 February 2013 to Solway Finance Limited bearing 3 months Libor interest rate for USD + 1% p.a. The loan was fully repaid during 2015.

17. Cash and cash equivalents

	2015	2014
Bank accounts in domestic currency	62,262	24,308
Bank accounts in foreign currency	154,379	938,639
	216,641	**962,947**

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2015	2014
MKD	62,262	24,307
EUR	154,379	15,506
USD	—	923,134
	216,641	**962,947**

18. Capital and reserves

Own capital

Own capital

At 31 December 2015, the total of SASA's paid-in capital amounts to 4,672,933 (2014 and 2013: 4,672,933).

Ownership structure

SASA is wholly owned subsidiary of Lynx Europe dooel Skopje.

Reserves

Statutory reserves

Reserves are initially created based on the local legal provisions and are subsequently increased during the years due to allocation of net profit after tax. According to local regulation, SASA is required to have compulsory general reserves established through a portion of their net profits. With the changes of the Law on Trading Companies effective from 1 January 2013, SASA is required to set aside 5 percent (15% prior to changes) of its net statutory profit for the year in a statutory reserve until the level of the reserve reaches 1/10 (1/5th prior to change) of the share capital. According to the local legal provisions, reserves can be used for recovering of the accumulated losses, purchase of own shares and payment of dividends, as well. SASA has achieved the required minimum in prior years and consequently no appropriation in 2015 has been made.

Dividends

During 2015, SASA allocated part of its retained earnings for dividends in the total amount of USD 65,608,527. This amount consists of profit arising from 2014 in amount of USD 49,393,043 advance dividend arising for the profit from 2015 in amount of USD 6,392,541 and dividend for the profit arising from 2013 and 2012 in amount of USD 9,822,943 net of related Income tax of USD 1,076,782.

18. Capital and reserves (Continued)

During 2014, SASA allocated part of its retained earnings from 2013 and 2012 for dividends in the total amount of USD 62,616,333 net of related Income tax of USD 7,543,967. In addition, during the same period, SASA declared and paid dividends from other reserves (see "other reserves" subheading above) in the amount USD 137,777,464 including related withholding tax in the amount of USD 13,926,662.

19. Provisions for liabilities and charges

		Provisions for employee benefits		
	Provisions for rehabilitation and environment	Retirement benefit obligation	Other employee benefits	Total
At 1 January 2015	2,014,838	119,739	256,465	2,391,042
Unwinding of discount (Note 11)	185,092	—	—	185,092
Foreign exchange gain (loss) (Note 11)	211,814	31,353	19,983	263,150
Exchange differences	(213,973)	(12,838)	(26,761)	(253,572)
At 31 December 2015	**2,197,771**	**138,254**	**249,687**	**2,585,712**
Current	—	19,459	116,542	136,001
Non-current	2,197,771	118,795	133,145	2,449,711
	2,197,771	**138,254**	**249,687**	**2,585,712**

		Provisions for employee benefits		
	Provisions for rehabilitation and environment	Retirement benefit obligation	Other employee benefits	Total
At 1 January 2014	1,847,127	124,221	243,958	2,215,306
Unwinding of discount (Note 11)	237,129	11,067	44,937	293,133
Foreign exchange gain (loss) (Note 11)	182,589	—	—	182,589
Exchange differences	(252,007)	(15,549)	(32,430)	(299,986)
At 31 December 2014	**2,014,838**	**119,739**	**256,465**	**2,391,042**
Current	—	12,382	43,334	55,716
Non-current	2,014,838	107,357	213,131	2,335,326
	2,014,838	**119,739**	**256,465**	**2,391,042**

(i) Provisions for rehabilitation and environment

Under current legislation entities operating mining and related activities in the Republic of Macedonia are required to take remedial action for the land where such activities have occurred based on a plan approved by the Ministry of the Environment as well as in accordance with international best practices. After the ceasing of mining activities SASA is obliged to restore the mining area and to return in its initial condition.

SASA has engaged an independent expert to conduct an independent assessment on the environment of the mining activities of SASA and to prepare assessment of the restoration and the relevant costs connected with the mine, tailing site and the mining properties. The calculation was performed on a basis of this independent assessment performed by an environmental technical expert.

The expected current cash flows were projected over the useful life of the mining sites and discounted to 2014 terms using a risk free discount rate. The cost of the relating assets is depreciated over the useful life of the assets and is included in property, plant and equipment. If the estimated discount rate used in the calculation had been 10% lower than management's estimates, the carrying amount of the restoration and decommissioning provision would have been USD 259,161 higher.

19. Provisions for liabilities and charges (Continued)

(ii) Employee retirement benefit provision

All employers in the Republic of Macedonia are obliged to pay employees minimum severance pay on retirement equal to two months of the average monthly salary applicable in the Country at the time of retirement.

(iii) Other employee benefits

SASA is also obliged to pay jubilee anniversary awards that correspond to the total number of years of service of the employee. Provisions for termination and retirement obligations are recognized in accordance with actuary calculation in 2015. Basic actuary assumptions are used as follows:

	2015	2014	As at 1 January 2014
Discount rate	4.3%	4.8%	5.35%
Exacted rate for increasing of salary	2.5%	1.5%	2.35%

Retirement benefit obligation is stated at the present value of expected future payments to employees with respect to employment retirement pay. The present value of expected future payments to employees is determined by an independent authorised actuary in accordance with the prevailing rules of actuarial mathematics.

20. Borrowings

	2015	2014
Borrowings	11,208,226	9,228,567
	11,208,226	**9,228,557**
Current	11,208,226	4,209,520
Non-current	—	5,019,047
	11,208,226	**9,228,557**

Borrowings are measured at amortized cost. Borrowings relate to two short-term loans from Ohrid Bank AD Skopje. The first short-term loan was approved in amount of USD 5,504,271 with interest rate of 6.2% per annum and maturing on 1 May 2016. The second short-term loan was issued in amount of USD 6,563,263 with interest rate of 3.5% p.a. with maturity date on 4 January 2016. The loans towards Natixis and Solway Commodities were repaid in 2015 with interest rate of one-month Libor +6% p.a.

The carrying amounts and fair value of the current borrowings are as follows:

	Carrying amount		Fair value	
	2015	2014	2015	2014
Ohridska Banka AD Skopje	11,208,226	—	11,208,226	—
Natixis Solway	—	8,904,756	—	8,904,756
Soloway Commodities	—	323,811	—	323,811
	11,208,226	**9,228,567**	**11,208,226**	**9,228,567**

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

20. Borrowings (Continued)

The information in relation to the pledge of collateral is presented in Note 13. The carrying amounts of the borrowings are denominated in the following currencies:

	2015	2014
MKD	11,208,226	—
USD	—	9,228,567
	11,208,226	**9,228,567**

21. Trade and other payables

	2015	2014
Trade payables		
Domestic trade payables	1,473,914	1,412,350
Foreign trade payables	623,758	469,795
Trade payables	**2,097,672**	**1,882,145**
Other current liabilities		
Dividend liabilities	—	62,366,773
Employee related liabilities	637,843	736,169
Concession liability	476,741	570,763
Other current liabilities	126,103	141,534
Other current liabilities	**1,240,687**	**63,815,239**
Total	**3,338,359**	**65,697,384**

The carrying amounts of the trade payables are denominated in the following currencies:

	2015	2014
MKD	1,473,914	1,412,351
USD	45,641	—
EUR	442,470	380,871
SEK	135,647	88,923
	2,097,672	**1,882,145**

The carrying amounts of the other current financial liabilities are denominated in the following currencies:

	2015	2014
MKD	1,240,687	63,815,239
	1,240,687	**63,815,239**

22. Related party transactions

SASA has related party transactions with subsidiaries of its parent company during its normal course of business activities. All transactions with related parties are conducted under normal trading and commercial terms at mutually agreed terms. The tables bellow provides information for the volume and balances of the related party transactions as of and for the years ended 31 December 2015 and 2014.

(i) Year-end balances arising from sales of commodities

	2015	2014
Receivables from related parties		
Subsidiaries of the Ultimate parent company	6,021,705	—
At 31 December	**6,021,705**	—

22. Related party transactions (Continued)

(ii) Year-end balances arising from short term loan

	2015	2014
Short term loans to the parent company	—	55,500,372
At 31 December	—	**55,500,372**

(iii) Sales of commodities and services

	2015	2014
Sales of finished goods		
Subsidiaries of the Ultimate parent company	70,424,600	82,725,595
	70,424,600	**82,725,595**

(iv) Interest expense/income

	2015	2014
Interest income from related party Loans		
Parent company	264,520	1,446,868

(v) Key management compensation

Key management includes all directors within SASA. The compensation paid or payable to key management for services is shown below:

	2015	2014
Salaries	197,038	221,992
Taxes and contributions	99,573	112,180
	296,611	**334,172**

23. Contingencies

Legal proceedings

From time to time and in the normal course of the business, claims against SASA may be received. On the basis of its own estimates and both internal and external professional advice, the management of SASA is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in this financial information.

24. First time adoption of IFRS

This is company financial information prepared in accordance with International Financial Reporting Standards (IFRS). The date of transition to IFRS is 1 January 2014.

SASA's IFRS accounting policies presented in note 2 have been applied in preparing the financial information for the year ended 31 December 2015, the comparative information and the opening statement of financial position at the date of transition.

SASA has applied IFRS 1 First-time Adoption of International Financial Reporting Standards (as revised in 2008) in preparing these first IFRS financial information. The effects of the transition to IFRS on equity and total comprehensive income are presented in this section and are further explained in the notes that accompany the tables.

24. First time adoption of IFRS (Continued)

24.1 First time adoption exemptions applied

Upon transition, IFRS 1 permits certain exemptions from full retrospective application. SASA has applied the mandatory exceptions and certain optional exemptions. The exemptions adopted by SASA are set out below.

Mandatory exceptions adopted by SASA:

- Financial assets and liabilities that had been de-recognised before 1 January under previous GAAP have not been recognised under IFRS.
- SASA has used estimates under IFRS that are consistent with those applied under previous GAAP unless there is objective evidence those estimates were in error.

Optional exemptions applied by SASA:

- SASA has elected to use cost value as deemed cost at the date of transition for some items of property, plant and equipment.

24.2 Reconciliation of equity as reported under Macedonian GAAP to IFRS

The following is a reconciliation of SASA's total equity reported in accordance with Local GAAP to its total equity under IFRS at the transition date 1 January 2014 and at 31 December 2014 as follows:

	Own Capital	Statutory reserves	Other reserves	Retained Earnings	Total equity
Balance at 1 January 2014 under Local GAAP	**4,672,933**	**934,596**	**137,866,132**	**91,960,227**	**235,433,888**
IFRS Policy Impacts					
Provisions for employee benefits (Note a)	—	—	—	(368,179)	(368,179)
Balance at 1 January 2014 under IFRS	**4,672,933**	**934,596**	**137,866,132**	**91,592,048**	**235,065,709**
Balance at 31 December 2014 under Local GAAP	**4,672,933**	**934,596**	**(15,267,166)**	**79,059,027**	**69,399,390**
IFRS Policy Impacts					
Provisions for employee benefits (Note a)	—	—	—	(51,443)	(51,443)
Provisions for rehabilitation and environment and depreciation (Note b)	—	—	—	(248,020)	(248,020)
Balance at 31 December 2014 under IFRS	**4,672,933**	**934,596**	**(15,267,166)**	**78,759,564**	**69,099,927**

a) Provisions for employee benefits

RETIREMENT BENEFITS

The Sasa mine operates a retirement benefit plan, whereas all employees will receive a one- off payment in the amount of two average monthly salaries paid in the Republic of Macedonia in the period coinciding with the event of an employee's retirement. Based on the provisions of IFRS 19, contributions to the plans by Sasa take into consideration the results of actuarial assumptions, which will incorporate estimates about demographic and financial variables. At the end of the closing period Sasa will review the ultimate cost of the benefit and discount it to its present value, to determine the balance of the net benefit liability in its balance sheet. An increase in the present value of the obligation ("current service cost") will be recognised as an expense in the Profit and Loss statement.

24. First time adoption of IFRS (Continued)

JUBILEE AWARD

The Sasa mine recognises an award to its employees who have accrued at least 10 years of service at the company, in the amount of one average monthly salary paid in the Republic of Macedonia in the three months prior to the achievement of the 10th working year, pursuant to the Collective Employment Agreements. IFRS 19 requires the expected liability (which is subjected to significant uncertainty, due to the need to estimate average duration of employment) to be discounted to Present Value, with a charge to the Profit and Loss statement for any increase of the expected liability.

b) Asset retirement obligation

Effective 1 January 2014, Sasa adopted IFRS 37.40, ("Provisions, Contingent Liabilities and Contingent Assets"), which provides accounting and disclosure requirements for retirement obligations associated with long-lived assets. Based on the pronouncements of IFRS 37.40, an Asset Retirement Obligation liability is recorded for an amount equivalent to the total Present Value of all remediation and retirement costs, as estimated by a third party expert based on their most current and reliable expectations at the reporting period. Present Value is calculated using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. IFRS 37 requires that the Present Value of asset retirement costs for which Sasa has a legal obligation be recorded as liabilities, with an equivalent amount added to the asset cost. The liability is accreted (increased) to its present value each period and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, Sasa will settle the obligation for its recorded amount or record a gain or loss if it is settled at a different amount.

c) Income tax

Under previous GAAP income tax arising from declared dividends is presented as part of the Dividends distribution in the Statement of changes in equity.

Under IAS 12 Income tax, which specifies that the income tax arising from distribution of retained earnings should be presented as Income tax expense in the period in which the distribution is declared. The effect is increase the accumulated profit and decrease the current year profit for year 2015 in the amount of USD1,128,945 and for the year ended 31 December 2014 for the amount of USD 6,957,370.

Furthermore, during 2013, SASA declared distribution from retained earnings arising from years 2008 to 2011, to other reserves in the amount of USD 143,987,596 and paid related income tax in the amount of USD15,896,332. During 2014, SASA declared and paid dividend in the amount USD 136,876,645 including related withholding tax in the amount of USD 14,398,768. The effect is increase the accumulated profit and decrease the current year profit for year 2013 in the amount of USD15,896,332.

24.3 Reconciliation of Comprehensive income

The following is a reconciliation of SASA's comprehensive income reported in accordance with Macedonian GAAP to its net income under IFRS for the period ending 31 December 2014:

	Note	Year ended 31 December 2014
Total comprehensive income—As reported under Local GAAP		**42,297,989**
IFRS Policy Impacts		
Income tax expense	**12**	(7,543,967)
Provisions for employee benefits	**19**	(56,004)
Provisions for rehabilitation and environment	**19**	(270,008)
Total comprehensive income—As reported under IFRS		**34,428,010**

25. Events after the reporting period

There are no events after the reporting period that would have an impact on the 2015 statement of comprehensive income, statement of financial position or statement of cash flows.

SECTION B: REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF RUDNIK SASA DOOEL



The Directors
Central Asia Metals Plc
11 Albemarle Street
London
W1S 4HH

Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

22 September 2017

Dear Sirs

Rudnik Sasa dooel

We report on the financial information of Rudnik Sasa dooel ("**SASA**") for the two years ended 31 December 2015 set out in Section A of Part X below (the "**Financial Information Table**"). The Financial Information Table has been prepared for inclusion in the admission document dated 22 September 2017 (the "**Admission Document**") of Central Asia Metals plc (the "**Company**") on the basis of the accounting policies set out in note 2 to the Financial Information Table. This report is required by item Schedule Two of the AIM rules for Companies published by the London Stock Exchange plc (the **"AIM Rules"**) and is given for the purpose of complying with that Schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Financial Information Table gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to SASA's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information Table gives, for the purposes of the Admission Document dated 22 September 2017, a true and fair view of the state of affairs of SASA as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

SECTION C: HISTORICAL FINANCIAL INFORMATION OF LYNX RESOURCES FOR THE FINANCIAL PERIOD FROM 19 JUNE 2015 TO 31 DECEMBER 2015 AND THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Lynx Resources Limited

Historical Consolidated Financial Information for the periods ended 31 December 2016

(all amounts are in USD unless otherwise stated)

Consolidated statement of comprehensive income (loss)

	Notes	2016	For the period from 19 June to 31 December 2015
Revenue		**65,760,476**	**8,317,549**
Presented as:			
Gross revenue	6	78,508,182	8,622,911
Marketing cost		(9,372,696)	—
Silver purchases for silver stream		(1,598,619)	—
Freight cost		(1,776,391)	(305,362)
Revenue		**65,760,476**	**8,317,549**
Inventory movement	11	211,580	180,854
Consumed raw materials	9	(13,358,222)	(1,671,366)
Salaries/payroll expenses	10	(8,086,260)	(1,181,704)
Cost value of tools and consumable goods	11	(3,964)	(862)
Concession expenses		(2,225,214)	(306,849)
Other operating expenses	12	(9,618,452)	(1,740,970)
Write off of PPE and other financial assets	15, 19	(2,585,517)	(19,568)
Depreciation expenses	15, 16	(14,575,757)	(2,327,142)
Other operating income	8	205,058	18,405
Total operating profit		**15,723,728**	**1,268,347**
Finance income	13	3,793,886	510,060
Finance costs	13	(6,494,081)	(689,565)
Finance costs—net		(2,700,195)	(179,505)
Profit before income tax		**13,023,533**	**1,088,842**
Income tax expense	14	(2,245,173)	(280,561)
Profit for the year		**10,778,360**	**808,281**
Exchange differences on translation of foreign operations	21	(5,391,277)	(771,695)
Total other comprehensive income (loss) for the year		(5,391,277)	(771,695)
Total comprehensive income for the year		**5,387,083**	**36,586**

Lynx Resources Limited

Historical Consolidated Financial Information for the periods ended 31 December 2016

(all amounts are in USD unless otherwise stated)

Consolidated statement of financial position

	Notes	As at 31 December 2016	2015
ASSETS			
Non-current assets			
Intangible assets	16	9,891,105	10,838,648
Property, plant and equipment (PPE)	15	174,591,239	188,455,146
Total non-current assets		**184,482,344**	**199,293,794**
Current assets			
Inventories	18	1,569,050	1,892,664
Trade receivables	19	3,691,173	5,305,224
Income tax receivable		1,825,687	157,742
Other receivables	19	3,213,367	1,765,360
Cash and cash equivalents	20	29,294,201	7,292,004
Deferred tax assets	17	120,920	—
Total current assets		**39,714,398**	**16,412,994**
TOTAL ASSETS		**244,196,742**	**215,706,788**
EQUITY AND LIABILITIES			
Equity			
Capital	21	97,454,015	173,454,015
Other reserves	21	(6,162,972)	(771,695)
Retained earnings		11,586,641	808,281
Total equity		**102,877,684**	**173,490,601**
Non-current liabilities			
Borrowings	25	62,571,429	25,000,000
Deferred revenue received advances for silver delivery	23	19,603,463	—
Provision for liabilities and charges	24	2,949,132	2,410,167
Total non-current liabilities		**85,124,024**	**27,410,167**
Current liabilities			
Trade payables	22	3,409,396	2,087,467
Loans and borrowings	25	28,752,611	11,162,321
Deferred revenue received advances for silver delivery	23	1,970,092	—
Provision for liabilities and charges	24	66,284	136,703
Other financial liabilities	22	1,996,651	1,419,529
Total current liabilities		**36,195,034**	**14,806,020**
TOTAL LIABILITIES AND EQUITY		**224,196,742**	**215,706,788**

Lynx Resources Limited

Historical Consolidated Financial Information for the periods ended 31 December 2016

(all amounts are in USD unless otherwise stated)

Consolidated statement of changes in equity

	Capital	Retained earnings	Other reserves	Total
Balance at 19 June 2015	—	—	—	—
Net profit (loss) for the period from 19 June 2015 to 31 December 2015	—	808,281	—	**808,281**
Other comprehensive income (loss)	—	—	(771,695)	**(771,695)**
Total comprehensive income (loss)	**—**	**808,281**	**(771,695)**	**36,586**
Paid in capital	**173,454,015**	**—**	**—**	**173,454,015**
Balance at 31 December 2015	**173,454,015**	**808,281**	**(771,695)**	**173,490,601**
Balance at 1 January 2016	**173,454,015**	**808,281**	**(771,695)**	**173,490,601**
Net profit for the year	—	10,778,360	—	**10,778,360**
Other comprehensive income (loss)	—	—	(5,391,277)	**(5,391,277)**
Total comprehensive income (loss)	**—**	**10,778,360**	**(5,391,277)**	**5,387,083**
Capital Reduction (Note 21)	**(76,000,000)**	—	—	**(76,000,000)**
Balance at 31 December 2016	**97,454,015**	**11,586,641**	**(6,162,972)**	**102,877,684**

Lynx Resources Limited

Notes to the Consolidated Financial Information for the periods ended 31 December 2016

(all amounts are in USD unless otherwise stated)

Consolidated statement of cash flows

	2016	For the period from 19 June to 31 December 2015
Operating activities		
Profit before tax	**13,023,533**	**1,088,842**
Adjustments for:		
Depreciation and Amortization (Note 15 & 16)	14,575,757	2,327,142
Write-off of other receivables and PPE	2,585,517	—
Amortization of deferred revenue—received advances for silver delivery	(490,819)	—
Gain from sale of property, plant and equipment	(3,199)	—
Unwind of discount provisions (Note 24)	279,996	37,064
Unrealized foreign exchange (gain)/loss	(158,941)	(583,776)
Interest expense	1,365,292	123,075
Interest income	(287)	(90)
Cash generated from operations before changes in working capital	**31,176,849**	**2,992,257**
Cash flow from operating activities		
(Increase)/decrease in inventories	323,614	(1,892,664)
(Increase)/decrease in trade receivables	(1,614,051)	(5,305,224)
(Increase)/decrease in other financial receivables	(1,448,007)	(1,923,101)
Increase/(decrease) in trade payables	1,321,929	2,087,467
Increase/(decrease) in other financial liabilities	577,122	1,462,680
Cash generated from/(used in) operating activities	**30,337,456**	**(2,578,585)**
Interest and bank charges paid	(1,408,443)	(79,924)
Income taxes paid	(983,652)	(438,302)
Net cash flow generated from/(used in) operating activities	**27,945,361**	**(3,096,811)**
Cash flow from investing activities		
Acquisition of PPE	(5,331,885)	(1,628,516)
Disposal of PPE (Note 15)	3,421	19,223
Acquisition of intangible assets	—	(10,959,031)
Acquisition of the subsidiary, net of cash acquired	—	(175,849,867)
Interest received	287	90
Net cash used in investing activities	**(5,328,177)**	**(188,418,101)**
Cash flow from financing activities		
Proceeds from loans and borrowings	95,509,318	31,884,234
Repayment of loans and borrowings	(20,124,305)	(6,531,333)
Paid in capital	—	173,454,015
Reduction of capital (Note 21)	(76,000,000)	—
Net cash generated from financing activities	**(614,987)**	**198,806,916**
Net increase in cash and cash equivalents	**22,002,197**	**7,292,004**
Cash and cash equivalents at 1 January	7,292,004	—
Cash and cash equivalents at 31 December (Note 20)	**29,294,201**	**7,292,004**
Non-cash supplemental disclosure:		
Deferred revenue exchanged for settlement of intercompany loan for silver stream (Note 23)	22,064,374	—

Lynx Resources Limited

Notes to the Consolidated Financial Information for the periods ended 31 December 2016

(all amounts are in USD unless otherwise stated)

1. General information

Lynx Resources Limited ("Lynx Resources"), was incorporated on 19 June 2015 under the Companies Act 1981 of Bermuda. The initial paid in capital amounted to $173,454,015. The registered office of Lynx Resources is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

On 10 July 2015, Lynx Resources through its wholly owned subsidiary, Lynx Mining Limited, established Lynx Europe dooel Skopje. As at 3 November 2015, Lynx Europe dooel Skopje acquired 100% of the shares of the zinc and lead mine Rudnik SASA DOOEL Makedonska Kamenica (Sasa). The ultimate controlling party of the Lynx Group is Orion Fund JV Ltd., Hamilton, Bermuda.

The primary activity of Lynx Resources Limited and its subsidiaries (collectively, the "Lynx Group") includes the extraction of mineralized ores and the production and sale of zinc and lead concentrates.

As of 31 December 2016, the Lynx Group had 689 employees (2015: 680 employees).

The Management of the Lynx Group serving during the financial periods were:

Chris James—Chief Executive Officer

Stefan Peschke—Chief Financial Officer

Florian Dax—Chief Operating Officer

The activity of the Lynx Group is organized through the following organizational activities:

- Mine
- Flotation
- Laboratory
- Machine workshop
- General administration
- Wholesale and trade of zinc and lead concentrates

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

This historical consolidated financial information presents the financial track record of Lynx Resources Limited for the year ending 31 December 2016 and the period from incorporation on 19 June 2015 to 31 December 2015 and is prepared for the purposes of the re-admission of CAML to AIM. This special purpose financial information has been prepared in accordance with the requirements of the AIM Rules for Companies and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The financial information relating to the Lynx Group has been prepared in a form that is consistent with the accounting policies adopted in CAML's latest annual accounts.

This historical consolidated financial information is presented in United States Dollars. This historical consolidated financial information has been prepared on a going concern basis.

The preparation of the historical consolidated financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in Note 4. Actual results may differ from those estimated.

2. Summary of significant accounting policies (Continued)

In order to maintain consistency with the current year presentation, where appropriate certain items have been reclassified for comparative purposes. Such reclassifications, however, have not resulted in significant changes of the content and format of the financial information as presented herein.

2.1.1 Standards, amendments and interpretations effective and adopted by the Lynx Group in 2016

No standards, amendments and interpretation have been adopted by the Lynx Group in 2016 with significant impact on the consolidated financial information.

2.1.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Lynx Group

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018).

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortized cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortized cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses—the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The application of the new standard and its amendments is required for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The adoption of the new standard and its amendments will likely result in changes in the consolidated financial information of the Lynx Group, the exact extent of which management are currently analyzing.

2. Summary of significant accounting policies (Continued)

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed. The Lynx Group is currently assessing the impact of the new standard on its consolidated financial information.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. Management is currently assessing the impact of the amendment on its consolidated financial information.

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. Management is currently assessing the impact of the new standard on its consolidated financial information.

Disclosure Initiative—Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities.

The following other new pronouncements are not expected to have any material impact on the Lynx Group when adopted:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture—Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- Recognition of Deferred Tax Assets for Unrealised Losses—Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Amendments to IFRS 4, Insurance Contracts (issued on 12 September 2016 and effective for annual periods beginning on or after 1 January 2018).

2. Summary of significant accounting policies (Continued)

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Lynx Group's consolidated financial information.

2.2 Basis for consolidation

The consolidated financial information comprise the financial information of Lynx Resources Limited and its subsidiaries as at 31 December 2016. Subsidiaries are all entities over which the Lynx Group has control. The Lynx Group controls an entity when the Lynx Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Lynx Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial information of the subsidiaries are prepared for the same reporting periods as Lynx Resources, using consistent accounting policies. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

2.3 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Lynx Group. The results of businesses acquired during the year are included in the consolidated financial information from the effective date of acquisition. The identifiable assets, liabilities and contingent liabilities of the business which can be measured reliably are recorded at provisional fair values at the date of acquisition. This includes mineral properties and exploration, development and production licenses. Provisional fair values are finalized within twelve months of the acquisition date. Acquisition-related costs are expensed as incurred.

Goodwill arising in a business combination is measured as the excess of the sum of the consideration transferred and the amount of any non-controlling interest over the net identifiable assets acquired and liabilities assumed.

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested for impairment at the same time every year. Any impairment loss is recognized in net earnings immediately. Impairment of goodwill is not subsequently reversed.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the consolidated financial information of each of the Lynx Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial information are presented in US Dollars (USD), which is Lynx Resources Limited's functional and presentation currency.

(b) Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income,

2. Summary of significant accounting policies (Continued)

within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(c) Lynx Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency (such as Macedonian Denar MKD) are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognized in other comprehensive income/loss. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.5 Property, plant and equipment

Property acquisition costs are capitalized. Property, plant and equipment is stated at cost, as defined in IAS 16, less accumulated depreciation and accumulated impairment losses.

2.6 Mineral properties and mine development cost

Development costs relating to specific properties are capitalized once management determines a property will be developed. A development decision is made based upon consideration of project economics, including future metal prices, reserves and resources, and estimated operating and capital costs. Capitalization of costs incurred and proceeds received during the development phase ceases when the property is capable of operating at levels intended by management and is considered commercially viable. Costs incurred during the production phase to increase future output by providing access to additional reserves, are deferred and depreciated on a units-of-production basis over the component of the reserves to which they relate. Expenditure other than that on land, buildings, plant, equipment and capital work in progress is capitalised under "Mining Properties" together with any amount transferred from "Exploration and evaluation" expenditures. Ore reserves may be declared for an undeveloped mining project before its commercial viability has been fully determined.

Development costs incurred after the commencement of production are capitalised to the extent they are expected to give rise to a future economic benefit. The cost of mineral properties also includes the estimated close-down and restoration costs associated with the asset.

Interest on borrowings related to qualifying assets for construction or development projects is capitalised, at the rate payable on project-specific debt if applicable or at the Lynx Group's cost of borrowing, until the project becomes commercially viable.

2. Summary of significant accounting policies (Continued)

2.7 Depreciation

Property, plant and equipment is depreciated over their useful life, or over the remaining life of the operation if shorter, to residual value. No depreciation is recorded until the assets are substantially complete and ready for productive use. The major asset categories are depreciated as follows:

Mineral Properties, including capitalised financing costs, are depreciated on a Unit of Production basis (UoP), in proportion to the volume of ore extracted in the year compared with total proven and probable reserves at the beginning of the year. Assets within operations for which production is not expected to fluctuate significantly from one year to another or which have a physical life shorter than the related mine are depreciated on a Straight-Line basis. This pertains to all asset classes (as well as "Mineral Properties"), including:

- Buildings and mining infrastructure
- Machinery, Plant and other equipment

Depreciation calculated on a straight-line basis is as follows for major asset categories:

Office equipment	20%-37.5%
Furniture and fittings	20%-37.5%
Mining Infrastructure and buildings	2.5%-10%
Motor vehicles	25%-37.5%

Land is not depreciated.

Development costs expenditures are not depreciated. Depreciation on equipment utilized in the development of assets, including underground mine development, is depreciated and recapitalized as development costs attributable to the related asset.

The depreciation of property, plant and equipment shall start after expiration of the month of the start-up in the year in which the utilisation of the property, plant and equipment started.

2.8 Exploration and development expenditure

Exploration and evaluation expenditure comprises costs that are directly attributable to:

- researching and analysing existing exploration data:
- conducting geological studies, exploratory drilling and sampling;
- examining and testing extraction and treatment methods; and/or
- compiling pre-feasibility and feasibility studies.

Evaluation expenditure relates to a detailed assessment of deposits or other projects that have been identified as having economic potential. Exploration and evaluation costs are expensed in the period incurred.

2.9 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Intangible assets include the cost of acquiring exploration licences. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss when the asset is

2. Summary of significant accounting policies (Continued)

derecognized. Where an impairment subsequently reverses, the carrying amount is increased to the revised estimate of recoverable amount, but so that the increased carrying amount does not exceed the carrying value that would have been determined if no impairment had been previously been recognized. A reversal is recognized in the income statement immediately.

Mining rights represents the lump sum payments made to the Government for the approval of the acquisition transaction in relation to the transfer of the ownership (concession right) from the previous owner under the Law on mineral resources. Intangible mining rights are depreciated on a straight line basis over the life of mine.

2.10 Impairment of property plant and equipment

At each reporting date, under IAS 36 the Lynx Group reviews the carrying amounts of its mineral properties, and property, plant and equipment to determine whether there is any indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the Lynx Group estimates the recoverable amount of the CGU to which the asset belongs.

Internal and external factors are considered in assessing whether indicators of impairment are present. Significant assumptions regarding commodity prices, operating costs, capital expenditures and discount rates are used in determining whether there are any indicators of impairment. These assumptions are reviewed regularly by senior management and compared, where applicable, to observable market data.

Recoverable amount is the higher of fair value less costs of disposal and value in use (VIU). Fair value less costs of disposal is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to present value, assumptions used are those that an independent market participant would consider appropriate. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or CGU. A reversal of an impairment loss is recognised in the income statement.

2.11 Inventories

Inventories comprise of raw materials (mined ore and other), work-in-progress (crushed ore), finished products (concentrate), spare parts and other materials and are carried at lower of cost and net realizable value.

The cost of inventories comprises all costs of purchase, production and other production overheads attributable to the production of finished goods (such as electricity, salaries, transport costs, fuel costs, food, beverages, and other) and other costs incurred in bringing the inventories to their present location and condition as follows:

Raw materials	Mining costs incurred
Spare parts and other materials	Purchase cost on a weighted average basis
Finished goods, work in progress	Cost of direct materials and labour and a proportion of production overheads, based on normal operating capacity

2. Summary of significant accounting policies (Continued)

Obsolete, redundant and slow-moving inventories are identified and written down to their net realizable value as required.

Stockpiles comprise coarse ore that has been extracted from the mine and is available for further processing. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile. Stockpile tonnages are verified by periodic surveys, and valued based on procurement or mining costs incurred up to the point of stockpiling the ore.

Net realizable value is the estimated selling price in the ordinary course of business less estimated cost of completion and the estimated costs necessary to make the sale.

2.12 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Lynx Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise bank balances in local and foreign currency, cash in hand and deposits in banks with original maturity with less than 3 months. The carrying amount of cash and cash equivalents is stated at cost, which approximates fair value.

2.14 Impairment of financial assets

The Lynx Group assesses at each reporting date whether a financial asset or group of financial assets are impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, bankruptcy or other such events.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Lynx Group will not be

2. Summary of significant accounting policies (Continued)

able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

2.15 Share capital

(a) Share capital consists of paid in monetary considerations contributed by the shareholders.

(b) Reserves

Legal reserves are created during the periods by transfer from retained earnings based on the legislation and decisions of the Management of the Lynx Group.

(c) Retained earnings

Retained earnings comprise of non-distributed earnings from the current and past periods.

(d) Dividends

Dividend distribution to the Lynx Group's owners is recognised as a liability in the Lynx Group's financial information in the period in which the dividends are approved (declared) by the Lynx Group's shareholders.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Provisions and contingent liabilities

Provisions are recognized when the Lynx Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured and recorded as the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The provision charge is recognized in the consolidated statement of comprehensive income within the expense corresponding to the nature of the provision.

Restoration and decommissioning provision

Management estimate, and provide for, obligations to incur restoration, rehabilitation and environment costs when environmental disturbance is caused by the initial or ongoing development of a mining property. Costs arising from establishing infrastructure at the start of a project are discounted to their net present value, provided for and capitalized when obligation arises. These costs are charged against profits over the useful life of the related asset through the unwinding of the discount and depreciation charge.

The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the costs of the asset.

No provision is recognized for contingent liabilities. A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

2. Summary of significant accounting policies (Continued)

2.18 Income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted by the reporting date.

Current income tax applicable in Macedonia

As of 1 August 2014, profit tax law came into force being applicable from 1 January 2015 for the net income for 2014, with which the base for income tax computation had been shifted from income "distribution" concept to the profit before taxes. According to the provisions of the law, the tax base is the profit generated during the fiscal year increased for non-deductible expenses and reduced for deductible revenue (i.e. dividends already taxed at the payer) and the income tax rate is 10%. In line with these changes income tax for the year was calculated and recorded in the Statement of comprehensive income.

Deferred income tax

Deferred tax is recognized applying the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial information. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employees Benefits

a) Pension

The Lynx Group, in the normal course of business, makes payments on behalf of its employees for pensions, health care, employment and personnel tax, which are calculated based on gross salaries and wages according to the legislation. The Lynx Group makes these contributions to the Governmental health and retirement funds as well to private retirement funds. The cost of these payments is charged to the consolidated statement of comprehensive income in the same period as the related salary cost.

The Lynx Group does not operate any other pension scheme or post-retirement benefits plan and consequently, has no obligation in respect of pensions.

b) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Lynx Group recognizes termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

2. Summary of significant accounting policies (Continued)

c) Retirement benefits and jubilee awards

Pursuant to the labour law prevailing in the subsidiaries country of operations, the Lynx Group is obliged to pay retirement benefits in an amount equal to two average monthly salaries, at their retirement date. According to the collective agreement, the Lynx Group is also obliged to pay jubilee anniversary awards that correspond to the total number of years of service of the employee. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. In addition, the Lynx Group is not obligated to provide further benefits to current and former employees.

Retirement benefit obligations arising on severance pay are stated at the present value of expected future cash payments towards the qualifying employees. These benefits have been accrued by an independent actuary in accordance with the prevailing rules of actuarial mathematics. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives.

2.20 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statement of comprehensive income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

2.21 Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

2.22 Revenue

Revenue is derived principally from the sale of metal concentrate and is measured at the fair value of consideration received or receivable, after deducting discounts, volume rebates, value added tax and other sales taxes. A sale is recognized when the significant risks and rewards of ownership have passed. This is when title and insurance risk have passed to the customer and the goods have been delivered to a contractually agreed location.

Sales of metal concentrate are stated at their invoiced amount which is net of treatment and refining charges. Sales of commodities are provisionally priced such that the price is not settled until a predetermined future date and is based on the market price at that time. Revenue on these sales is initially recognized (when the above criteria are met) at the current market price.

Provisionally priced sales are marked to market at each reporting date using the forward price for the period equivalent to that outlined in the contract and presented within revenue.

Revenues from the sale of material by-products are included within revenue. Where a by-product is not regarded as significant, revenue will be credited against the cost of sales. Revenue from services is recognized as services are rendered and accepted by the customer. Amounts billed to customers in respect of shipping and handling activities are classified as revenue where the Lynx Group is responsible for freight. In situations where the Lynx Group is acting as an agent, amounts billed to customers are offset against the relevant costs.

2. Summary of significant accounting policies (Continued)

For provisionally priced sales, changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in metal market prices result in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of revenue.

The Company reports both a gross revenue and revenue line which reflects the marketing cost deducted from the sales price, purchases of silver for the silver stream delivery, and freight cost.

2.23 Deferred income

Advances received from the precious metal streaming agreement for future deliveries of silver are recognized as deferred income and relate to the production over the lifetime of the mine. Deferred income is realised to the statement of comprehensive income as the silver is delivered based on the units of production.

2.24 Marketing costs

Marketing costs, which are allowed to customers on a shipment-by-shipment basis are recognised on an accrual basis determined as a difference between the sales and purchase value based on the signed agreement.

3. Financial risk management

3.1 Financial risk factors

The Lynx Group does not apply hedge accounting for its financial instruments, all gains and losses are recognized in the profit and loss for the year. The Lynx Group is exposed in particular to risks from movements in exchange rates and market prices that affect its assets and liabilities, credit risk and liquidity risk. Financial risk management aims to limit these market risks through ongoing operational and finance activities.

(i) Market risk

Market risk is defined as the 'risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices' and includes interest rate risk, currency risk and other price risk. The majority of the revenues of the Lynx Group are generated in USD and the remaining part mainly in MKD.

Expenses of the Lynx Group that arise are mainly connected to USD, MKD and EUR. For the presentation of market risks, IFRS 7 requires sensitivity analyzes that show the effects of hypothetical changes of relevant risk variables on profit or loss and shareholders' equity. The periodic effects are determined by relating the hypothetical changes in the risk variables to the balance of financial instruments at the consolidated financial information date. The balances at the end of the reporting period are usually representative for the year as a whole, therefore the impacts are calculated using the year end balances as though the balances had been constant throughout the reporting period. The methods and assumptions used in the sensitivity calculations have been updated to reflect the current economic situation.

Commodity prices, primarily lead and zinc, are key revenue drivers for the Lynx Group. The prices for lead and zinc can fluctuate widely and are affected by various factors beyond the Lynx Group's control. The main driver for metal price fluctuations is the supply and demand balance but other factors such as exchange rates, interest rates or speculative activities and the change in global economies can impact price levels and volatility too. To anticipate the full extent of the impact of any driver for commodity prices market developments is impossible; management believes that is taking all the necessary measures to support the sustainability and growth of the Lynx Group's business in the current circumstances. Nevertheless, future market fluctuations cannot be predicted with accuracy. The Lynx Group does not currently hedge interest commodity price exposure. Any hedging activity requires approval of the Lynx Group's Board of Directors. The Lynx Group will not hold or issue derivative instruments for speculation.

3. Financial risk management (Continued)

Commodity price sensitivity

The Lynx Group is affected by the volatility of certain commodities. Its operating activities require the ongoing sales of Pb and Zn and processing of ore. The following table shows the effect of metal prices on the Lynx Group's financial results:

	Changes in the financial result	Effect on financial position	Effect on profit before tax
		USD	USD
2016	100 USD	3,937,005	903,733
	(100) USD	(3,937,005)	(903,733)
2015	100 USD	3,790,363	192,940
	(100) USD	(3,790,363)	(192,940)

(ii) Foreign exchange risk

The Lynx Group's functional currency is the USD. The foreign exchange risk exposure of the Lynx Group is related to holding foreign currency cash balances, and operating activities through revenues from and payments to international companies as well as capital expenditure contracted with vendors in foreign currency.

As a result of significant operations in Macedonia, the Lynx Group's consolidated statement of financial position can be affected significantly by movements in the USD/MKD and USD/Euro exchange rates. The Lynx Group uses cash deposits in MKD or cash deposits in MKD indexed to EUR, to economically manage its foreign currency risk as well as local currency risk in accordance with the available banks offers.

However, the purchase of spare parts and raw materials are denominated in USD or EUR and connected to the price movement on the global movement, which is denominated in both currencies. Therefore there is associated inherent business risk with such transactions.

The Lynx Group's exposure to foreign currency risk was as follows:

2016	USD	MKD	EUR	SEK	Other
Assets					
Cash and cash equivalents	14,477,901	14,801,010	15,290	—	—
Trade and other financial receivables	5,555,725	1,030,513	256,773	—	61,529
Total assets	**20,033,626**	**15,831,523**	**272,063**	**—**	**61,529**
Liabilities					
Trade payables	16,233	2,596,262	534,295	165,138	97,468
Other financial liabilities	1,082,114	914,537	—	—	—
Loans and borrowings	73,000,000	18,324,040	—	—	—
Total liabilities	**74,098,347**	**21,834,839**	**534,295**	**165,138**	**97,468**
Net balance sheet exposure	**(54,064,721)**	**(6,003,016)**	**(262,232)**	**(165,138)**	**(35,939)**

3. Financial risk management (Continued)

2015	USD	MKD	EUR	SEK
Assets				
Cash and cash equivalents	673,787	6,598,747	19,470	—
Trade and other financial receivables	5,701,723	1,283,565	85,296	—
Total assets	**6,375,510**	**7,882,312**	**104,766**	**—**
Liabilities				
Trade payables	69,126	1,466,743	416,611	134,987
Other financial liabilities	196,175	1,223,354	—	—
Loans and borrowings	25,043,151	11,119,170	—	—
Total liabilities	**25,308,452**	**13,809,267**	**416,611**	**134,987**
Net balance sheet exposure	**(18,932,942)**	**(5,926,955)**	**(311,845)**	**(134,987)**

At 31 December 2016, if the currency had weakened/strengthened by 0.5%, 2% i.e. 0.5% against the EUR/MKD/SEK respectively with all other variables held constant, the recalculated post-tax profit for the year would have been for $1,311 (2015: $1,559) lower/higher for EUR; $120,066 (2015: $118,539) higher/lower for MKD; $826 (2015: $675) lower/higher for SEK.

(iii) Interest risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Change in the interest rates and interest margins may influence financing costs and returns on financial investments. Changes in market interest rates affect the interest income on time deposits with banks. As of 31 December 2016 the Lynx Group has no time deposits in banks.

The Lynx Group has borrowings in amounts of $91,324,040 as of 31 December 2016 (2015: $36,162,321), therefore 1 percentage point rise in market interest rate would have caused (ceteris paribus) the interest paid to increase with approximately $913,240 (2015: $361,623) annually before tax, while similar decrease would have caused the same decrease in interest paid.

The Lynx Group has cash and cash equivalents in amounts of $29,294,201 as of 31 December 2016 (2015: $7,292,004), therefore 1 percentage point rise in market interest rate would have caused (ceteris paribus) the interest received to increase with approximately $292,942 (2015: $72,920) annually before tax, while similar decrease would have caused the same decrease in interest paid.

(iv) Credit risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Lynx Group is exposed to credit risk from its operating activities and certain financing activities. The process of managing the credit risk from operating activities includes preventive measures such as creditability checking and prevention barring, corrective measures during legal relationship for example reminding and disconnection activities, collaboration with collection agencies and collection after legal relationship as litigation process, court proceedings, involvement of the executive unit and factoring. The overdue payments are followed through a debt escalation procedure based on customer's type, credit class and amount of debt. The credit risk is controlled through credibility checking—which determines that the customer is not indebted and the customer's credit worthiness and through preventive barring—which determinates the credit limit based on the customer's previous revenues.

The Lynx Group procedures ensure on a permanent basis that sales are made to one customer with an appropriate credit history and not exceed acceptable credit exposure. As of 31 December 2016, the Company has one customer, Lynx Metals.

The Lynx Group does not guarantee obligations of other parties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Consequently, the Lynx Group

3. Financial risk management (Continued)

considers that its maximum exposure is reflected by the amount of debtors net of provisions for impairment recognized and the amount of cash deposits in banks at the Balance Sheet date. Management is focused on dealing with most reputable banks in foreign and domestic ownership on the domestic market.

The following table represents the Lynx Group's exposure to credit risk as at 31 December 2016 and 31 December 2015:

	2016	2015
Cash and cash equivalents	29,294,201	7,292,004
Trade receivables	3,691,173	5,305,224
Other financial receivables	3,213,367	1,765,360
	36,198,741	**14,362,588**

The receivables are summarized as follows:

	31 December 2016		31 December 2015	
	Trade receivables—domestic	Trade receivables—foreign	Trade receivables—domestic	Trade receivables—foreign
Neither past due nor impaired	3,690,147	1,026	5,304,324	900
Past due but not impaired	—	—	—	—
Impaired	—	—	—	6,810
Gross	**3,690,147**	**1,026**	**5,304,324**	**7,710**
Less: allowance for impairment	—	—	—	(6,810)
Net	**3,690,147**	**1,026**	**5,304,324**	**900**

Trade receivables due by related parties of $3,690,147 (2015: $3,527,149) were neither past due nor impaired. The Lynx Group analyzes the credit quality of neither past due nor impaired dividing between related parties and third parties. Further details are presented in Note 19.

The Lynx Group's maximum exposure to credit risk for trade receivables at the reporting date by geographic regions is as follows:

	2016	2015
Domestic	3,690,147	5,304,324
Other foreign countries	1,026	900
	3,691,173	**5,305,224**

(v) Liquidity risk

Liquidity risk is defined as the risk that the Lynx Group would not be able to settle or meet its obligations on time. The Lynx Group's policy is to maintain sufficient cash and cash equivalents to meet its commitments in the foreseeable future. Any excess cash is mostly deposited in commercial banks. The Lynx Group's liquidity management process includes projecting cash flows by major currencies and considering the level of necessary liquid assets, considering business plan, historical collection and outflow data. Regular cash projections are prepared and updated by Management.

The table below analyses Lynx Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

3. Financial risk management (Continued)

	Carrying amount	6 months	6 to 12 months	1 to 5 years	31 December 2016 Over 5 years
Financial assets					
Cash and cash equivalents	29,294,201	29,294,201	—	—	—
Trade receivables	3,691,173	3,691,173	—	—	—
Other financial receivables	3,213,367	3,213,367	—	—	—
	36,198,741	**36,198,741**	**—**	**—**	**—**
Financial liabilities					
Trade payables	3,409,396	3,409,396	—	—	
Other financial liabilities	1,996,651	1,996,651	—	—	
Borrowings	91,324,040	24,426,851	4,325,760	54,541,719	8,029,710
	96,730,087	**29,832,898**	**4,325,760**	**54,541,719**	**8,029,710**

	Carrying amount	6 months	6 to 12 months	31 December 2015 1 to 5 years
Financial assets				
Cash and cash equivalents	7,292,004	7,292,004	—	—
Trade receivables	5,305,224	5,305,224	—	—
Other financial receivables	1,765,360	1,765,360	—	—
	14,362,588	**14,362,588**	**—**	**—**
Financial liabilities				
Trade payables	2,087,467	2,087,467	—	—
Other financial liabilities	1,419,529	1,419,529	—	—
Borrowings	36,119,170	11,119,170	—	25,000,000
Interest payables	43,151	43,151	—	—
	39,669,317	**14,669,317**	**—**	**25,000,000**

3.2. Capital risk management

The Lynx Group's objectives when managing capital are to safeguard the Lynx Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

3.3. Fair value estimation

Cash and cash equivalents, trade receivables and other financial receivables mainly have short term maturity. For this reason, their carrying amounts at the reporting date approximate their fair values.

The table below shows the categorization of financial assets and liabilities as at 31 December 2016 and 31 December 2015:

31 December 2016	Cash and other receivables	Carrying amount	Fair value
Assets as per the statement of financial position			
Trade and other financial receivables	6,904,540	6,904,540	6,904,540
Cash and cash equivalents	29,294,201	29,294,201	29,294,201
	36,198,741	**36,198,741**	**36,198,741**

3. Financial risk management (Continued)

	Other financial liabilities	Carrying amount	Fair value
Liabilities as per the statement of financial position			
Borrowings	91,324,040	91,324,040	91,324,040
Trade and other financial liabilities	5,406,047	5,406,047	5,406,047
	96,730,087	**96,730,087**	**96,730,087**

31 December 2015	Cash and other receivables	Carrying amount	Fair value
Assets as per the statement of financial position			
Trade and other financial receivables	7,070,584	7,070,584	7,070,584
Cash and cash equivalents	7,292,004	7,292,004	7,292,004
	14,362,588	**14,362,588**	**14,362,588**

	Other financial liabilities	Carrying amount	Fair value
Liabilities as per the statement of financial position			
Borrowings	36,162,321	36,162,321	36,162,321
Trade and other financial liabilities	3,506,996	3,506,996	3,506,996
	39,669,317	**39,669,317**	**39,669,317**

The fair value of borrowings has been calculated by discounting the expected future cash flows at contracted interest rates. The fair value of loan notes and other financial assets has been calculated using market interest rates. As at 31 December 2016 and 31 December 2015, the Lynx Group measured the fair value using techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly (Level 2).

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

4. Critical accounting estimates and assumptions

The Lynx Group makes estimates and assumptions concerning the future. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The most critical estimates and assumptions are discussed below.

(i) Useful lives of assets

For mineral reserves, mining properties and leases and certain mining equipment, consumption of the economic benefits of the asset is linked to production. Except as noted below, these assets are depreciated on a units of production basis.

In applying the units of production method, depreciation is normally calculated based on production in the period as a percentage of total expected production in current and future periods based on ore reserves and, for some mines, other mineral resources and therefore the annual depreciation expense could be materially affected by changes in the underlying estimates which are driven by the life of mine plans. Changes in estimates can be the result of actual future production differing from current forecasts of future production, expansion of mineral

4. Critical accounting estimates and assumptions (Continued)

reserves through exploration activities, differences between estimated and actual costs of mining and differences in the commodity prices used in the estimation of mineral reserves.

The required level of confidence is unlikely to exist for minerals that are typically found in low-grade ore. Specific areas of mineralization have to be evaluated in considerable detail before their economic status can be predicted with confidence. In calculating the units of production ratio, management made significant estimates. Changes in the proven and probable reserves estimates may impact the carrying value of property, plant and equipment.

Straight-line basis

Assets within operations for which production is not expected to fluctuate significantly from one year to another or which have a physical life shorter than the related mine are depreciated on a straight-line basis.

Further, due to the significant weight of depreciable assets in Lynx Group's total assets, the impact of any changes in these assumptions could be material to Lynx Group's financial position, and results of operations. If depreciation cost were decrease/increase by 10%, this would result in change of annual depreciation expense of approximately $1,449,962 (2015: $231,457).

(ii) Potential impairment of property, plant and equipment and intangibles

The Lynx Group assesses the impairment of identifiable property, plant, equipment and intangibles whenever there is a reason to believe that the carrying value may materially exceed the recoverable amount and where impairment in value is anticipated.

If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the CGU to which the asset belongs.

Internal and external factors are considered in assessing whether indicators of impairment are present. Significant assumptions regarding commodity prices, operating costs, capital expenditures and discount rates are used in determining whether there are any indicators of impairment. These assumptions are reviewed regularly by senior management and compared, where applicable, to observable market data.

Recoverable amount is the higher of fair value less costs of disposal and value in use (VIU). Fair value less costs of disposal is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. For mining assets this would generally be determined based on the present value of the estimated future cash flows arising from the continued development, use or eventual disposal of the asset. In assessing these cash flows and discounting them to present value, assumptions used are those that an independent market participant would consider appropriate. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or CGU. A reversal of an impairment loss is recognised in the income statement.

(iii) Business combinations

All business combinations in the Lynx Group are accounted for under IFRS 3 'Business Combinations' using the acquisition method. When the Lynx Group acquires a business, it assesses the fair value of assets and liabilities acquired for the purpose of purchase price allocation as at the acquisition date. When discounted cash

4. Critical accounting estimates and assumptions (Continued)

flow calculations are undertaken, management estimates the expected future cash flows from the CGU by considering the future lead and zinc price, expected lead and zinc ore reserve, lead and zinc grade, mine life, moisture content and discount rate in order to estimate the expected present value of cash flows from the mine. The inputs to these factors are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Lynx Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

(iv) Impairment of trade and other receivables

The Lynx Group calculates impairment for doubtful accounts based on estimated losses resulting from the inability of its customers to make required payments. For customers in bankruptcy and liquidation, impairment is calculated on an individual basis, while for other customers it is estimated on a portfolio basis, for which the Lynx Group bases its estimate on the aging of its account receivables balance and its historical write-off experience, customer credit-worthiness and changes in its customer payment terms. These factors are reviewed periodically, and changes are made to calculations when necessary. The estimates involve assumptions about future customer behaviour and the resulting future cash collections. If the financial condition of its customers were to deteriorate, actual write-offs of currently existing receivables may be higher than expected and may exceed the level of the impairment losses recognized so far.

(v) Ore reserves and resources

Mineral Reserves and Resources are defined as the Lynx Group's best estimate of Mineral Ore that can be mined in an economically viable fashion from the relevant property. Feasibility is determined based on operational assumptions that include, but are not limited to, production costs, mining and processing recoveries, cut-off grades, long term commodity prices as well as, possibly, exchange rates, inflation rates and capital costs. The Lynx Group's estimates are supported by geological studies conducted by appropriately qualified persons. However, the Lynx Group maintains that estimates ultimately depend upon interpretation and statistical inferences drawn from drilling and sampling analysis, and may therefore be subject to upward or downward restatements over time.

Mineral Reserves and Resources are determined based on assumptions that were valid at the time of estimation may change when new information becomes available. In addition, the calculation of the unit of production rate of amortisation could be impacted to the extent that actual production in the future is different from current forecast production. Any changes in estimate could affect prospective depreciation rates and asset carrying values and, as a result, the determination of Ore Reserves is considered a key source of estimation uncertainty.

(vi) Provision for decommissioning and restoration costs

Management estimates and recognizes provisions for rehabilitation and environmental disturbances at the moment when disruption of the environment is caused by the initial and current development of the mine. Expenses for withdrawal are calculated at the present value of the estimated future expenses for settlement of liabilities based on projected cash flows. Consequently, a rehabilitation asset is recognized within property, plant or equipment. Cash flows are discounted using a risk free rate and changes are recognized as financial expenses. Estimated future expenses for withdrawal are estimated each year. Changes in the estimated future expenses or discount rates are added or deduct from the expense of the asset. The carrying amount of the provision as at 31 December 2016 is $2,432,029.

4. Critical accounting estimates and assumptions (Continued)

(vii) Income taxes

The Lynx Group is subject to income taxes in the Country of operation. Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Lynx Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Business combination

The Lynx Group acquired 100% of the zinc and lead mine of Sasa, a Company holding certain lead and zinc exploration and development licences, on 3 November 2015. The final fair values of identifiable assets and liabilities of Sasa as at the date of acquisition were:

	Provisional fair value	Final fair value	Carrying value
Assets			
Property, plant and equipment	190,911,522	189,972,158	46,752,829
Inventories	1,391,475	1,450,970	1,391,475
Trade receivables	22,824	22,824	22,824
Other receivables	1,623,415	1,623,415	1,623,415
Cash and cash equivalents	2,320,922	2,320,922	2,320,922
	196,270,158	**195,390,289**	**52,111,465**
Liabilities			
Trade payables	1,808,834	1,808,834	1,808,834
Other current financial liabilities	1,167,346	1,167,346	1,167,346
Provision for liabilities and charges	2,561,574	2,561,574	2,561,574
Income tax payable	500,827	500,827	500,827
Loans and borrowings	11,180,919	11,180,919	11,180,919
	17,219,500	**17,219,500**	**17,219,500**
Total identifiable net assets at fair value translated at exchange rate at date of acquisition	179,050,658	178,170,789	
Consideration paid	179,050,658	178,170,789	

Purchase consideration of $178,170,789 was paid in cash. The net cash outflow to acquire Sasa, net of cash acquired was $175,849,867.

The fair values disclosed are provisional as at 3 November 2015. An independent valuation advisor confirmed the final fair values in November 2016. To determine the fair value of the mineral reserves within property, plant and equipment including mining reserves the Lynx Group used a discounted cash flow model to estimate the expected future cash flows of the mine, based on the life-of-mine plan. Expected future cash flows were based on estimates of future production and commodity prices, operating costs, and forecast capital expenditures using the life-of-mine plan as at the acquisition date.

The fair value of the property, plant and equipment was determined based on a replacement cost approach. Significant part of the revenue and profit in the consolidated statement of comprehensive income arise from Sasa. No deferred tax liability was recorded upon the business combination since the Lynx Group plans the merger of the Lynx Europe and the subsidiary (Sasa).

The final value of property, plant and equipment has been decreased by $939,364, and inventory has been increased by $59,495 at the acquisition date, with a corresponding adjustment to mineral reserves. The final fair value was not significantly different than the provisional fair value. The 2015 comparative information is restated to reflect the adjustment for the year ended 31 December 2015.

6. Gross Revenue

	2016	For the period 19 June to 31 December 2015
Revenue on domestic market—lead and zinc concentrate	77,515,409	8,620,144
Revenue on foreign market—lead and zinc concentrate	23,031	2,767
Revenue of silver	969,742	—
	78,508,182	**8,622,911**

7. Operating Segment

Sales of lead and zinc concentrate and sales of silver are sold to customers in Europe.

The Company has one operating segment, Lynx Mining Resources. This reflects the way in which the Company's management reviews its business performance, and is consistent with how the executive management, who act as the chief operating decision-makers, allocate resources and assess performance of Sasa.

8. Other operating income

	2016	For the period 19 June to 31 December 2015
Income from insurance claims	170,378	—
Discount received	27,684	—
Income from sales from PPE	3,341	—
Other operating income	3,655	18,405
	205,058	**18,405**

9. Consumed raw materials

	2016	For the period 19 June to 31 December 2015
Consumed materials	5,263,141	733,711
Consumed spare parts and tools	4,900,412	523,838
Consumed electricity	2,298,349	406,036
Consumed petrol	896,320	7,781
	13,358,222	**1,671,366**

10. Salaries/payroll expenses

	2016	For the period 19 June to 31 December 2015
Net salaries	4,120,289	628,523
Compulsory social security contributions	2,011,307	306,508
Retirement and other benefits (Note 24)	297,125	—
Other staff costs	1,657,539	246,673
	8,086,260	**1,181,704**

11. Inventory movement and cost value of tools and consumable goods

	2016	For the period 19 June to 31 December 2015
Inventory movement	211,580	180,854
Cost value of tools and consumable goods	(3,964)	(862)
	207,616	**179,992**

12. Other operating expenses

	2016	For the period 19 June to 31 December 2015
Consultancy and audit expenses	4,952,409	840,324
Maintenance expenses	2,078,549	328,771
Insurance expenses	893,547	87,063
Sponsorship expenses	252,244	57,302
Marketing and representation expenses	226,752	55,325
Bank charges	139,389	152,787
Security expenses	123,221	20,269
Transportation expenses	57,470	2,156
Telecommunication expenses	49,691	16,244
Rental expenses	46,367	5,337
Local taxes	34,672	54,337
Other	764,141	121,055
	9,618,452	**1,740,970**

13. Finance income and costs

	2016	For the period 19 June to 31 December 2015
Foreign exchange gain	3,793,599	509,970
Interest income	287	90
Finance income	**3,793,886**	**510,060**
Foreign exchange loss	(4,598,812)	(529,426)
Interest expenses	(1,365,292)	(123,075)
Unwind of retirement provision	(279,996)	(37,064)
Other finance expenses	(249,981)	—
Finance costs	**(6,494,081)**	**(689,565)**
Net finance income/(costs)	**(2,700,195)**	**(179,505)**

14. Income tax expense

Recognized in the consolidated statement of comprehensive income:

	2016	For the period 19 June to 31 December 2015
Current tax expense		
Current year	2,366,093	280,561
Deferred tax expense		
Decrease/(increase) in deferred tax assets	(120,920)	—
Total income tax in the statement of comprehensive income	**2,245,173**	**280,561**

	2016	For the period 19 June to 31 December 2015
Profit/(loss) before tax	12,832,958	1,088,842
Tax rate	10%	10%
Tax expense at the Lynx Resources tax rate	1,283,296	108,884
Items which are not deductible (taxable) in calculating taxable income:		
Profit (loss) not subject to tax—group operations in Bermuda	(8,165,117)	—
Non-deductible expenses—Consolidated level	15,328,476	1,716,768
Non-deductible expenses—Sasa	3,664,611	—
Subtotal	10,827,970	1,716,768
Tax rate	10%	10%
Tax effect	1,082,797	171,677
Deferred tax income	(120,920)	—
Income tax expense	**2,245,173**	**280,561**
Effective tax rate	**17%**	**26%**

Macedonia tax position

Macedonian tax legislation does not allow tax consolidation. Lynx Group consolidated current income tax consists of Sasa and Lynx Europe stand-alone income tax.

According to the provisions of the Macedonian tax law the tax base is the profit generated during the fiscal year increased for non-deductible expenses and reduced for deductible revenue (i.e. dividends already taxed at the payer), with income tax at rate of 10%. In line with this Law, Income tax for the year was calculated and recorded in the consolidated statement of comprehensive income.

The tax authorities may at any time inspect the books and records within 5 to 10 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Lynx Group's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

15. Property, plant and equipment

	Land	Buildings and mining infrastructure	Machinery and equipment	Mineral reserves	Construction in progress	Total
For the period from 19 June to 31 December 2015						
Opening balance	—	—	—	—	—	—
Acquisition of a subsidiary (Note 5)	603,081	25,892,374	20,698,379	135,937,575	6,840,749	189,972,158
Additions	—	—	—	—	1,297,793	1,297,793
Transfer from construction in progress	—	498,199	822,895	—	(1,321,094)	—
Disposals	—	—	(19,223)	—	—	(19,223)
Depreciation charge	—	(335,092)	(822,997)	(1,072,005)	—	(2,230,094)
Exchange differences	(4,653)	(225,414)	(145,180)	(137,471)	(52,770)	(565,488)
Closing net book amount	**598,428**	**25,830,067**	**20,533,874**	**134,728,099**	**6,764,678**	**188,455,146**
At 31 December 2015						
Cost	598,428	26,165,159	21,356,871	135,800,104	6,764,678	190,685,240
Accumulated depreciation	—	(335,092)	(822,997)	(1,072,005)	—	(2,230,094)
Net book amount	**598,428**	**25,830,067**	**20,533,874**	**134,728,099**	**6,764,678**	**188,455,146**
Year ended 31 December 2016						
Opening balance	598,428	25,830,067	20,533,874	134,728,099	6,764,678	188,455,146
Additions	206	2,391,165	—	—	8,229,753	10,621,124
Transfer from construction in progress	—	1,434,788	2,537,761	—	(3,972,549)	—
Write-off	—	(1,909,846)	—	—	—	(1,909,846)
Disposals	—	—	(222)	—	—	(222)
Depreciation charge	—	(1,722,096)	(5,093,588)	(7,177,958)	—	(13,993,642)
Exchange differences	(18,530)	(1,000,988)	(392,220)	(6,960,117)	(209,466)	(8,581,231)
Closing net book amount	**580,104**	**25,023,090**	**17,585,605**	**120,590,024**	**10,812,416**	**174,591,239**
At 31 December 2016						
Cost	580,104	26,745,186	22,679,193	127,767,982	10,812,416	188,584,881
Accumulated depreciation	—	(1,722,096)	(5,093,588)	(7,177,958)	—	(13,993,642)
Net book amount	**580,104**	**25,023,090**	**17,585,605**	**120,590,024**	**10,812,416**	**174,591,239**

The Lynx Group has pledged building and equipment with an estimated value of $11,259,660 (2015: $3,573,504) as a security for the borrowings (See Note 25).

16. Intangible assets

	Total
For the period from 19 June to 31 December 2015	
Opening balance	—
Additions	11,018,526
Amortization expense	(97,048)
Exchange differences	(82,830)
Closing net book amount	**10,838,648**
At 31 December 2015	
Cost	10,935,696
Accumulated amortization	(97,048)
Net book amount	**10,838,648**
Year ended 31 December 2016	
Opening balance	10,838,648
Amortization expense	(582,115)
Exchange differences	(365,428)
Closing net book amount	**9,891,105**
At 31 December 2016	
Cost	10,570,268
Accumulated amortization	(679,163)
Net book amount	**9,891,105**

Intangible assets consist of mining rights, which are payments made to the Government of the Republic of Macedonia for the approval of the acquisition transaction in relation to the transfer of the ownership (concession right) from the previous owner under the Law on mineral resources in amount of $11,018,526 in 2015.

17. Deferred tax assets

Deferred tax assets and liabilities are attributable to the following items:

	Assets		Liabilities	
	2016	2015	2016	2015
Deferred tax assets—short term loan to related parties	120,920	—	—	—
Tax assets	**120,920**	—	—	—

Deferred tax asset balance is recoverable within 12 months following the reporting date.

The movement in deferred tax assets during the year is as follow:

	At 19 January 2015	Recognized in statement of comprehensive income	At 31 December 2016
Deferred tax assets	—	120,920	120,920
Tax assets (Note 14)	—	**120,920**	**120,920**

18. Inventories

	2016	2015
Raw materials	335,185	546,567
Finished goods	284,262	792,735
Spare parts and other materials	949,603	553,362
	1,569,050	**1,892,664**

Finished goods represents lead and zinc concentrate.

19. Trade and other financial receivables

Carrying amount of trade receivables is presented as follows:

	2016	2015
Trade receivables domestic	3,690,147	5,304,324
Trade receivables foreign	1,026	7,710
Trade receivables—gross	**3,691,173**	**5,312,034**
Provision for impairment of trade receivables	—	(6,810)
	3,691,173	**5,305,224**

Carrying amount of trade and other financial receivables is presented as follows:

	2016	2015
Trade receivables—domestic (Note 26)	3,690,147	5,304,324
Foreign receivables from related parties (Note 26)	1,026	7,710
Less: Provision for impairment	—	(6,810)
Trade receivables—net	**3,691,173**	**5,305,224**
Prepaid expenses and advance payments	2,218,322	1,147,672
Less: provision for advances	(551,794)	—
VAT receivables	959,713	617,299
Other short-term receivables	587,126	389
Other financial receivables	**3,213,367**	**1,765,360**
	6,904,540	**7,070,584**

The ageing analysis of trade receivables is as follows:

	2016	2015
Not past due	3,691,173	5,305,224
Up to 30 days		
From 31 to 90 days	—	—
From 91 to 180 days	—	—
Total gross receivables	**3,691,173**	**5,305,224**

Movements on the provision for impairment of trade receivables are as follows:

	2016	2015
At 1 January	6,810	6,810
Write off of previously impaired receivables	(6,810)	—
At 31 December	**—**	**6,810**

19. Trade and other financial receivables (Continued)

Amounts charged to the allowance account are generally provisioned when there is no expectation of recovering additional cash, or overdue by 180 days or more. During 2016, the Lynx Group wrote off advance payments of $579,510 due to their inability to be collected.

Write off of prepaid expenses and advance payments:

	2016	2015
Over 180 days	—	—
Over 1 year	551,794	6,810
	551,794	**6,810**

According to the Lynx Group's policies the following factors are taken into consideration when assessing the impairment of receivables: receivables above 90 days or more, frequent late payments, high risk customers and customer with financial difficulties.

The carrying amounts of the Lynx Group's trade receivables are denominated in the following currencies:

	2016	2015
MKD	—	900
USD	3,691,173	5,304,324
	3,691,173	**5,305,224**

The carrying amounts of the Lynx Group's other financial receivables are denominated in the following currencies:

	2016	2015
MKD	1,030,513	1,282,665
EUR	256,773	85,296
USD	1,864,552	—
RUB	61,529	—
SEK	—	397,399
	3,213,367	**1,765,360**

The fair value of the trade receivables and the other financial receivables at the balance sheet date is the same as their carrying value.

20. Cash and cash equivalents

	2016	2015
Bank deposits	14,625,335	6,531,333
Bank accounts in domestic currency	13,054,776	673,787
Bank accounts in foreign currency	1,614,090	86,884
	29,294,201	**7,292,004**

Bank deposit in amount of $14,625,335 represents time deposit in Ohridska Banka AD Skopje with validity of 13 days calculated from the date of the loan payment with no interest and was used as a collateral for obtaining short-term borrowing. Due to the economic substance of the restriction and the availability of the cash funds after the maturity, the Lynx Group classified the bank deposits as cash and cash equivalent as at 31 December 2016.

20. Cash and cash equivalents (Continued)

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	2016	2015
MKD	14,801,010	6,598,747
EUR	15,290	19,470
USD	14,477,901	673,787
	29,294,201	**7,292,004**

21. Capital and reserves

Capital

Paid-in capital

At 31 December 2016 and 2015, the Lynx Group has paid-in capital, which amounts to $97,454,015 and $173,454,015.

In February 2016, Lynx Resources bought back a $1,000,000 preference share from one of the shareholders.

In October 2016, Lynx Resources distributed a $75,000,000 dividend to its shareholders by way of capital reduction.

Other reserves—Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognized in other comprehensive income as described in Note 2.4 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year:

	Other reserves
At 19 June 2015	—
Exchange differences on foreign currency translation	(771,695)
At 31 December 2015	**(771,695)**
At 1 January 2016	(771,695)
Exchange differences on foreign currency translation:	
Intercompany loans	(5,074,661)
Sales	228,064
Other	(544,680)
At 31 December 2016	**(6,162,972)**

Translation differences as above of $5,074,661 originates from the intercompany loan between Lynx Mining and Lynx Europe, which is considered a net investment as settlement, is neither planned nor likely to occur in the foreseeable future.

22. Trade payables and other financial liabilities

Carrying amount of trade payables is presented as follows:

	2016	2015
Domestic trade payables	2,596,279	1,466,743
Foreign trade payables	813,117	620,724
	3,409,396	**2,087,467**

22. Trade payables and other financial liabilities (Continued)

Carrying amount of trade payables and other financial liabilities is presented as follows:

	2016	2015
Domestic trade payables	2,596,279	1,466,743
Foreign trade payables	813,117	620,724
Trade payables	**3,409,396**	**2,087,467**
Employee related liabilities	602,923	402,718
Concession liability	204,361	474,422
Professional fees payable	116,285	118,716
Freight cost payable	30,847	77,458
Other financial liabilities	1,042,235	346,215
Other financial liabilities	**1,996,651**	**1,419,529**
	5,406,047	**3,506,996**

The carrying amounts of the trade payables are denominated in the following currencies:

	2016	2015
MKD	2,596,279	1,466,743
GBP	89,959	—
USD	16,233	69,126
EUR	534,295	416,611
SEK	165,138	134,987
Other	7,492	—
	3,409,396	**2,087,467**

The carrying amounts of the other financial liabilities are denominated in the following currencies:

	2016	2015
MKD	914,537	1,223,354
USD	1,082,114	196,175
	1,996,651	**1,419,529**

23. Deferred revenue—received advances for silver delivery

The carrying amounts of the deferred revenue-received advances for silver delivery are as follows:

	2016	2015
Deferred revenue—received advances for silver delivery	21,573,555	—
	21,573,555	**—**
Current	1,970,092	—
Non-current	19,603,463	—

On 1 September 2016, Lynx Group entered into a Silver Purchase Agreement with a related party, Lynx Metals Ltd by netting of its existing Loan payable with Lynx Metals. The prepayments for the purchase of silver are recognized as deferred income and are related to production of silver during the life of the mine. Deferred income is recognized to the statement of comprehensive income as the silver is delivered based on the units of production.

24. Provision for liability and charges

		Employee benefits provisions		
	Restoration, closure cost and decommissioning	Employee retirement benefits	Other benefits	Total
As at 19 June 2015	—	—	—	—
Acquisition of a subsidiary	2,130,297	133,110	246,398	2,509,805
Unwinding of discount and changes in provision	28,642	5,145	3,278	37,065
As at 31 December 2015	**2,158,939**	**138,255**	**249,676**	**2,546,870**
Non-current	2,158,939	118,899	132,329	2,410,167
Current	—	19,356	117,347	136,703
	2,158,939	**138,255**	**249,676**	**2,546,870**

		Employee benefits provisions		
	Restoration, closure cost and decommissioning	Employee retirement benefits	Other benefits	Total
As at 1 January 2016	2,158,939	138,255	249,676	2,546,870
Unwinding of discount and changes in provision	273,090	(7,550)	203,006	468,546
As at 31 December 2016	**2,432,029**	**130,705**	**452,682**	**3,015,416**
Non-current	2,432,029	111,349	405,754	2,949,132
Current	—	19,356	46,928	66,284
	2,432,029	**130,705**	**452,682**	**3,015,416**

(i) Restoration and decommissioning provision

Under current legislation entities operating mining and related activities in the Republic of Macedonia are required to take remedial action for the land where such activities have occurred based on a plan approved by the Ministry of the Environment as well as in accordance with international best practices. After the ceasing of mining activities the Lynx Group is obliged to restore the mining area and to return in its initial condition.

The Lynx Group has engaged an independent expert to conduct an independent assessment on the environment of the mining activities of the Lynx Group and to prepare assessment of the restoration and the relevant costs connected with the mine, tailing site and the mining properties. The calculation was performed on a basis of this independent assessment performed by an environmental technical expert.

The expected current cash flows were projected over the useful life of the mining sites and discounted to 2016 terms using a risk free discount rate. The cost of the related assets are depreciated over the useful life of the assets and are included in property, plant and equipment. If the estimated discount rate used in the calculation had been 10% lower than management's estimates, the carrying amount of the restoration and decommissioning provision would have been $255,910 higher.

(ii) Employee retirement benefit provision

All employers in the Republic of Macedonia are obliged to pay employees minimum severance pay on retirement equal to two months of the average monthly salary applicable in the Country at the time of retirement.

24. Provision for liability and charges (Continued)

(iii) Other employee benefits

The Lynx Group is also obliged to pay jubilee anniversary awards that correspond to the total number of years of service of the employee. Provisions for termination and retirement obligations are recognized in accordance with actuary calculation in 2016. Basic actuary assumptions are used as follows:

	2016
Discount rate	4.3%
Expected rate of salary increase	2.5%

Retirement benefit obligation is stated at the present value of expected future payments to employees with respect to employment retirement pay. The present value of expected future payments to employees is determined by an independent authorised actuary in accordance with the prevailing rules of actuarial mathematics.

25. Borrowings

	2016	2015
Non-current		
Borrowings	62,571,429	25,000,000
Current		
Borrowings	28,752,611	11,119,170
Accrued interest payable	—	43,151
	91,324,040	**36,162,321**

Non-current borrowings are measured at amortized cost. Non-current borrowings represent the long-term loan that was issued of $75,000,000 from Societe Generale, Investec and Ohridska Banka (the Senior Facility) obtained in October 2016 with an interest rate of 3 month LIBOR plus 5%, maturing on 30 September 2023.

The borrowings are measured at amortized cost. Bank borrowings from Ohridska Banka represent four short-term loans. The first loan was issued in amount of $5,307,885 (MKD 310,300,000) with interest rate of 6.2% p.a. maturing on 30 June 2017. The second loan was issued in amount of $525,948 (MKD 370,000,000) with interest rate of 4.5% p.a. with maturity date on 5 September 2017. The third loan was approved in amount of $1,051,707 (MKD 61,483,000) with interest rate of 4.5% p.a. maturing on 30 November 2017. Short-term loan outstanding as at 31 December 2016 of $14,625,335 (MKD 855.000.000) is obtained from Ohridska Banka with interest rate of 3% with maturity date of 13 days.

The carrying amounts and fair value of all borrowings are as follows:

	Carrying amount		Fair value	
	2016	2015	2016	2015
Ohridska Banka AD Skopje	18,324,040	11,119,170	18,324,040	11,119,170
SG Facility	73,000,000	—	73,000,000	—
Lynx Metals	—	25,000,000	—	25,000,000
Accrued interest payable—Lynx Metals	—	43,151	—	43,151
	91,324,040	**36,162,321**	**91,324,040**	**36,162,321**

The fair value of all borrowings equals their carrying amount, as the impact of discounting is not significant. The information in relation to the pledge of collateral is presented in Note 15.

25. Borrowings (Continued)

The carrying amounts of the borrowings are denominated in the following currencies:

	2016	2015
MKD	18,324,040	11,119,170
USD	73,000,000	25,043,151
	91,324,040	**36,162,321**

26. Related party transactions

The Lynx Group has related party transactions with subsidiaries of Lynx Resources during its normal course of business activities. All transactions with related parties are conducted under normal trading and commercial terms at mutually agreed terms. The tables below provides information for the volume and balances of the related party transactions as of and for the years ended 31 December 2016 and 2015.

(i) Year-end balances arising from purchases/sales of commodities and services

	2016	2015
Receivables from related parties		
Subsidiaries of the ultimate beneficiaries of the Lynx Group	3,690,147	3,527,149
At 31 December	**3,690,147**	**3,527,149**

(ii) Year-end balances arising from Borrowings

	2016	2015
Borrowings from Lynx Metals—subsidiary of the ultimate beneficiaries of the Lynx Group	—	25,000,000
Interest payables to related parties	—	43,151
At 31 December	**—**	**25,043,151**

The loan payable to Lynx Metals was settled as a result of the advances for silver delivery as per the Silver Streaming Agreement. The deferred revenue balance for future deliveries of silver to Lynx Metals, a related party as of 31 December 2016 is $21,573,555. Please refer to Note 23 for details.

(iii) Sales of commodities and services

	2016	For the period from 19 June to 31 December 2015
Sales towards Lynx Metals		
Gross revenue from sales of subsidiaries of the ultimate beneficiaries of the Lynx Group	77,515,409	8,620,144
Gross revenue from sales of silver	969,742	—
Marketing cost	(9,372,696)	
At 31 December	**69,112,455**	**8,620,144**

26. Related party transactions (Continued)

(iv) Services obtained

	2016	For the period from 19 June to 31 December 2015
Services obtained from Fusion Capital—shareholder of Lynx Resources	3,015,000	659,091
At 31 December	**3,015,000**	**659,091**

iv) Key management compensation

Key management compensation is paid to the shareholders of Lynx Resources. Short term employee benefits was $3,015,000 for 2016 and $695,091 for 2015).

27. Contingencies

a) Legal proceedings

From time to time and in the normal course of the business, claims against the Lynx Group may be received. On the basis of its own estimates and both internal and external professional advice, the Management of the Lynx Group is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in this consolidated financial information.

28. Events after the reporting period

There are no events after the reporting period that would have impacted on the 2016 statement of comprehensive income, statement of financial position or statement of cash flows.

SECTION D: REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF LYNX RESOURCES



The Directors
Central Asia Metals Plc
11 Albemarle Street
London
W1S 4HH

Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

22 September 2017

Dear Sirs

Lynx Resources

We report on the financial information of Lynx Resources (the "**Target Group**") for the period from 19 June 2015 to 31 December 2015 and the year ended 31 December 2016 set out in Section C of Part X below (the "**Financial Information Table**"). The Financial Information Table has been prepared for inclusion in the admission document dated 22 September 2017 (the "**Admission Document**") of Central Asia Metals plc (the "**Company**") on the basis of the accounting policies set out in note 2 to the Financial Information Table. This report is required by item Schedule Two of the AIM rules for Companies published by the London Stock Exchange plc (the **"AIM Rules"**) and is given for the purpose of complying with that Schedule and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Financial Information Table in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion as to whether the Financial Information Table gives a true and fair view, for the purposes of the Admission Document and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Target Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Financial Information Table gives, for the purposes of the Admission Document dated 22 September 2017, a true and fair view of the state of affairs of the Target Group as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

PricewaterhouseCoopers LLP
Chartered Accountants

SECTION E: INTERIM FINANCIAL INFORMATION OF LYNX RESOURCES FOR THE SIX MONTHS ENDED 30 JUNE 2017

Lynx Resources Limited

Condensed Consolidated Interim Financial Information for the period ended 30 June 2017

(all amounts are in USD unless otherwise stated)

Condensed consolidated interim statement of comprehensive income

	Note	Six months ended 30 June 2017 Unaudited	Six months ended 30 June 2016 Unaudited
REVENUE		**50,664,302**	**30,671,573**
Presented as:			
Gross revenue	4	56,157,449	35,654,708
Marketing cost		(1,373,143)	(4,085,191)
Silver purchase for silver stream		(3,263,432)	—
Freight cost		(856,572)	(897,944)
Revenue		**50,664,302**	**30,671,573**
OPERATING EXPENSES			
Inventory movement		(258,718)	(171,159)
Consumed raw materials	6	(6,063,122)	(6,222,634)
Salaries/payroll expenses		(3,237,927)	(2,956,272)
Cost value of tools and consumable goods		(4,127)	(1,931)
Concession expenses		(1,353,035)	(995,164)
Other operating expenses		(6,569,589)	(4,970,888)
Write off of PPE and other financial assets	9,12	(1,326)	(234)
Depreciation expenses	9,10	(6,568,036)	(7,475,682)
Other operating income		93,905	21,096
Total operating profit		**26,702,327**	**7,898,705**
Finance income	7	7,153,855	378,006
Finance costs	7	(8,328,618)	(928,696)
Total net finance costs		**(1,174,763)**	**(550,690)**
Profit before income tax		**25,527,564**	**7,348,015**
Income tax expense	8	(3,836,431)	(1,166,983)
PROFIT FOR THE PERIOD		**21,691,133**	**6,181,032**
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations	14	12,157,458	2,643,625
Total other comprehensive income		**12,157,458**	**2,643,625**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**33,848,591**	**8,824,657**

Lynx Resources Limited

Condensed Consolidated Interim Financial Information for the period ended 30 June 2017

(all amounts are in USD unless otherwise stated)

Condensed consolidated interim statement of financial position

	Note	As at 30 June 2017	As at 31 December 2016
		Unaudited	
ASSETS			
Non-current assets			
Intangible Assets	10	10,438,479	9,891,105
Property, plant and equipment (PPE)	9	186,391,802	174,591,239
Total non-current assets		**196,830,281**	**184,482,344**
Current assets			
Inventories	11	2,093,795	1,569,050
Trade receivables	12	17,409,357	3,691,173
Income tax receivables		—	1,825,687
Other financial receivables	12	3,878,643	3,213,367
Cash and cash equivalents	13	14,814,973	29,294,201
Deferred tax assets		131,291	120,920
Total current assets		**38,328,059**	**39,714,398**
TOTAL ASSETS		**235,158,340**	**224,196,742**
EQUITY AND LIABILITIES			
Equity			
Capital	14	97,454,015	97,454,015
Other reserves	14	5,994,486	(6,162,972)
Retained earnings		31,253,626	11,586,641
Total equity		**134,702,127**	**102,877,684**
Non-current liabilities			
Borrowings	17	57,449,924	62,571,429
Deferred revenue received advances for silver delivery	15	18,483,565	19,603,463
Provision for liabilities and charges		2,749,709	2,949,132
Total non-current liabilities		**78,683,198**	**85,124,024**
Current liabilities			
Trade payable	16	2,331,082	3,409,396
Income tax payables		1,280,933	—
Borrowings	17	14,219,300	28,752,611
Deferred revenue received advances for silver delivery	15	2,143,404	1,970,092
Provision for liabilities and charges		58,447	66,284
Other financial liabilities	16	1,739,849	1,996,651
Total current liabilities		**21,773,015**	**36,195,034**
TOTAL LIABILITIES AND EQUITY		**235,158,340**	**224,196,742**

Lynx Resources Limited

Condensed Consolidated Interim Financial Information for the period ended 30 June 2017

(all amounts are in USD unless otherwise stated)

Condensed consolidated interim statement of changes in equity

	Note	Capital	Retained earnings	Other reserves	Total
Balance at 1 January 2016		**173,454,015**	**808,281**	**(771,695)**	**173,490,601**
Net profit for the period		—	6,181,032	—	**6,181,032**
Other comprehensive income		—	—	2,643,625	**2,643,625**
Total comprehensive income		**—**	**6,181,032**	**2,643,625**	**8,824,657**
Capital reduction	14	(1,000,000)	—	—	**(1,000,000)**
Balance at 30 June 2016		**172,454,015**	**6,989,313**	**1,871,930**	**181,315,258**
Balance at 1 July 2016		**172,454,015**	**6,989,313**	**1,871,930**	**181,315,258**
Net profit for the period		—	4,597,328	—	**4,597,328**
Other comprehensive income		—	—	(8,034,902)	**(8,034,902)**
Total comprehensive income		**—**	**4,597,328**	**(8,034,902)**	**(3,437,574)**
Capital reduction	14	(75,000,000)	—	—	**(75,000,000)**
Balance at 31 December 2016		**97,454,015**	**11,586,641**	**(6,162,972)**	**102,877,684**
Balance at 1 January 2017		**97,454,015**	**11,586,641**	**(6,162,972)**	**102,877,684**
Net profit for the period		—	21,691,133	—	**21,691,133**
Other comprehensive income		—	—	12,157,458	**12,157,458**
Total comprehensive income		**—**	**21,691,133**	**12,157,458**	**33,848,591**
Dividend			(2,024,148)	—	**(2,024,148)**
Balance at 30 June 2017 (Unaudited)		**97,454,015**	**31,253,626**	**5,994,486**	**134,702,127**

Lynx Resources Limited

Condensed Consolidated Interim Financial Information for the period ended 30 June 2017

(all amounts are in USD unless otherwise stated)

Condensed consolidated interim statement of cash flows

	Note	Six months ended 30 June 2017 Unaudited	Six months ended 30 June 2016 Unaudited
OPERATING ACTIVITIES			
Profit before tax		25,527,564	7,348,015
Adjustments for:			
Depreciation	9,10	6,568,036	7,475,682
Write-off of property, plant and equipment	9	1,326	—
Amortization of deferred revenue received advances for silver delivery		(946,586)	—
Unwind of discount on provisions		91,850	92,203
Interest expense	7	2,280,708	178,969
Interest income	7	(151)	—
Unrealized foreign exchange (gain) loss		—	221,231
Cash flow generated from operations before changes in working capital		**33,522,747**	**15,316,100**
CASH FLOW FROM OPERATING ACTIVITIES			
(Increase) / decrease in inventories		(524,745)	369,175
(Increase) / decrease in trade receivables		(13,718,184)	(3,254,858)
(Increase) / decrease in other financial receivables		(677,010)	(588,189)
Increase / (decrease) in trade payables		(1,078,314)	(490,986)
Increase / (decrease) in other financial liabilities		(137,271)	(249,503)
Cash flow generated from / (used in) operating activities		**17,387,223**	**11,101,739**
Interest and bank charges paid		(2,280,708)	(778,450)
Income taxes paid		(729,811)	(583,375)
Net cash flow generated from / (used in) operating activities		**14,376,704**	**9,739,914**
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase and deposits on property, plant and equipment		(5,361,599)	(3,191,357)
Advances for property, plant and equipment		(1,815,520)	63,516
Interest received		151	378,250
Net cash used in investing activities		**(7,176,968)**	**(2,749,591)**
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of loans and borrowings		(19,654,816)	(5,208,175)
Dividend paid		(2,024,148)	—
Reduction of capital	14	—	(1,000,000)
Net cash flow generated from financing activities		**(21,678,964)**	**(6,208,175)**
Net increase / (decrease) in cash and cash equivalents		**(14,479,228)**	**782,148**
Cash and cash equivalents at the beginning of the period		29,294,201	7,292,004
Cash and cash equivalents at end of the period	13	**14,814,973**	**8,074,152**

Lynx Resources Limited

Condensed Consolidated Interim Financial Information for the period ended 30 June 2017

(all amounts are in USD unless otherwise stated)

1. General information

Lynx Resources Limited ("Lynx Resources"), was incorporated on 19 June 2015 under the Companies Act 1981 of Bermuda. The initial paid in capital amounted to $173,454,015. The registered office of Lynx Resources is located at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.

On 10 July 2015, Lynx Resources through its wholly owned subsidiary, Lynx Mining Limited, established Lynx Europe dooel Skopje. As at 3 November 2015, Lynx Europe dooel Skopje acquired 100% of the shares of the zinc and lead mine Rudnik SASA DOOEL Makedonska Kamenica (Sasa). The ultimate controlling party of the Lynx Group is Orion Fund JV Ltd., Hamilton, Bermuda.

The primary activity of Lynx Resources Limited and its subsidiaries (collectively, the "Lynx Group") includes the extraction of mineralized ores and the production and sale of zinc and lead concentrates.

The Management of the Lynx Group serving during the financial year is:

Chris James—Chief Executive Officer

Stefan Peschke—Chief Financial Officer

Florian Dax—Chief Operating Officer

The activity of the Lynx Group is organized through the following organizational activities:

- Mine
- Flotation
- Laboratory
- Machine workshop
- General administration
- Wholesale and trade of zinc and lead concentrates

The condensed consolidated interim financial information incorporates the results of Lynx Resources Limited and its subsidiary undertakings as at 30 June 2017. This condensed consolidated interim financial information does not constitute statutory accounts. The condensed consolidated interim financial information has not been audited.

2. Summary of significant accounting policies

The principal accounting policies adopted are consistent with those of the previous financial year.

2.1. Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2017 is prepared for the purposes of the re-admission of Central Asia Metals to AIM. This financial information for the period ended 30 June 2017 has been prepared in accordance with Accounting Standard IAS 34 *Interim Financial Reporting*. This special purpose condensed consolidated interim financial information should be read in conjunction with the historical financial information of Lynx Resources for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The condensed consolidated interim financial information is presented in United States Dollars. The accounting policies, methods of computation and presentation used in the preparation of the interim financial information are the same as those used in the Lynx Group's audited financial information for the year ended 31 December 2016 except as described below:

- A number of amendments to IFRS became effective for the financial year beginning 1 January 2017 however the Lynx Group did not have to change its accounting policies or make material retrospective adjustments as a result of adopting these new standards.

2. Summary of significant accounting policies (Continued)

- Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

The preparation of the historical consolidated financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Lynx Group's accounting policies.

In order to maintain consistency with the current year presentation, where appropriate certain items have been reclassified for comparative purposes. Such reclassifications, however, have not resulted in significant changes of the content and format of the financial information as presented herein.

2.2. Going concern

After review of the Lynx Group's operations, financial position and forecasts, the Directors have a reasonable expectation that the Lynx Group has adequate resources to continue in operational existence for a period of at least twelve months. Accordingly, the Directors continue to adopt the going concern basis in preparing the unaudited interim financial information.

3. Financial risk management

3.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The condensed interim financial information does not include all financial risk management information and disclosures required in annual financial information; they should be read in conjunction with the Lynx Group's annual financial information as at 31 December 2016. There have been no changes in the risk management department or in any risk management policies since the year end.

3.2. Capital risk management

The Lynx Group's objectives when managing capital are to safeguard the Lynx Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

There have been no changes in the capital risk management policies since the year end.

3.3. Fair value estimation

Cash and cash equivalents, trade receivables and other financial receivables mainly have short term maturity. For this reason, their carrying amounts at the reporting date approximate their fair values.

The table below shows the categorization of financial assets and liabilities as at 30 June 2017 and 31 December 2016:

30 June 2017	Cash and other receivables	Carrying amount	Fair value
Assets as per the statement of financial position			
Trade and other financial receivables	21,288,000	21,288,000	21,288,000
Cash and cash equivalents	14,814,973	14,814,973	14,814,973
	36,102,973	**36,102,973**	**36,102,973**

3. Financial risk management (Continued)

	Other financial liabilities	Carrying amount	Fair value
Liabilities as per the statement of financial position			
Borrowings	71,669,224	71,669,224	71,669,224
Trade and other financial liabilities	4,070,931	4,070,931	4,070,931
	75,740,155	**75,740,155**	**75,740,155**

31 December 2016	Cash and other receivables	Carrying amount	Fair value
Assets as per the statement of financial position			
Trade and other financial receivables	6,904,540	6,904,540	6,904,540
Cash and cash equivalents	29,294,201	29,294,201	29,294,201
	36,198,741	**36,198,741**	**36,198,741**

	Other financial liabilities	Carrying amount	Fair value
Liabilities as per the statement of financial position			
Borrowings	91,324,040	91,324,040	91,324,040
Trade and other financial liabilities	5,406,047	5,406,047	5,406,047
	96,730,087	**96,730,087**	**96,730,087**

The fair value of borrowings has been calculated by discounting the expected future cash flows at contracted interest rates. The fair value of loan notes and other financial assets has been calculated using market interest rates. As at 30 June 2017 and 31 December 2016, the Lynx Group measured the fair value using techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly (Level 2). There have been no transfers between fair value hierarchy level as of 30 June 2017.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

4. Gross Revenue

	30 June 2017	30 June 2016
Revenue on domestic market—lead and zinc concentrate	54,084,815	35,644,648
Revenue on foreign market—lead and zinc concentrate	18,468	10,060
Revenue of silver	2,054,166	—
	56,157,449	**35,654,708**

5. Operating segment

Sales of lead and zinc concentrate and sales of silver are sold to customers in Europe.

Lynx Resources has one operating segment, Lynx Mining Resources. This reflects the way in which the company's management reviews its business performance, and is consistent with how the executive management, who act as the chief operating decision-makers, allocate resources and assess performance of Sasa.

6. Consumed raw materials

	30 June 2017	30 June 2016
Consumed materials	2,309,766	2,554,732
Consumed spare parts and tools	2,286,133	2,065,667
Consumed electricity	1,020,762	1,179,862
Consumed petrol	446,461	422,373
	6,063,122	**6,222,634**

7. Finance income and costs

	30 June 2017	30 June 2016
Foreign exchange gain	7,153,704	378,006
Interest income	151	—
Finance income	**7,153,855**	**378,006**
Foreign exchange loss	(5,956,060)	(657,524)
Interest expense	(2,280,708)	(178,969)
Other finance expense	(91,850)	(92,203)
Finance costs	**(8,328,618)**	**(928,696)**
Net finance income/(costs)	**(1,174,763)**	**(550,690)**

8. Income tax expense

According to the provisions of the Macedonian tax law the tax base is the profit generated during the fiscal year increased for non-deductible expenses and reduced for deductible revenue (i.e. dividends already taxed at the payer), with income tax at rate of 10%. In line with this Law, Income tax for the period was calculated and recorded in the consolidated statement of comprehensive income.

The increase in income tax expense is mainly due to an increase in profit before tax, net of profit not subject to tax for group operations in Bermuda, and non-deductible expenses. The increase in deferred tax assets for the period ending 30 June 2017 was $10,371.

9. Property, plant and equipment

	Land	Buildings and Mining Infrastructure	Machinery and equipment	Mineral reserves	Construction in progress	Total
Year ended 31 December 2016						
Opening balance	598,428	25,830,067	20,533,874	134,728,099	6,764,678	188,455,146
Additions	206	2,391,165	—	—	8,229,753	10,621,124
Transfer from construction in progress	—	1,434,788	2,537,761	—	(3,972,549)	—
Write-off	—	(1,909,846)	—	—	—	(1,909,846)
Disposals	—	—	(222)	—	—	(222)
Depreciation charge	—	(1,722,096)	(5,093,588)	(7,177,958)	—	(13,993,642)
Exchange differences	(18,530)	(1,000,988)	(392,220)	(6,960,117)	(209,466)	(8,581,321)
Closing net book amount	**580,104**	**25,023,090**	**17,585,605**	**120,590,024**	**10,812,416**	**174,591,239**
At 31 December 2016						
Cost	580,104	26,745,186	22,679,193	127,767,982	10,812,416	188,584,881
Accumulated depreciation	—	(1,722,096)	(5,093,588)	(7,177,958)	—	(13,993,642)
Net book amount	**580,104**	**25,023,090**	**17,585,605**	**120,590,024**	**10,812,416**	**174,591,239**
Period ended 30 June 2017						
Opening balance	580,104	25,023,090	17,585,605	120,590,024	10,812,416	174,591,239
Additions	—	(127,202)	300,915	—	4,116,209	4,289,922
Transfer from construction in progress	—	8,179,189	2,264,085	—	(10,443,274)	—
Write-off	—	(1,326)	—	—	—	(1,326)
Depreciation charge	—	(816,742)	(1,993,241)	(3,473,169)	—	(6,283,152)
Exchange differences	49,752	856,267	158,205	11,803,589	927,306	13,795,119
Closing net book amount	**629,856**	**33,113,276**	**18,315,569**	**128,920,444**	**5,412,657**	**186,391,802**
At 30 June 2017						
Cost	629,856	35,652,114	25,402,398	139,571,571	5,412,657	206,668,596
Accumulated depreciation	—	(2,538,838)	(7,086,829)	(10,651,127)	—	(20,276,791)
Net book amount	**629,856**	**33,113,276**	**18,315,569**	**128,920,444**	**5,412,657**	**186,391,802**

The Lynx Group has pledged building and equipment with an estimated value of $9,086,293 as of 30 June 2017 (June 30, 2016: $ 12,021,145) as a security for the borrowings (See Note 17).

10. Intangible assets

	Total
Year ended 31 December 2016	
Opening balance	10,779,153
Amortization expense	(582,115)
Exchange differences	(305,933)
Closing net book amount	**9,891,105**
At 31 December 2016	
Cost	10,570,268
Accumulated amortization	(679,163)
Net book amount	**9,891,105**
Period ended 30 June 2017	
Opening balance	9,891,105
Depreciation charge	(284,884)
Exchange differences	832,258
Closing net book amount	**10,438,479**
At 30 June 2017	
Cost	11,402,526
Accumulated amortization	(964,047)
Net book amount	**10,438,479**

11. Inventories

	30 June 2017	31 December 2016
Raw materials	338,279	335,185
Finished goods	61,011	284,262
Spare parts and other materials	1,694,505	949,603
	2,093,795	**1,569,050**

Finished goods represents lead and zinc concentrate.

12. Trade and other financial receivables

Carrying amount of trade receivables is presented as follows:

	30 June 2017	31 December 2016
Trade receivables domestic	17,409,357	3,690,147
Trade receivables foreign	—	1,026
Trade receivables—gross	17,409,357	3,691,173
Provision for impairment of trade receivables	—	—
	17,409,357	3,691,173

12. Trade and other financial receivables (Continued)

Carrying amount of trade and other financial receivables is presented as follows:

	30 June 2017	31 December 2016
Trade receivables domestic (Note 18)	17,409,357	3,690,147
Foreign receivables from related parties	—	1,026
Trade receivables—net	17,409,357	3,691,173
Advanced payments	1,884,399	2,218,322
VAT receivables	1,116,061	959,713
Other short-term receivables	878,183	587,126
Less: provision for advances	—	(551,794)
Other financial receivables	3,878,643	3,213,367
	21,288,000	**6,904,540**

Movements on the provision for impairment of trade receivables are as follows:

	30 June 2017	31 December 2016
Opening balance at 1 January	—	6,810
Write-off of previously impaired receivables	—	(6,810)
	—	—

Movement in allowance for impairment for other receivables is as follows:

	30 June 2017	31 December 2016
Other receivables		
Opening balance at 1 January	—	—
Write-off of other receivables	—	551,794
	—	**551,794**

According the Lynx Group's policies the following factors are taken into consideration when assessing the impairment of receivables: receivables above 90 days or more, frequent late payments, high risk customers and customer with financial difficulties.

The fair value of the trade receivables and the other financial receivables at the balance sheet date is the same as their carrying value.

During 2016, the Lynx Group wrote off other receivables amounting to $551,794 as these amounts are not expected to be recoverable.

13. Cash and cash equivalents

	30 June 2017	31 December 2016
Bank deposits	—	14,625,335
Bank accounts in domestic currency	12,043,270	13,054,776
Bank accounts in foreign currency	2,771,703	1,614,090
	14,814,973	**29,294,201**

Bank deposit in amount of $14,625,335 as of 31 December 2016 represents time deposit in Ohridska Banka AD Skopje with validity of 13 days calculated from the date of the loan payment with no interest and was used as collateral for obtaining short-term borrowing. Due to the economic substance of the restriction and the

13. Cash and cash equivalents (Continued)

availability of the cash funds after the maturity, the Lynx Group classified the bank deposits as cash and cash equivalent as at 30 June 2017, 30 June 2016 and 31 December 2016.

The carrying amounts of the cash and cash equivalents are denominated in the following currencies:

	30 June 2017	31 December 2016
MKD	280,915	14,801,010
EUR	2,659,415	15,290
USD	11,874,643	14,477,901
	14,814,973	**29,294,201**

14. Capital and reserves

Capital

Paid-in capital

At 31 December 2016 and 2015, the Lynx Group has paid-in capital, which amounts to $97,454,015 and $173,454,015.

In February 2016, Lynx Resources bought back a $1,000,000 preference share from one of the shareholders.

In October 2016, Lynx Resources distributed a $75,000,000 dividend to its shareholders by way of capital reduction.

Other reserves—Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognized in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

The following table shows a breakdown of the balance sheet line item 'other reserves' and the movements in these reserves during the year:

	Other reserves
At 1 January 2016	**(771,695)**
Exchange differences on foreign currency translation:	
Other	(114,257)
Sales	743,876
Intercompany loans	2,014,006
At 30 June 2016	**2,643,625**
At 1 January 2017	(6,162,972)
Exchange differences on foreign currency translation:	
Other	1,307,187
Sales	454,762
Intercompany loans	10,395,509
At 30 June 2017	**5,994,486**

Translation differences as above of $5,994,486 (30 June 2016: $2,643,625) originates from the intercompany loan between Lynx Mining and Lynx Europe, which is considered a net investment as settlement, which the timing of repayment is uncertain.

15. Deferred revenue—received advances for silver delivery

The carrying amounts of the deferred revenue-received advances for silver delivery are as follows:

	30 June 2017	31 December 2016
Deferred revenue—received advances for silver delivery	20,626,969	21,573,555
	20,626,969	**21,573,555**

	30 June 2017	31 December 2016
Current	2,143,404	1,970,092
Non-current	18,483,565	19,603,463
	20,626,969	**21,573,555**

On 1 September 2016, Lynx Group entered into a Silver Purchase Agreement with Lynx Metals Limited (Lynx Metals) by netting of its existing Loan payable with Lynx Metals. The prepayment for the purchase of silver are recognized as deferred income and are related to production of silver during the life time of the mine. Deferred income is recognized to the statement of comprehensive income as the silver is delivered based on the units of production.

16. Trade payable and other financial liabilities

	30 June 2017	31 December 2016
Domestic trade payables	1,831,864	2,596,279
Foreign trade payables	499,218	813,117
Trade payables	**2,331,082**	**3,409,396**
Employee related liabilities	685,669	602,923
Concession liability	684,213	204,361
Professional fees payable	154,243	116,285
Freight cost payable	96,334	30,847
Other current liabilities	119,390	1,042,235
Other financial liabilities	**1,739,849**	**1,996,651**

17. Borrowings

	30 June 2017	31 December 2016
Non-current		
Borrowings	57,449,924	62,571,429
Current		
Borrowings	14,219,300	28,752,611
Accrued interest payable	—	—
	71,669,224	**91,324,040**

Current and non-current borrowings represent the long-term loan that was issued in amount of $75,000,000 from Societe Generale, Investec and Ohridska Banka (the Senior Facility) obtained in October 2016 with an interest rate of 3 month LIBOR plus 5%, maturing on 30 September 2023. For the six month period ending 30 June 2017 there have been repayments of borrowings.

Bank borrowings from Ohridska Banka represent short-term loans. The first loan was issued in amount of $5,307,885 with interest rate of 6.2% p.a. which matured on 30 June 2017 has been repaid. The second loan

17. Borrowings (Continued)

was issued in amount of $525,948 with interest rate of 4.5% p.a. and has a maturity date on 5 September 2017. The third loan was approved in amount of $1,051,707 with interest rate of 4.5% p.a. maturing on 30 November 2017. For the six month period ending 30 June 2017 there have been repayments of borrowings.

The carrying amounts and fair value of all borrowings are as follows:

	Carrying amount		Fair value	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Ohridska Banka AD Skopje	5,182,275	18,324,040	5,182,275	18,324,040
SG Facility	66,486,949	73,000,000	66,486,949	73,000,000
	71,669,224	**91,324,040**	**71,669,224**	**91,324,040**

The fair value of all borrowings equals their carrying amount, as the impact of discounting is not significant. The information in relation to the pledge of collateral is presented in Note 10.

The carrying amounts of the borrowings are denominated in the following currencies:

	30 June 2017	31 December 2016
MKD	5,182,275	18,324,040
USD	66,486,949	73,000,000
	71,669,224	**91,324,040**

18. Related party transactions

The Lynx Group has related party transactions with subsidiaries of its parent company during its normal course of business activities. All transactions with related parties are conducted under normal trading and commercial terms at mutually agreed terms. The tables below provide information for the volume and balances of the related party transactions as of and for the period ended 30 June 2017, 30 June 2016 and year ended 31 December 2016.

(i) Year-end balances arising from purchases/sales of commodities and services

	30 June 2017	31 December 2016
Receivables from related parties		
Subsidiaries of the ultimate beneficiaries of the Lynx Group	17,409,357	3,690,147
	17,409,357	**3,690,147**

(ii) Sales of commodities and services

	30 June 2017	30 June 2016
Sales towards Lynx Metals		
Subsidiaries of the ultimate beneficiaries of the Lynx Group	54,084,815	35,644,648
Sales of silver	2,054,166	—
Marketing cost	(1,373,143)	(4,085,191)
	54,765,838	**31,559,457**

18. Related party transactions (Continued)

(iii) Services obtained

	30 June 2017	30 June 2016
Services obtained from Fusion Capital—shareholder of Lynx Resources	1,802,500	1,500,000
	1,802,500	**1,500,000**

	30 June 2017	30 June 2016
Services obtained from Lynx Metals		
Marketing cost	1,373,143	4,085,191
	1,373,143	**4,085,191**

(iv) Deferred revenue

Please refer to note 15 for details of deferred revenue recognized in relation to the Silver Purchase Agreement with Lynx Metals.

19. Commitments

The Lynx Group has signed long-term contracts to either support its standard operational activity (production materials, oil, explosives, etc.) or develop new projects. In the latter category, the Lynx Group is currently committed to the construction of facilities for the appropriate treatment of "tailings" and has engaged one main contractor for the related construction work; the total value of all standing commitments after 30 June 2017 is approximately $840,000.

20. Contingencies

Legal proceedings

From time to time and in the normal course of the business, claims against the Lynx Group may be received. On the basis of its own estimates and both internal and external professional advice, the Management of the Lynx Group is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in this consolidated financial information.

21. Events after the reporting period

On 22 September 2017, it was announced that CAML will, subject to the satisfactory completion of certain conditions, acquire the entire issued share capital of Lynx Resources Limited.

There are no events after the reporting period that would have impact on the 30 June 2017 condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of financial position, condensed consolidated interim statement of cash flows.

PART XI

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The unaudited pro forma financial information of the Enlarged Group in this Part XI has been prepared to illustrate the effect on the net assets of CAML as if the Acquisition, the Debt Financing and the Company Placing had taken place on 30 June 2017.

The unaudited pro forma financial information is based on the consolidated net assets of CAML as at 30 June 2017 and has been prepared using accounting policies consistent with those set out in the interim financial statements of the Group for the six months ended 30 June 2017.

The unaudited pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent CAML's or the Enlarged Group's actual financial position. The unaudited pro forma financial information has been prepared on the basis set out in the notes below and in accordance with Schedule Two of the AIM Rules for Companies.

The unaudited pro forma information does not constitute financial statements within the meaning of Section 434 of the Act.

Unaudited Pro Forma Statement of Net Assets

	CAML as at 30 June 2017 $'000	Adjustments: Lynx Group as at 30 June 2017 $'000	Adjustments: Acquisition of the Lynx Group $'000	Adjustments: Debt financing $'000	Adjustments: Company Placing $'000	Pro forma Total $'000
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	
Non-current assets						
Property, plant and equipment	50,361	186,392	—	—	—	**236,753**
Intangible assets	41,761	10,438	200,798	—	—	**252,997**
Other non-current receivables	2,653	—	—	—	—	**2,653**
	94,775	**196,830**	**200,798**	—	—	**492,403**
Current assets						
Inventories	4,406	2,094	—	—	—	**6,500**
Trade and other receivables	975	17,409	—	—	—	**18,384**
Other financial receivables	—	3,879	—	—	—	**3,879**
Deferred tax assets	—	131	—	—	—	**131**
Restricted cash	122	—	—	—	—	**122**
Cash and cash equivalents	41,580	14,815	(285,676)	117,360	147,222	**35,301**
	47,083	**38,328**	**(285,676)**	**117,360**	**147,222**	**64,317**
Total assets	**141,858**	**235,158**	**(84,878)**	**117,360**	**147,222**	**556,720**
Non-current liabilities						
Borrowings	—	57,450	—	101,360	—	**158,810**
Deferred consideration	—	—	12,000	—	—	**12,000**
Deferred revenue received advances for silver delivery	—	18,484	—	—	—	**18,484**
Deferred income tax liability	8,661	—	—	—	—	**8,661**
Provisions for other liabilities and charges	2,023	2,750	—	—	—	**4,773**
	10,684	**78,684**	**12,000**	**101,360**	—	**202,728**
Current liabilities						
Borrowings	—	14,219	—	16,000	—	30,219
Deferred revenue received advances for silver delivery	—	2,143	—	—	—	2,143
Other financial liabilities	—	1,740	—	—	—	1,740
Provisions for other liabilities and charges	—	58	—	—	—	58
Trade and other payables	4,770	3,612	(771)	—	—	7,611
	4,770	**21,772**	**(771)**	**16,000**	—	**41,771**
Total liabilities	**15,454**	**100,456**	**11,229**	**117,360**	—	**244,499**
Net assets	**126,404**	**134,702**	**(96,107)**	**—**	**147,222**	**312,221**

Notes:

(1) The net assets of CAML as at 30 June 2017 have been extracted without material adjustment from the unaudited interim financial statements of CAML for the six months ended 30 June 2017, as incorporated by reference in Part IX of this document.

(2) The net assets of the Lynx Group for the six months ended 30 June 2017 have been extracted without material adjustment from the unaudited interim financial information of the Lynx Group for the six months ended 30 June 2017, set out in Section E of Part X of this document.

(3) The adjustments arising as a result of the acquisition of the Lynx Group are set out below:

(a) The adjustment to current assets of $285.7 million represents the aggregate of $273.5 million cash consideration payable to the Sellers for the Acquisition and $12.2 million of estimated transaction costs. This includes $0.8 million of estimated transaction costs which were accrued as at 30 June 2017. In addition, transaction costs of $0.1 million were paid prior to 30 June 2017. Estimated Acquisition costs include those of the financial and legal advisers, fees, reporting accountant and other costs associated with the Acquisition. In accordance with IFRS, no provision has been made for possible contingent costs associated with the Acquisition, estimated at $23.0 million.

(b) The unaudited pro forma statement of net assets has been prepared on the basis that the acquisition of Lynx will be accounted for using the acquisition accounting method. The excess of consideration over the book value of assets acquired

has been reflected as intangible assets. No account has been taken of any fair value adjustments which may arise on the acquisition, including for any amounts that may be reclassified to property, plant and equipment (mining assets).

The intangible assets arising on this basis have been calculated as follows:

	$'m
Consideration:	
Cash consideration (note 3(i))	273.5
Deferred consideration (note 3(ii))	12.0
Equity consideration (note 3(iii))	50.0
	335.5
Less net assets of the Lynx Group (note 3(iv)	(134.7)
Intangible assets	**200.8**

(i) The cash consideration of $273.5 million will be financed by the $120.0 million new debt facilities provided by Traxys (Note 4) and the proceeds of the Placing (Note 5). No adjustment has been made for any net debt and net working capital adjustments under the Acquisition Agreement.

(ii) Deferred cash consideration of $12.0 million has been accrued, payable in six equal monthly instalments commencing on the first anniversary of the completion of the Acquisition.

(iii) The equity consideration amount assumes the issue of 49,150,000 new CAML shares, as outlined in Part I of this document, at a price of $3.12 per share (£2.30 per share).

(iv) The net assets of the Lynx Group are those as at 30 June 2017 as set out Section E of Part X.

(4) As set out in Part I of this document the Company entered into a term loan agreement dated 22 September 2017 with Traxys to advance aggregate facilities of $120.0 million. This adjustment illustrates the impact of the draw down of $120.0 million of the Debt Financing. Estimated costs of $2.6 million associated with the Debt Financing have been capitalised against non-current borrowing.

(5) Adjustment to reflect the net proceeds of the Company Placing by the Company of $147.2 million, net of associated costs of $6.3 million, which for the purposes of the pro forma financial information have been assumed as being directly attributable to the Company Placing and therefore capitalised.

(6) The unaudited pro forma financial information does not take into account trading of either CAML subsequent to the interim balance sheet date of 30 June 2017 or of the Lynx Group subsequent to the interim balance sheet date of 30 June 2017.

PART XII

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENTS

1.1 The Company and its Directors (whose names and functions appear on page 10 of this document) accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

1.2 WAI whose registered address is at Sir Henry Doulton House, Forge Lane, Etruria, Stoke-on-Trent, ST1 5BD, United Kingdom, accepts responsibility for the information contained in the Competent Persons Reports set out in Part A of Part VIII of this document. To the best of the knowledge of Wardell Armstrong International (who have taken all reasonable care to ensure that such is the case), the information contained therein is in accordance with the facts and contains no omission likely to affect its import.

1.3 SRK whose registered address is at 21 Gold Tops, Newport, NP20 4PG, Wales, United Kingdom, accepts responsibility for the information contained in the Competent Persons Reports set out in Part B of Part VIII of this document. To the best of the knowledge of SRK Consulting (UK) Limited (who have taken all reasonable care to ensure that such is the case), the information contained therein is in accordance with the facts and contains no omission likely to affect its import.

2. INCORPORATION

2.1 The Company was incorporated and registered in England and Wales on 9 September 2005 under the 1985 Act as a private limited company with the name Central Asia Gold Limited and with the registered number 05559627. The Company changed its name to Central Asia Metals Limited on 14 December 2006. The Company re-registered as a public limited company and changed its name to Central Asia Metals PLC on 6 September 2010. The Company is domiciled in the United Kingdom.

2.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder. The liability of the members of the company is limited.

2.3 The website address of the Company for the purposes of AIM Rule 26 is www.centralasiametals.com.

2.4 The Company's registered office is at Masters House, 107 Hammersmith Road, London W14 0QH and the Company's principal place of business is 11 Albemarle Street, London, W1S 4HH (telephone number 020 7898 9001 or, if dialling from outside the United Kingdom, +44 20 7898 9001).

2.5 The Company is the holding company of the Group and, following Completion, will be the holding company of the Enlarged Group. For further details of the Company's significant subsidiary undertakings, see paragraph 11 of Part XII of this document.

3. SHARE CAPITAL

3.1 The Company was incorporated with an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1.00 each of which one ordinary share of £1.00 was allotted on 9 September 2005 as a subscriber share at a price of £1.00.

3.2 As at 21 September 2017 (being the latest practicable date prior to the date of this document) the issued share capital of the Company was:

Class of Shares	*Issued and fully paid*
Ordinary Shares	112,069,738 (including 511,647 treasury shares)

3.3 Immediately following Admission, the issued share capital of the Company will (assuming no options are exercised prior to Admission) be:

Class of Shares	*Issued and fully paid*
Ordinary Shares	161,219,738 (including 511,647 treasury shares)

3.4 Immediately following Readmission, the issued share capital of the Company will (assuming no options are exercised prior to Readmission) be:

Class of Shares	*Issued and fully paid*
Ordinary Shares	176,498,266 (including 511,647 treasury shares)

3.5 Since 1 January 2014, there have been the following changes to the issued share capital of the Company:

(A) On 23 May 2014, 21,211,751 Ordinary Shares were issued, of which 15,336,096 were issued at a price of US$2.57 per share and 5,875,655 were issued at a price of US$2.87;

(B) On 30 June 2014, 260,000 Ordinary Shares were issued at a price of 96 pence per share pursuant to the exercise of warrants;

(C) On 23 July 2014, 3,500,000 Ordinary Shares were issued at a price of US$2.61 to the trustee of the CAML Employee Benefit Trust (as defined in paragraph 5.2 of this Part XII) with a view to satisfying awards under the Company's Employee Share Plans;

(D) On 31 July 2014 932,053 Ordinary Shares were issued at a price of 96 pence per share, pursuant to the exercise of warrants; and

(E) On 13 May 2015, by special resolution confirmed by an order of the High Court of Justice, Chancery Division, the Company cancelled its share premium account. The Company cancelled the share premium account in order to create further distributable reserves and to enable the Company to continue with its dividend policy. The cancellation of the share premium account did not, in itself, involve any distribution or repayment of capital by the Company to any Shareholder or other person.

3.6 49,150,000 new Ordinary Shares will, subject to Admission, be issued, pursuant to the Company Placing at a price of 230 pence per new Ordinary Share, representing a premium of US$3.12 over their nominal value of US$0.01 each.

3.7 15,278,528 new Consideration Shares will, subject to Readmission, be issued, pursuant to the Acquisition at a price of 241.5 pence per new Ordinary Share, representing a premium of US$3.28 over their nominal value of US$0.01 each.

3.8 Pursuant to a number of resolutions passed at the annual general meeting of the Company on 31 May 2017, *inter alia*,:

(A) the directors were generally and unconditionally authorised for the purposes of section 551 of the Act, to exercise all the powers of the Company to allot shares in the Company and grant rights to subscribe for, or convert any security into, shares in the Company up to an aggregate nominal amount of US$743,721, comprising:

(1) up to an aggregate nominal amount equal to US$371,860 in connection with or pursuant to an offer in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities), but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of, or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

(2) otherwise than pursuant to sub-paragraph (a) of this resolution above, up to a further aggregate nominal amount equal to US$371,860,

these authorisations to expire on 30 June 2018 or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2018.

(B) the Directors were given the power pursuant to sections 570(1) and 573 of the Act to:

(1) allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authorisation conferred by the resolution in (A); and

(2) sell ordinary shares (as defined in sections 560(1) and 560(3) of the Act) held by the Company as treasury shares for cash,

as if section 561 of the Act did not apply to any such allotment or sale, provided that this power shall be limited to the allotment of equity securities and the sale of treasury shares for cash,

(a) in connection with or pursuant to an offer of or invitation to acquire equity securities in favour of holders of ordinary shares in proportion (as nearly as practicable) to the respective number of ordinary shares held by them on the record date for such allotment or sale (and holders of any other class of equity securities entitled to participate therein or if the Directors consider it necessary, as permitted by the rights of those securities) but subject to such exclusions or other arrangements as the Directors may consider necessary or appropriate to deal with fractional entitlements, treasury shares, record dates or legal, regulatory or practical difficulties which may arise under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and

(b) otherwise than pursuant to sub-paragraph (i) of this resolution, up to an aggregate nominal amount of US$111,558,

these authorisations to expire on 30 June 2018 or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2018.

(C) the Company was generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of any of the ordinary shares in the capital of the Company on such terms and in such manner as the Directors may from time to time determine, such shares to be either held as treasury shares or cancelled as the Board may determine provided that:

(1) the maximum number of ordinary shares which may be purchased is 11,155,809 ordinary shares of US$0.01 each;

(2) the minimum price that may be paid for each ordinary share is the nominal amount of such share which amount shall be exclusive of expenses, if any;

(3) the maximum price (exclusive of expenses) that may be paid for each ordinary share is an amount equal to the higher of: (i) 105 per cent. of the average of the middle market quotations for the ordinary shares of the Company (as derived from the AIM Appendix to the Daily Official List of London Stock Exchange plc) for the five business days immediately preceding the day on which such share is contracted to be purchased and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange as stipulated by the Commission-adopted Regulatory Technical Standards pursuant to article 5(6) of the Market Abuse Regulation;

(4) the Company may, before this authority expires, make a contract to purchase ordinary shares that would or might be executed wholly or partly after the expiry of this authority, and may make purchases of ordinary shares pursuant to it as if this authority had not expired; and

(5) unless previously renewed, revoked or varied, this authority is to expire at the conclusion of the next annual general meeting of the Company to be held in 2018 or, if earlier, on 30 June 2018.

3.9 The authorities and powers to allot shares referred to paragraphs 3.8(A), 3.8(B) and 3.8(C) will be superseded by the authorities and powers set out in the Resolutions, conditional on completion of the Acquisition.

3.10 Save as disclosed in this Part VII:

(A) there has been no change in the amount of the issued share capital of the Company and no material change in the amount of the issued share or loan capital of any of its subsidiaries (other than intra group issues by wholly owned subsidiaries) in the three years preceding the date of this document; and

(B) no share capital of the Company or any of its subsidiaries is under option or is agreed, conditionally or unconditionally, to be put under option.

3.11 The Ordinary Shares are in registered form and, subject to the provisions of the Regulations, the Directors may permit the holding of Shares of any class in uncertificated form and title to such shares may be transferred by means of a relevant system (as defined in the Regulations). Where Ordinary Shares are held in certificated form, share certificates will be sent to the registered members by first class post. Where

Ordinary Shares are held in CREST, the relevant CREST stock account of the registered members will be credited.

4. SUMMARY OF THE ARTICLES

4.1 The Articles contain provisions, *inter alia*, to the following effect:

(A) **Voting rights in respect of Ordinary Shares**

(1) Shareholders shall have the right to receive notice of, to attend and to vote at all general meetings of the Company. Save as otherwise provided in the Articles, on a show of hands each holder of shares present in person and entitled to vote shall have one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote shall have one vote in respect of every share held by him.

(2) No member shall be entitled to vote at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid or if a member has been served by the Directors with a restriction notice in the manner described in paragraph 4.2(B) below.

(B) **Restrictions on Ordinary Shares**

If a member or any person appearing to the Directors to be interested in shares in the capital of the Company held by such member has been duly served with a notice pursuant to section 793 of the 2006 Act and is in default in supplying to the Company information thereby required within 14 days from the date of service of such notice the Company may serve on such member or on any such person a notice (a "restriction notice") in respect of the shares in relation to which the default occurred (the "restricted shares") and any other shares held at the date of the restriction notice directing that the member shall not be entitled to be present or to vote at any general meeting or class meeting of the Company or to be reckoned in any quorum. Where the restricted shares represent at least 0.25 per cent. (in nominal value) of the issued shares of the Company of the same class the restriction notice may in addition direct, *inter alia*, that any dividend or other monies which would otherwise be payable on or in respect of the restricted shares shall be withheld by the Company without liability to pay interest; where the Company has offered the right to elect to receive shares instead of cash in respect of any dividends any election by such member of such restricted shares will not be effective; and no transfer of any of the shares held by the member shall be registered unless the member is not himself in default in supplying the information requested and the transfer is part only of the member's holding and is accompanied by a certificate given by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that none of the shares which is the subject of the transfer is a restricted share.

(C) **Rights in respect of Redeemable Shares**

The redeemable shares confer upon the holder no rights including no rights to receive notices of general meetings, vote at general meetings, participate in dividends or profits or in a return of capital on the liquidation of the Company notwithstanding any provisions as set out in the Articles.

(D) **Variation of Class Rights**

If at any time the share capital is divided into different classes of shares, the rights attached to any class or any of such rights may, subject to the provisions of the statutes, whether or not the Company is being wound up, be abrogated or varied with the consent in writing of the holders of at least three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of chapter 3 of part 13 of the 2006 Act (save as stated in section 334(2) to (3)) and the provisions of Articles relating to general meetings shall, *mutatis mutandis*, so far as applicable apply, subject to the following provisions, namely: (i) the necessary quorum at any such meeting, other than an adjourned meeting, shall be two persons *present* holding at least one-third in nominal value of the issued shares of the class in question (excluding any shares of that class held as treasury shares) and at an adjourned meeting one person present holding shares of the class in question; and (ii) any holder of shares of the class in question present in person or by proxy may demand a poll. For the purposes of (i) above, where a person is present by proxy or proxies, he is treated as holding only the shares in respect of which those proxies are authorised to exercise voting rights. The rights attached to any

class of shares shall, unless otherwise expressly provided by the terms of issue of the shares of that class or by the terms upon which such shares are for the time being held, be deemed not to be abrogated or varied by the creation or issue of further shares ranking *pari passu* therewith.

(E) **Alteration of capital**

(1) The Company may by ordinary resolution consolidate all or any of its share capital into shares of larger amount and sub-divide all or any of its shares into shares of smaller amount.

(2) Subject to the provisions of the statutes, the Company may by special resolution reduce its share capital, any capital redemption reserve any share premium account and any redenomination account in any way.

(3) Subject to the provisions of the statutes, any shares may be issued on terms that they are to be redeemed or liable to be redeemed at the option of the Company or the shareholders. The terms and conditions and manner of redemption may be determined by the Directors provided that this is done before the shares are allotted.

(4) Subject to the provisions of the statutes, the Company may purchase any of its own shares (including any redeemable shares).

(F) **Transfer of Shares**

(1) Subject to paragraph 4.2(F)(2) below, the instrument of transfer of a certificated share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All transfers of certificated shares shall be effected by instrument in writing in any usual or common form or any other form which the Directors may approve. The Directors may, in their absolute discretion, refuse to register the transfer of a share which is not fully paid (whether certificated or uncertificated) provided that where such shares are admitted to the Official List or admitted to trading on AIM, such discretion may not be exercised in a way which the FCA or the London Stock Exchange regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The Directors may likewise refuse to register any transfer of a share (whether certificated or uncertificated), whether fully paid or not, in favour of more than four persons jointly. In relation to certificated shares, the Directors may decline to recognise any instrument of transfer unless it is left at the registered office of the Company or such other place as the Directors may determine, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), and unless the instrument is in respect of only one class of share.

(2) Notwithstanding any other provision of the Articles to the contrary, unless otherwise determined by the Directors, any shares in the Company may be held in uncertificated form and title to shares may be transferred by means of a relevant system (in each case as defined in the Regulations) such as CREST.

(G) **General Meetings**

An annual general meeting shall be called by not less than 21 clear days' notice, and a meeting of the Company other than an annual general meeting shall be called by not less than 14 clear days' notice. (If the Company is a traded company (as defined in section 360C of the 2006 Act), the provisions of section 307A must be complied with if the meeting is to be called by less than 21 clear days' notice, unless the meeting is of holders of a class of shares). The notice shall state the place, the date and the time of meeting and the general nature of that business. It shall be given, in the manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the statutes or by the Company in general meeting, to such persons as are entitled to receive such notices from the Company and shall comply with the provisions of the statutes as to informing members of their right to appoint proxies. A notice calling an annual general meeting shall state that the meeting is an annual general meeting and a notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as such and shall include the text of the resolution.

A meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in the paragraph above, be deemed to have been duly called if it is so agreed in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; and in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right (excluding any shares in the Company held as treasury shares). The short notice provision noted in this paragraph does not apply to general meetings (other than meetings of holders of a class of shares) of a traded company (as defined in section 360C of the 2006 Act).

The accidental failure to give notice of a meeting, or of a resolution intended to be moved at a meeting, or to issue an invitation to appoint a proxy with a notice where required by these Articles, to any one or more persons entitled to receive notice, or the non-receipt of notice of a meeting or of such a resolution or of an invitation to appoint a proxy by any such persons, shall be disregarded for the purpose of determining whether notice of the meeting or of any resolution to be moved at the meeting is duly given.

All shareholders present in person or by duly appointed corporate representative, and their duly appointed proxy or proxies shall be entitled to attend all general meetings of the Company.

(H) **Directors**

Unless and until the Company in general meeting shall otherwise determine, the number of Directors shall be not more than 16 nor less than two. The Company may by ordinary resolution from time to time vary the minimum number and/or maximum number of Directors. A Director shall not be required to hold any shares in the capital of the Company. A Director who is not a Member shall nevertheless be entitled to receive notice of and attend and speak at all general meetings of the Company and all separate general meetings of the holders of any class of shares in the capital of the Company. There shall not be an age limit for Directors.

No Director or intending Director shall be disqualified by his office from entering into, or being otherwise interested in, any of the foregoing, or any other contract, transaction or arrangement with the Company or in which the Company has an interest (direct or indirect). Subject to the provisions of the statutes and save as therein provided no such contract, transaction or arrangement shall be liable to be avoided on the grounds of the Director's interest, nor shall any Director be liable to account to the Company for any remuneration or other benefit which derives from any such contract, transaction or arrangement or interest by reason of such Director holding that office or of the fiduciary relationship thereby established, but he shall declare the nature of his interest in accordance with the requirements of the statutes.

A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

(1) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;

(2) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(3) any proposal concerning an offer of securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

(4) any contract, arrangement or transaction concerning any other body corporate in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he does not to his knowledge hold an interest (within the meaning of sections 820 to 825 of the 2006 Act) in one per cent. or more of any class of the equity share capital of such body corporate or of the voting rights available to members of the relevant body corporate;

(5) any contract, arrangement or transaction for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or advantage not generally accorded to the employees to whom the scheme relates;

(6) any contract, arrangement or transaction concerning any insurance which the Company is to purchase and/or maintain for, or for the benefit of, any Directors or persons including Directors;

(7) the giving of an indemnity pursuant to the Article in relation to the indemnity of the Directors; and

(8) the provision of funds to any Director to meet, or the doing of anything to enable a Director to avoid incurring, expenditure of the nature described in section 205(1) or 206 of the 2006 Act.

If any question shall arise at any meeting as to an interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.

Save as provided in the Articles, a Director shall not vote in respect of any contract, arrangement or transaction whatsoever in which he has an interest which is to his knowledge a material interest otherwise than by virtue of interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

The Directors shall be paid out of the funds of the Company by way of fees for their services as Directors such sums (if any) as the Directors may from time to time determine and such remuneration shall be divided between the Directors as they shall agree or, failing agreement, equally. Such remuneration shall be deemed to accrue from day to day. The Directors may also be paid all reasonable travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or of the holders of any class of shares or debentures of the Company or otherwise in connection with the business of the Company. Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Directors may determine. The Articles do not permit a director to vote on, or be counted in the quorum in relation to, any resolution of the board concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested, including fixing or varying the terms of his appointment or the termination thereof.

Each Director shall have the power at any time to appoint as an alternate Director either (i) another Director or (ii) any other person approved for that purpose by a resolution of the Directors, and, at any time, to terminate such appointment.

At every annual general meeting, there shall retire from office any Director who shall have been a Director at each of the preceding two annual general meetings and who was not appointed or re-appointed by the Company in general meeting at, or since, either such meeting. A retiring Director shall be eligible for re-appointment.

The Directors may exercise all the powers of the Company to give or award pensions, annuities, gratuities or other retirement, superannuation, death or disability allowances or benefits (whether or not similar to the foregoing) to (or to any person in respect of) any persons who are or have at any time been Directors of the Company or of any body corporate which is or was a subsidiary undertaking or a parent undertaking of the Company or another subsidiary undertaking of a parent undertaking of the Company or otherwise associated with the Company or any such body corporate, or a predecessor in business of the Company or any such body corporate, and to the spouses, civil partners, former spouses, former civil partners, children and other relatives and dependants of any such persons and may establish, maintain, support, subscribe to and contribute to all kinds of schemes, trusts and funds (whether contributory or non-contributory) for the benefit of such persons as are hereinbefore referred to or any of them or any class of them, and so that any Director or former Director shall be entitled to receive and retain for his own benefit any such pension, annuity, gratuity, allowance or other benefit (whether under any such trust, fund or scheme or otherwise).

(I) **Borrowing Powers**

The Directors may, save as the Articles otherwise provide, exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, or any part thereof, and, subject to the provisions of the statutes to issue debentures, debenture stock, and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

(J) **Dividends and Distributions on Liquidation to Shareholders**

(1) The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to the statutes and the rights of any persons entitled to shares with any priority, preference or special rights, all dividends shall be declared and paid according to the amounts paid up on the shares and shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.

(2) Subject to the provisions of the statutes, the Directors may from time to time pay such interim dividends as they think fit and may pay the fixed dividends payable on any shares of the Company half yearly or otherwise on fixed dates.

(3) The Directors may, with the sanction of an ordinary resolution of the Company in general meeting, offer the holders of Ordinary Shares the right to elect to receive Placing Shares credited as fully paid instead of cash in respect of the whole or part of any dividend.

(4) Any dividend unclaimed for a period of 12 years or more after becoming due for payment shall be forfeited and shall revert to the Company.

(5) On a liquidation, the liquidator may, subject to the statutes, divide amongst the members in specie or in kind the whole or any part of the assets of the Company and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out.

(K) **Non-United Kingdom Shareholders**

There are no limitations in the Articles on the rights of non-United Kingdom shareholders to hold, or to exercise voting rights attached to, the Ordinary Shares. However, non-United Kingdom shareholders are not entitled to receive notices unless they have given an address in the United Kingdom to which such notices may be sent.

(L) **Unlimited objects**

The Articles contain no restriction on the objects of the Company.

5. SHARE INCENTIVE ARRANGEMENTS

5.1 *The Central Asia Metals Employee Share Option Plan (the "**Option Plan**")*

The Option Plan was adopted by the Board on 14 December 2007 and was amended on 10 December 2012 and 14 January 2013. No further options will be granted under the Option Plan, the last options granted and still outstanding having been granted on 21 February 2010.

Options include the right either to acquire additional Ordinary Shares equal to the value of dividends on the Ordinary Shares subject to an option as if those dividends were reinvested in Ordinary Shares at the date of payment, or to a cash payment on exercise of the option equal to the value of those dividends (net of any exercise price that would have been payable for those additional shares). Options are not transferable.

A performance condition attached to an Option is not capable of variation or waiver unless events occur which cause the Board to consider that such a condition shall have ceased to be appropriate. The Board may then vary or waive the condition so that any new condition imposed or any variation is in its opinion fair and reasonable.

Options may be satisfied by the issue of new Ordinary Shares or the transfer of existing Ordinary Shares, either from treasury or otherwise. If there is any variation in the share capital of the Company, adjustments

to the number of Ordinary Shares subject to options and the exercise price may be made by the Board in such manner and with effect from such date as the Board may determine to be appropriate.

Options will normally lapse on cessation of employment of a participant except if the cessation is for a 'good leaver' reason (for example, death, ill-health, disability, redundancy, retirement, transfer of the business in which the participant is employed outside the Group, or another reason determined by the Board). If a takeover or other change of control occurs, all subsisting options will be exercisable. Options lapse in any event on the expiry of ten years from their date of grant.

Ordinary Shares issued or transferred on exercise shall rank pari passu in all respects with the Ordinary Shares already in issue (save as regards any rights attaching to such shares by reference to a record date falling prior to their date of exercise).

Options do not form part of any contract of employment.

If there is any variation in the share capital of the Company, the Board may adjust the number and nominal value of shares subject to options, and their exercise price, in such manner as the Board determines to be appropriate. The Board may also amend the rules of the Option Plan in any respect.

5.2 *The Central Asia Metals Limited Share Trust*

Establishment of Employee Benefit Trust

The Central Asia Metals Limited Share Trust (the "**Employee Benefit Trust**" or "**EBT**") was established on 16 December 2009 when the Company entered into a trust deed (the "**Trust Deed**") with Ogier Employee Benefit Trustee Limited, now named Intertrust Employee Benefit Trustee Limited (the "**Trustee**").

The Company established the EBT for the purposes of facilitating the acquisition of Ordinary Shares by or for the benefit of officers and employees of the Group. Pursuant to the terms of the Trust Deed, the Trustee holds Ordinary Shares on trust for the benefit of employees of the Company and their dependants. The Trustee has power to acquire Ordinary Shares, to transfer such shares to beneficiaries of the EBT (whether under a share scheme or otherwise) and to join or enter into arrangements for providing benefits or emoluments for beneficiaries of the EBT.

Loan by Company to Employee Benefit Trust

The Company entered into a loan agreement with the Trustee on 16 December 2009 (the "**Loan Agreement**").

Pursuant to the Loan Agreement, the Company agreed to make available to the Trustee a loan facility in the maximum aggregate amount of US$2,475,980 (the "**Loan**") to acquire Ordinary Shares to be held on the terms of the Trust Deed or deposited in a bank account approved by the finance director of the Company. Amounts of the Loan which are repaid may subsequently be drawn down again.

The Trustee may draw down all or part of the loan facility under the Loan Agreement by giving five business days' notice to the Company. Any Ordinary Shares purchased must be registered in the name of the Trustee.

The Trustee provided no security for the Loan, and the Loan is repayable within 30 days of receipt by the Trustee of a written demand from the Company. The Trustee is only liable to repay the Loan to the extent of the available unallocated cash assets of the EBT.

The Loan becomes immediately repayable if the Trustee applies the Loan in breach of the terms of the Trust Deed or if the Trustee commits any other breach of trust, unless the Board otherwise decides.

The Trustee presently holds 4,642,896 Ordinary Shares.

Joint Ownership Agreements

There are presently two joint ownership agreements entered into on 18 December 2009 by the Trustee with, respectively, Nigel Francis Robinson and Nicholas Royston Clarke, each of whom is a Director, pursuant to which those Directors hold jointly with the Trustee 1,989,602 Ordinary Shares. These jointly owned Ordinary Shares are registered in the name of the Trustee and are held for the benefit of the Directors.

Subject to any lock-in or orderly market restrictions that apply to the Company, or are required by the sponsor of the Company or the Board, these Directors may request in writing that the Board (consent to such request not to be unreasonably withheld) ask the Trustee to sell some or all of the jointly owned Ordinary Shares.

As at 21 September 2017 (being the latest practicable date prior to publication of this document), the following awards have been made under the Employee Benefit Trust:

Name	No of Ordinary Shares
Nicholas Royston Clarke	1,342,887
Nigel Francis Robinson	646,715
Total	**1,989,602**

5.3 *The Central Asia Metals Limited Employee Share Plan 2011 (the "**Share Plan**")*

The Share Plan was adopted by the Board on 6 October 2011 and amended on 10 December 2012 and 14 January 2013.

The Board may, in its absolute discretion, grant options to acquire Ordinary Shares to any employee of the Group. Options are not transferable. Options may not be granted after 6 October 2021 (the tenth anniversary of approval of the Share Plan).

Options may only be granted during the 42 day period beginning on (a) the day after the Company's results are announced, or (b) any day on which the Board determines that circumstances are sufficiently exceptional to justify the grant, or (c) the day that any dealing restrictions are lifted which prevented the grant of options during either of the periods in (a) and (b).

For executive directors and other senior employees, where the Board considers it appropriate, the vesting of options shall be subject to the satisfaction of objective performance targets set by the Board over a performance period of, normally, not less than one year. Performance targets may be varied or waived if they are no longer appropriate and they may be replaced with such other targets as the Board considers reasonable in the circumstances.

When options vest, the participants may exercise their options in whole or in part at any time during the exercise period set by the Board on the date of grant. The exercise price of an option shall be determined by the Board and may be set at any price, including nil.

Options shall include the right either to acquire additional Ordinary Shares equal to the value of dividends on the Ordinary Shares subject to an option as if those dividends were reinvested in Ordinary Shares at the date of payment, or to a cash payment on exercise of the option equal to the value of those dividends (net of any exercise price that would have been payable for those additional shares).

Options may be satisfied by the issue of new Ordinary Shares or the transfer of existing Ordinary Shares. Options may also be cash settled.

If there is any variation in the share capital of the Company, adjustments to the number and description of Ordinary Shares subject to options and the exercise price may be made by the Board in such manner and with effect from such date as the Board may determine. The Board may also amend the rules of the Share Plan in any respect.

Options will normally lapse on cessation of employment of a participant except if the cessation is for a 'good leaver' reason (for example, death, ill-health, disability, redundancy, retirement, transfer of the business in which the participant is employed outside the Group, or any other circumstances determined by the Board). For a good leaver, the Board may either vest an appropriate proportion of the option at the time of cessation of employment (taking account of the satisfaction of the performance target at that time and the proportion of the performance period that has elapsed), or allow the option to continue until the end of the performance period and then consider the extent to which it vests.

If a takeover occurs, all subsisting options will vest. Options lapse, in any event, on the tenth anniversary of their date of grant.

Ordinary Shares issued or transferred on exercise shall rank pari passu in all respects with the Ordinary Shares already in issue (save as regards any rights attaching to such shares by reference to a record date falling prior to their date of issue or transfer).

Options do not form part of any contract of employment and the benefits shall not be pensionable.

The number of Ordinary Shares over which options may be granted to any individual employee shall be limited such that an option will not normally be granted if the result would be that, at the date of grant, the aggregate market value of the Ordinary Shares subject to all options and awards (under any discretionary employees' share scheme operated by the Group) held by that participant in the same financial year would exceed 100 per cent. of his annual remuneration, unless the Board considers it appropriate to do so.

The aggregate number of Ordinary Shares over which options may be granted under the Share Plan shall be limited such that an option may not be granted if the result is that the number of Ordinary Shares issued or committed to be issued in the preceding ten years under options under the Share Plan and under awards and options under any other employees' share scheme operated by the Group (whether or not discretionary) would exceed ten per cent. of the Company's total issued ordinary share capital at that time.

5.4 *The Central Asia Metals Limited Non-Executive Director Share Plan 2012 (the "**NED Plan**")*

The NED Plan was adopted by the Board on 8 May 2012 and amended on 10 December 2012 and 14 January 2013.

The Board may, in its absolute discretion, grant options to acquire Ordinary Shares to any non-executive director of the Group. Options are not transferable. Options may not be granted after 8 May 2022 (the tenth anniversary of approval of the NED Plan).

Options may only be granted during the 42 day period beginning on (a) the day after the Company's results are announced, or (b) any day on which the Board determines that circumstances are sufficiently exceptional to justify the grant, or (c) the day that any dealing restrictions are lifted which prevented the grant of Options during either of the periods in (a) and (b).

Options will be exercisable in whole or in part at any time during the exercise period set by the Board on the date of grant. The exercise price of an option shall be determined by the Board and may be set at any price, including nil.

Options shall include the right either to acquire additional Ordinary Shares equal to the value of dividends on the Ordinary Shares subject to an option as if those dividends were reinvested in Ordinary Shares at the date of payment, or to a cash payment on exercise of the option equal to the value of those dividends (net of any exercise price that would have been payable for those additional shares).

Options may be satisfied by the issue of new Ordinary Shares or the transfer of existing Ordinary Shares. Options may also be cash settled.

If there is any variation in the share capital of the Company, adjustments to the number and description of Ordinary Shares subject to options and the exercise price may be made by the Board in such manner and with effect from such date as the Board may determine. The Board may also amend the rules of the Share Plan in any respect.

Options will normally lapse when a participant ceases to be a non-executive director or in relevant employment except if the cessation is for a 'good leaver' reason (for example, death, ill-health, disability, redundancy, retirement, transfer of the business in which the participant is employed outside the Group, or any other circumstances determined by the Board). For a good leaver, the Board may either vest an appropriate proportion of the option at the time of cessation of employment (taking account of the time elapsed since the date of grant), or allow the option to continue until the end of the time when it would normally be exercisable.

If a takeover occurs, all subsisting options will vest. Options lapse, in any event, on the tenth anniversary of their date of grant.

Ordinary Shares issued or transferred on exercise shall rank pari passu in all respects with the Ordinary Shares already in issue (save as regards any rights attaching to such shares by reference to a record date falling prior to their date of issue or transfer).

Options do not form part of any contract of appointment or employment and the benefits shall not be pensionable.

The number of Ordinary Shares over which options may be granted to any non-executive director shall be limited such that an option will not normally be granted if the result would be that, at the date of grant, the aggregate market value of the Ordinary Shares subject to all options and awards (under any discretionary

employees' share scheme operated by the Group) held by that participant in the same financial year would exceed the greater of 100 per cent. of his annual remuneration or the value of 100,000 Ordinary Shares, unless the Board considers it appropriate to do so.

The aggregate number of Ordinary Shares over which options may be granted under the NED Plan shall be limited such that an option may not be granted if the result is that the number of Ordinary Shares issued or committed to be issued in the preceding ten years under options under the NED Plan and under awards and options under any other employees' share scheme operated by the Group (whether or not discretionary) would exceed ten per cent. of the Company's total issued ordinary share capital at that time.

5.5 *Outstanding Options*

As at 21 September 2017 (being the latest practicable date prior to publication of this document), the following Options have been granted and are outstanding (before any adjustments for accrued dividends):

Name	Number of Options	Name of Share Plan	Exercise Price (US$)
Nicholas Royston Clarke	897,577	Share Plan	0.01
Nigel Francis Robinson	460,896	Share Plan	0.01
Gavin Ronald Ferrar	504,339	Share Plan	0.01
Nurlan Zhakupov	166,827	NED Plan	0.01
Other employees	589,778	Share Plan	0.01
Other employees	164,000	Option Plan	6.42
Other employees	16,000	Option Plan	0.68
Total	2,799,417		

6. DIRECTORS' AND OTHER INTERESTS

6.1 The interests of the Directors and (so far as is known to the Directors or could, with reasonable diligence, be ascertained by them) of persons connected with them (within the meaning of sections 252 to 256 of the Act) (all of which are beneficial unless otherwise stated) in the issued share capital of the Company, were, as at the date of this document and as expected to be immediately following Admission and Readmission, are as follows:

	As at the date of this document		On Admission[3]		On Readmission[3]	
Name	Number of Ordinary Shares	Percentage of existing issued share capital[4]	Number of Ordinary Shares	Percentage of issued share capital[4]	Number of Ordinary Shares	Percentage of issued share capital[4]
Nicholas Royston Clarke[1]	1,342,887	1.2	1,342,887	0.8	1,342,887	0.8
Nigel Francis Robinson[1]	646,715	0.6	646,715	0.4	646,715	0.4
Robert Maitland Cathery[2]	2,105,254	1.9	2,105,254	1.3	2,105,254	1.2
Christopher Nigel Hurst-Brown	909,065	0.8	909,065	0.6	909,065	0.5
Gavin Ferrar	—	—	—	—	—	—
Roger Davey	—	—	—	—	—	—
Kenges Rakishev	21,211,751	19.0	10,605,876	6.6	10,605,876	6.0
Nurlan Zhakupov	—	—	—	—	—	—
David Swan	3,000	0.0	3,000	0.0	3,000	0.0

(1) These Shares are held jointly with the Company's Employee Benefit Trust under a joint share ownership plan in terms of which the Shares have vested.

(2) 250,000 Ordinary Shares held by Elizabeth Cathery, the wife of Robert Cathery; 1,355,254 Ordinary Shares held by Robert Cathery; and 500,000 Ordinary Shares held by Robert and Elizabeth Cathery are included in the above amounts.

(3) Assuming no options are exercised following the publication of this document.

(4) Excluding treasury shares.

Save as disclosed in paragraph 6.1 of this Part XII, none of the Directors has any interest, beneficial or non-beneficial, in the share capital of the Company or any of its subsidiaries.

6.2 At every AGM, any Director who has been a Director at each of the two last AGMs and was not appointed or reappointed at either of those meetings, is required to retire and is eligible for reappointment.

Details of the length of time during which the Directors have been in office and the period of their terms of office are set out below:

Name	Commencement of period of office	Expiry of current term
Nicholas Royston Clarke	7 April 2009	2020 AGM
Nigel Francis Robinson	7 April 2009	2020 AGM
Gavin Ronald Ferrar	8 June 2016	2020 AGM
Christopher Nigel Hurst-Brown	7 December 2006	2020 AGM
Robert Maitland Cathery	18 September 2007	2020 AGM
David John Swan	16 June 2014	2018 AGM
Roger Owen Davey	8 December 2015	2019 AGM
Kenges Rakishev	9 December 2013	2020 AGM
Nurlan Zhakupov	26 October 2011	2018 AGM

6.3 The executive Directors have service contracts with the Company at the following salaries with effect from 1 January 2017. Details are summarised below:

Name	Salary (before deductions required by law)
Nicholas Royston Clarke	£400,000
Nigel Francis Robinson	£265,000
Gavin Ronald Ferrar	£232,000

6.4 The executive Directors' service contracts are subject to notice periods of six months and the Company has the discretion to pay them in lieu of their notice period and also to place them on garden leave. In the event of a change of control of the Company by way of takeover or delisting, the executive Directors shall be entitled to receive a compensation payment of 12 months' basic salary. Other fixed elements of the executive Directors' remuneration comprise private medical insurance and Company pension contributions and the service contracts also contain customary post termination restrictions.

6.5 The executive Directors are currently entitled to earn an annual bonus linked to their salary subject to the achievement of agreed performance targets and at the sole discretion of the Remuneration Committee.

6.6 The non-executive Directors have each entered into appointment letters. Under the terms of these letters, the non-executive Directors are entitled to an annual fee as set out below. The appointments are terminable by either party with one month's written notice.

Name	Annual Fee (before deductions required by law)
Christopher Nigel Hurst-Brown	£100,000
Robert Maitland Cathery[(1)]	£ 65,000
David John Swan[(2)]	£ 65,000
Roger Owen Davey[(3)]	£ 65,000
Kenges Rakishev	£ 60,000
Nurlan Zhakupov[(4)]	£ 60,000

(1) This comprises a base fee of £60,000 and £5,000 Committee Chair fee for the role of Chairman of the Remuneration Committee.

(2) This comprises a base fee of £60,000 and £5,000 Committee Chair fee for the role of Chairman of the Audit Committee.

(3) This comprises a base fee of £60,000 and £5,000 Committee Chair fee for the role of Chairman of the CSR Committee.

(4) In addition to this amount, US$75,000 per annum is paid under a consultancy agreement pursuant to the terms of which Mr Zhakupov provides services over and above his normal duties.

6.7 The Directors hold, and have during the five years preceding the date of this document held, the following directorships or partnerships (other than the Company):

Name	Current directorships/partnerships	Previous directorships/partnerships
Nicholas Royston Clarke .	Wolf Minerals Limited Wolf Minerals (UK) Limited	Empire Mining Corporation *(now known as Columbus Copper Corporation)*
Nigel Francis Robinson . .	Copper Bay Limited Copper Bay (UK) Ltd CAML Kazakhstan BV Shuak BV Copper Bay Chile Limitada Minera Playa Verde Limitada CAML MK Limited	CAML Mongolia BV
Gavin Ronald Ferrar	Copper Bay Limited Copper Bay Chile Limitada Minera Playa Verde Limitada Tredore Consulting Limited	New World Investment Managers Limited
Christopher Nigel Hurst-Brown	Hotchkis and Wiley Ltd Borders & Southern Petroleum plc Strath Halladale Partnership Sainne Partnership	
Robert Maitland Cathery .	Redburn Events Limited 9 Redburn Street Limited	Vostok Energy plc (*dissolved*) Dipley Resources Limited (*dissolved*) SOCO International plc Salamander Energy plc
David John Swan	Sunrise Resources plc Oriel Resources Limited	Cambridge Mineral Resource plc Lubel Coal Company (UK) Limited
Roger Owen Davey	Atalaya Mining plc Orosur Mining Inc Condor Gold plc Atalaya Touro (UK) Limited Atalaya Minasderiotinto Project (UK) Limited Piazza Barnaloft Management Limited Tharisa plc	Alexander Mining Plc Master Drilling Group Ltd Martwick Ltd
Kenges Rakishev	Evoshave Limited SAT & Company JSC Net Element International, Inc. Mobli Media Inc. Mobli Technology 2010 TriPlay Inc. Singulariteam LP PTE. LTD Singulariteam GP PTE. LTD BTA Bank JSC JSC "Insurance Company "Kazkommerts-Policy" JSC "Life Insurance Company "Kazkommerts-Life"	Satferro Limited Kazkommersbank JSC Jinsheng SAT (Tianjin) Commercial and Trading Co.Ltd Baicheng Jinsheng Nickel Industry Co.Ltd Taonan City Jinsheng Metallurgical Product Co.Ltd Ulanhot Jinyuanda Heavy Chemical Industry Co.Ltd SAT Ferro Limited SAT & Co Netherlands N.V Avanteguard Services Limited (*dissolved*) Beyond Verbal Communication, Ltd. CB Moskommertsbank Alnair Capital Holdings JSC (Qazaq Financial Group JSC) ShalkiyaZinc N.V National Company Kazakhstan Engineering
Nurlan Zhakupov	SPK Astana JSC Kazatomprom	

6.8 Robert Maitland Cathery was a director of Vostok Energy Public Limited Company when it went into administration on 14 October 2013. Vostok Energy Public Limited Company went into voluntary liquidation on 7 February 2014 and was dissolved on 6 June 2015. Sufficient funds were available to pay all known creditors of the company in full, together with statutory interest.

6.9 Robert Maitland Cathery was a director of Dipley Resources Limited when it was dissolved on 24 April 2012 via compulsory strike-off.

6.10 David John Swan was a director of Lubel Coal Company (UK) Limited within twelve months preceding the date on which it was dissolved on 26 June 2012 via voluntary strike-off.

6.11 Gavin Ronald Ferrar is the sole director of Tredore Consulting Limited which is in the process of being dissolved on a voluntary basis.

6.12 Gavin Ronald Ferrar was a director of New World Investment Managers Limited from 11 December 2012 to 17 May 2014. A liquidator was appointed on 23 September 2014 and the company was dissolved on 5 April 2016. All creditors were paid in full and shareholders' funds were returned.

6.13 Nigel Francis Robinson was a director of CAML Mongolia BV when it was liquidated on 5 July 2017 via a turbo liquidation process. There were no outstanding creditors.

6.14 Kenges Rakishev was a director of Avanteguard Services Limited when it was dissolved on 17 January 2017 via voluntary strike-off.

6.15 Save as disclosed in this Part XII, none of the Directors has:

(A) any unspent convictions relating to indictable offences (including fraudulent offences);

(B) any bankruptcies or entered into any individual voluntary arrangements with his creditors;

(C) been a director of any company at the time of, or within the 12 months preceding, any receivership or liquidation (including compulsory liquidation, creditors' voluntary liquidation), administration, company voluntary arrangement or any composition or arrangement with creditors generally or any class of creditors of such company;

(D) been a partner of any partnership at the time of, or within the 12 months preceding, any compulsory liquidation, administration or partnership voluntary arrangement of such partnership;

(E) had any of their assets made the subject of any receivership or have been a partner of a partnership at the time of or within the 12 months preceding any assets thereof being the subject of a receivership; or

(F) received any official public incrimination and/or sanction by any statutory or regulatory authorities (including recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

6.16 So far as the Company is aware, as at 21 September 2017 (being the latest practicable date prior to the publication of this document) and as they are expected to be immediately following Admission and

Readmission, the following persons (other than the Directors) had notifiable interests in three per cent. or more of the issued share capital of the Company:

	As at the date of this document		On Admission[1]		On Readmission[1]	
Shareholder	Number of Ordinary Shares	Percentage of existing issued[2] share capital	Number of Ordinary Shares	Percentage of issued share capital	Number of Ordinary Shares	Percentage of issued share capital
Kenges Rakishev	21,211,751	19.0	10,605,876	6.6	10,605,876	6.0
Canaccord Genuity Group Inc.	11,610,300	10.4	15,818,995	9.8	15,818,995	8.9
Majedie Asset Management	8,451,384	7.6	11,172,777	7.0	11,172,777	6.3
Commonwealth American Partners LLP	6,401,000	5.7	6,401,000	4.0	6,401,000	3.6
Blackrock Investment Management	6,158,987	5.5	13,966,332	8.7	13,966,332	7.9
FIL Investment International	4,920,927	4.4	12,566,707	7.8	12,566,707	7.1
Central Asia Metals Employee Benefit Trust	4,642,896	4.2	4,642,896	2.9	4,642,896	2.6
D & A Income Ltd	4,420,626	4.0	4,420,626	2.8	4,420,626	2.5
Miton Group plc	4,203,616	3.8	5,203,616	3.2	5,203,616	3.0

(1) Assuming no options are exercised following the publication of this document.

(2) Excluding treasury shares.

Save as set out in this paragraph and in paragraph 6.1, the Company is not aware of any person who is or will immediately following Admission and Readmission have a notifiable interest in three per cent. or more of the issued share capital of the Company.

6.17 None of the major shareholders of the Company set out above has different voting rights from any other holder of Ordinary Shares in respect of any Ordinary Share held by them.

6.18 None of the Directors nor any member of their respective families (as defined in the AIM Rules) has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.

6.19 Excluding professional advisers otherwise named in this document, trade suppliers and other consultants engaged in the ordinary course of business, no person has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company, the Group or the Lynx Group or entered into any contractual arrangement to receive, directly or indirectly, from the Company, the Group or the Lynx Group on or after Admission any fees totalling £10,000 or more or securities in the Company, the Group or the Lynx Group with a value of £10,000 or more or any other benefit with a value of £10,000 or more.

6.20 A summary of payments aggregating over £10,000 made to any government or regulatory authority or similar body by the Enlarged Group or on behalf of it, with regard to the acquisition of, or maintenance of, its assets, as at the date of this document, is set out in the table below:

Government authority	Description	Acquisition	Maintenance	Total
SPK Saryarka (National Company Social and Entrepreneural Corporation Saryarka)	Signature bonus	$ 151,812	—	$ 151,812
DGP Karaganda NPZem, Kazakhstan	Operating land plot design service	$ 15,928	—	$ 15,928
Department of State Revenues of Balkhash	Land Lease Fees	—	$4,339,528	$ 4,339,528
Department of State Revenues of Balkhash	Government Compensation Fee	—	$ 106,035	$ 106,035
Department of State Revenues of Balkhash	Historical Geological Costs		$ 27,119	$ 27,119
Park of Innovation Technologies	Research and Development Costs	—	$ 22,534	$ 22,534
Department of State Revenues of Balkhash	Commercial Discovery Bonus	—	$3,713,901	$ 3,713,901
Department of State Revenues of Balkhash	Compulsory Social Contributions	—	$ 160,000	$ 160,000
SPK Saryarka (National Company Social and Entrepreneural Corporation Saryarka)	Compulsory Social Contributions	—	$1,137,316	$ 1,137,316
SPK Saryarka Corporate Foundation	Compulsory Social Contributions	—	$ 235,940	$ 235,940
Ministry of Finance, Macedonia	Land Acquisitions	£ 16,004	—	£ 16,004
Macedonian Government/ Municipality Kamenica 78%	Concession Fee	—	£2,372,344	£ 2,372,344
Macedonian Government	Concession Fee	MKD 616,039,970	—	MKD 616,039,970

7. WORKING CAPITAL

The Directors are of the opinion having made due and careful enquiry that, taking into account the net proceeds of the Company Placing and the Debt Financing, the Enlarged Group will have sufficient working capital available to it for its present requirements, that is, for at least 12 months from the date of Readmission.

8. UNITED KINGDOM TAXATION

8.1 General

The following comments are intended only as a general guide to the position under current United Kingdom tax law and what is understood to be the current published practice of the United Kingdom HM Revenue & Customs, both of which are subject to change possibly with retrospective effect.

The Finance (No.2) Bill 2017 was published on 8 September 2017. Royal Assent of the Bill is anticipated to take place later in 2017.

The statements are intended as a general guide and may not apply to certain classes of investors, such as dealers in securities, insurance companies, collective investment schemes or Shareholders who have (or are deemed to have) acquired their Shares by virtue of an office or employment may be subject to special rules. Such law and practice (including, without limitation, rates of tax) is in principle subject to change (possibly retrospectively). They apply only to Shareholders resident (and, in the case of individuals, domiciled) for UK tax purposes in the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold Shares as an investment rather than trading stock and who are the absolute beneficial owners of those Shares. Shares held through an ISA or a SIPP are excluded from the scope of the UK taxation section.

All potential investors, and in particular those who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers on the potential tax consequences of subscribing for, purchasing, holding or selling Shares under the laws of their country and/or state of citizenship, domicile or residence.

8.2 Taxation of Dividends

(A) **Tax treatment of UK investors**

The following information, which relates only to UK taxation, is applicable to persons who are resident and domiciled in the UK and who beneficially own Ordinary Shares as investments and not as securities to

be realised in the course of a trade. The information is not exhaustive and does not apply to potential investors:

(1) who intend to acquire, or may acquire (either on their own or together with persons with whom they are connected or associated for tax purposes), more than 10 per cent. of any of the classes of shares in the Company; or

(2) who intend to acquire Ordinary Shares as part of tax avoidance arrangements; or

(3) who are in any doubt as to their taxation position.

Shareholders who are neither resident nor temporarily non-resident in the UK and who do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the UK should not generally be subject to UK taxation on dividends paid by the Company or on capital gains arising on the sale or other disposal of Ordinary Shares. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

(B) **Dividends**

Where the Company pays dividends, Shareholders who are resident (and domiciled in the case of individuals) in the UK for tax purposes will, depending on their circumstances, be liable to UK income tax or corporation tax on those dividends.

UK resident and domiciled individual Shareholders

UK resident and domiciled individual Shareholders who hold their Shares as investments will be subject to UK income tax on the amount of dividends received from the Company.

A nil rate of income tax will apply to the first £5,000 of dividend income received by an individual shareholder in a tax year (the "Nil Rate Amount"). The Finance (No. 2) Bill 2017 reduced the Nil Rate Amount to £2,000 for dividends received after 6 April 2018. Dividend receipts in a tax year in excess of the Nil Rate Amount will be taxed at the following dividend rates for 2017/18: 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate taxpayers, and 38.1 per cent. for additional rate taxpayers.

Dividend income that is within the dividend Nil Rate Amount counts towards an individual's basic or higher rate limits – and will therefore affect the level of savings allowance to which they are entitled, and the rate of tax that is due on any dividend income in excess of the Nil Rate Amount. In calculating into which tax band any dividend income over the Nil Rate Amount falls, savings and dividend income are treated as the highest part of an individual's income. Where an individual has both savings and dividend income, the dividend income is treated as the top slice.

Corporate Shareholders

Shareholders within the charge to UK corporation tax which are "small companies" for the purposes of the UK taxation of dividends legislation will generally not be subject to UK corporation tax on any dividend received provided certain conditions are met (including an anti-avoidance condition).

A UK resident corporate Shareholder (which is not a "small company" for the purposes of the UK taxation of dividends legislation) will be liable to UK corporation tax (currently at a rate of 19 per cent from 1 April 2017) unless the dividend falls within one of the exempt classes set out in the UK taxation of dividends legislation. Examples of exempt classes include dividends paid on shares that are "ordinary shares" (that is shares that do not carry any present or future preferential right to dividends or to the Company's assets on its winding up) and which are not "redeemable", and dividends paid to a person holding less than 10 per cent. of the issued share capital of the payer (or any class of that share capital in respect of which the distribution is made). However, the exemptions are not comprehensive and are subject to anti-avoidance rules.

(C) **Disposals of Ordinary Shares**

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is resident in the UK for tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains depending upon the Shareholder's circumstances and subject to any available exemption or relief.

UK tax resident individual Shareholder

For an individual Shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax. The rate of capital gains tax on the disposal of shares is 10 per cent. (2017/2018) for individuals who are subject to income tax at the basic rate and 20 per cent. (2017/2018) for individuals who are subject to income tax at the higher or additional rates. An individual Shareholder is entitled to realise an annual exempt amount of gains (currently £11,300 for the year to 5 April 2018) without being liable to tax. The annual exempt amount for trusts is £5,650 for the year to 5 April 2018. The capital gains tax rate is 20 per cent. (2017/18) for trusts.

UK resident corporate Shareholders

For a corporate Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of the Shares may give rise to a chargeable gain or allowable loss for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Indexation allowance may reduce the amount of any chargeable gain for these purposes, but will not create or increase any allowable loss. The rate of UK corporation tax is currently 19 per cent with effect from 1 April 2017.

(D) **Stamp Duty and Stamp Duty Reserve Tax**

The statements below are intended as a general guide to the current position. They do not apply to certain intermediaries who are not liable to stamp duty or stamp duty reserve tax or (except where stated otherwise) to persons connected with depositary arrangements or clearance services who may be liable at a higher rate.

No stamp duty or stamp duty reserve tax should generally be payable on the issue of share capital. Nor should there be any liability to stamp duty or stamp duty reserve tax on subsequent transactions involving share capital listed exclusively on AIM, for so long as AIM is recognised as a "Growth Market" by H.M Revenue & Customs.

9. MATERIAL CONTRACTS

The following contracts (i) not being contracts entered into in the ordinary course of business have been entered into by members of the Enlarged Group (a) in the two years immediately preceding the publication of this document and are, or may be material or (b) contain provisions under which any member of the Enlarged Group has any obligation or entitlement which is material to the Enlarged Group as at the date of this document or (ii) are subsisting agreements which are included within or which relate to the assets and liabilities of the Enlarged Group (regardless of whether such agreements are within the ordinary course or were entered into outside the two years immediately preceding publication of this document).

Summaries of the key contracts relating to the Enlarged Group's assets in Kazakhstan and Macedonia are set out in Parts VI and VII, respectively, of this document.

9.1 THE GROUP

(A) The Acquisition Agreement, details of which are set out in Part III (*Summary of the Terms of the Acquisition*) of this document;

(B) The Shareholder Participation Agreement

Orion has also entered into the Shareholder Participation Agreement with the Company pursuant to which it has undertaken, for a period of 12 months from Completion, not to:

- acquire shares in the Company, such that its shareholding amounts to 30 per cent. or more of the Company;
- influence the voting of the Ordinary Shares;
- seek to control or influence the Company's management or obtain representation on the Board; or
- engage in any discussions which may result in Orion gaining control over CAML.

Orion has also undertaken until the earlier of (i) 18 months from Readmission, or (ii) the date on which they hold in aggregate less than 4 per cent. of the issued Ordinary Shares to vote, or cause to

be voted at all meetings of the Company's shareholders, in a manner consistent with the recommendation made by management of the Company or the Board in relation to a number of matters, including the election or re-election of directors and auditors, the renewal of, or adoption of certain new, share incentive plans, executive remuneration and certain acquisitions.

In addition, subject to certain exceptions, the Shareholder Participation Agreement requires Orion not to sell any Consideration Shares for the first six months following Completion, and not to sell more than 50 per cent. of the Consideration Shares between six months from Completion and the first anniversary of Completion (without the prior consent of the Company). Any Consideration Shares forming part of the 50 per cent. referred to above that are sold in the second six months must be sold via the Joint Bookrunners in order to maintain orderly markets.

(C) The Debt Financing Agreement

The Company (as borrower), KCC (as seller), Sary Kazna and CAML Kazakhstan BV (both as guarantors) and Traxys (as lender, facility agent and security agent) entered into an agreement on 22 September 2017 in respect of a US$120,000,000 prepayment facility.

The Debt Financing Agreement, which was put in place to partially fund the cash consideration payable for the Acquisition, has a term of five years, with monthly repayments of US$2,000,000 per month. Early repayment may be required following typical events such as events of default, change in control and illegality. Interest will be payable at LIBOR plus 4.75%. Security will be provided over the shares in CAML Kazakhstan BV, certain bank accounts and the Traxys Offtake Agreement between Traxys and KCC. The agreement contains typical covenants for this type of facility, including financial covenants related to financial performance of the Company's operations in Kazakhstan.

The Debt Financing Agreement forms part of a pre-payment arrangement between the Group and Traxys under which Traxys is advancing funds in expectation of acquiring production from the Group's business in Kazakhstan.

Traxys will be funding the advances made under the pre-payment arrangement from its own lenders and the availability of the facility is subject to the availability of such funding to Traxys. The agreement contains other conditions precedent to drawdown which are typical for this type of facility.

(D) The Nominated Adviser Agreement

The Company, the Directors and Peel Hunt entered into an agreement on 10 March 2014 in relation to Peel Hunt's obligations as nominated adviser to the Company.

Under the nominated adviser agreement the Company has agreed to pay certain fees and to reimburse certain expenses to Peel Hunt in respect of the services to be provided to the Company by Peel Hunt in connection with its role as Nominated Adviser.

The Company has agreed to indemnify Peel Hunt and its subsidiaries, holding company, branches, affiliates, directors, officers, representatives, agents and employees in respect of losses incurred in connection with the performance by Peel Hunt LLP of its services under the nominated adviser agreement, subject to certain carve-outs.

Peel Hunt can terminate the nominated adviser agreement in certain circumstances, including in relation to the Company's failure to perform a material obligation under the nominated adviser agreement which is not remedied.

(E) Placing Agreement

On 22 September 2017, the Company, the Directors and the Lead Managers entered into an Placing Agreement pursuant to which the Lead Managers have agreed, subject to certain terms and conditions, to use reasonable endeavours to procure subscribers for, or failing which the Joint Bookrunners have agreed to subscribe for, at the Placing Price, the Company Placing Shares to be issued pursuant to the Company Placing.

The Placing Agreement contains, amongst others, the following further provisions:

(1) the obligations of the Lead Managers to procure subscribers for, or failing which, the Joint Bookrunners themselves pursuant to the Placing Agreement, are subject to certain conditions including approval of the Resolutions, consent by the Kazakh government for the issue of the Company Placing Shares and the Consideration Shares and certain conditions that are customary

for an agreement of this nature including, amongst others, the Company and the Directors providing a certificate to the Lead Managers, in the form set out in Schedule 5 of the Placing Agreement by 5.00pm on the Business Day immediately prior to the day of Admission, Admission having occurred by not later than 8.00 a.m. (London time) on 12 October 2017 (or such later time and/or date as the Joint Bookrunners may agree, not being later than 26 October 2017) and there having occurred no material adverse effect in relation to the Group or the Target Group since the date of the Placing Agreement. The Joint Bookrunners may terminate the Placing Agreement in certain customary circumstances prior to Admission, including the occurrence of certain material changes in the condition (financial, operational, legal or otherwise) of the Group or the Target Group. The Placing Agreement will become unconditional in respect of the Company Placing and the Joint Bookrunners' right to terminate the Placing Agreement in respect of the Company Placing will cease from Admission;

(2) the obligations of Peel Hunt in connection with Readmission are subject to Admission and certain conditions that are typical for an agreement of this nature including, amongst others, the Company and the Directors providing a certificate to the Joint Bookrunners, in the form set out in Schedule 5 of the Placing Agreement by 5.00pm on the Business Day immediately prior to the day of Readmission, Readmission having occurred by not later than the sixth business day following satisfaction of the conditions in the Acquisition Agreement (or such later time and/or date as the Joint Bookrunners may agree, not being later than 15 December 2017) and there having occurred no material adverse effect in relation to the Group or the Target Group since the date of the Placing Agreement. The Joint Bookrunners may terminate the Placing Agreement in certain customary circumstances prior to Readmission, including the occurrence of certain material changes in the condition (financial, operational, legal or otherwise) of the Company or the Enlarged Group. The Placing Agreement will become unconditional in respect of Readmission and the Joint Bookrunners' right to terminate the Placing Agreement in respect of Readmission will cease from Readmission;

(3) In consideration of the Lead Managers' services in connection with the Company Placing, the Company shall pay, *inter alia*, the following commissions:

- to the Joint Bookrunners a commission of 0.5 per cent. of the aggregate of the Company Placing Shares at the Placing Price in connection with the Joint Bookrunners' underwriting obligation payable on signing the Admission Document, and
- to the Lead Managers, a further commission of 3.25 per cent. of the aggregate of the Company Placing Shares at the Placing Price payable on Admission,

together with an amount equal to any applicable value added tax payable therein.

(4) the Company has agreed to pay or cause to be paid (together with, in each case, any related value added tax) certain costs, charges, fees and expenses of, or in connection with, or incidental to, amongst other things, the Company Placing and/or Admission and/or Readmission;

(5) the Company has undertaken, amongst other things, during the period beginning on the date of this document and continuing to and including the date 180 days after the date of Readmission, not to issue, allot, pledge, lend sell, or grant options, rights, warrants or contracts to purchase, contracts to issue, pledge or sell, or otherwise dispose of, directly or indirectly, except for customary exceptions as provided in the Placing Agreement, any Ordinary Shares or any securities of the Company that are substantially similar to the Ordinary Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive, Ordinary Shares or any such substantially similar securities (other than pursuant to employee stock option schemes, agreements and arrangements disclosed in this Document); and

(6) the Company and the Directors have given certain warranties to the Lead Managers and in addition, the Company has given certain indemnities to the Lead Managers and their associates, subsidiaries, divisions, branches and affiliates, and current and former directors, officers, employees and agents of each of such persons. The Company's liabilities are unlimited as to time and amount.

(F) Relationship Agreement

On 19 May 2014, Kenges Rakishev entered into a relationship agreement with the Company due to his position as both a Board member and significant shareholder. This is to ensure that transactions

entered into between any member of the Group and Kenges Rakishev, or any of his associates, are conducted on an arm's length basis and on normal commercial terms.

Under this relationship agreement, Kenges Rakishev has given certain undertakings, including, to exercise his voting rights, insofar as he is able, as a shareholder and as a board member, to: (1) ensure that no variations are made to the Company's Articles of Association which would be contrary to the maintenance of the Company's independence; (2) that transactions between Kenges Rakishev (and his associates) are made on an arm's length basis and on, in the Company's opinion, normal commercial terms; and (3) that the Company will make decisions for the benefit of shareholders of the Company as a whole and not solely for the benefit of Kenges Rakishev.

This agreement will terminate with effect from Admission upon Kenges Rakishev's interests in the Company falling below 14 per cent. of the Enlarged Share Capital, which is the threshold for automatic termination set out in the agreement.

(G) Transitional Services Agreement

In connection with the Acquisition and conditional on Completion, the Company has entered into a Transitional Services Agreement with Fusion Capital pursuant to which it will have limited access to Chris James, Stefan Peschke, Florian Dax and Patrick Henze for the provision of transitional services for a period of three months following Completion.

(H) Other material contracts relating to the Group's operations in Kazakhstan are set out in paragraph 3 of Part VI (*Information on Kazakhstan & Kazakh Mineral Policy and Law*).

9.2 THE LYNX GROUP

(A) Solway Acquisition Agremeent

Lynx Europe's acquisition of Rudnik SASA DOOEL from the Solway Sellers completed on 3 November 2015. Pursuant to the acquisition agreement, Lynx Europe has the right to make claims for breaches of warranties relating to the Solway Sellers' capacity, authority and titles and a breach of the tax warranties or tax covenant until November 2020. The Solway Sellers provided a tax covenant to Lynx Europe in respect of certain tax liabilities of Rudnik SASA DOOEL (including penalties, charges and interest thereon), subject to customary limitations and exclusions. The tax covenant contains specific provisions relating to current litigation with the Macedonian tax authority, details of which are set out under paragraph 10.2 of this Part XII (*Additional Information*). Pursuant to those provisions, the Solway Sellers are entitled to conduct negotiations with the Macedonian tax authority in relation to the litigation (subject to certain restrictions and at the Solway Sellers' sole cost). Any amounts repaid to Rudnik SASA DOOEL in respect of the litigation are repayable to the Solway Sellers under the provisions of the tax covenant.

(B) Facility Agreement

Rudnik SASA DOOEL (as borrower), Lynx Europe and Lynx Mining (as guarantors) and Société Générale, London Branch and Investec Bank plc (as lenders) entered into an agreement on 13 October 2016. The Facility Agreement has a term of seven years, with amortisation payments from December 2016 to September 2023. Early repayment may be required following typical events such as events of default, change in control and illegality. Interest is payable at LIBOR plus 5.00%. Security is provided over the Macedonian assets and operations of the Group.The agreement contains typical covenants for the type of facility, including financial covenants related to financial performance of the Rudnik SASA DOOEL's operations in Macedonia.

(C) Other material contracts relating to the Lynx Group's operations in Macedonia are set out in paragraph 3 of Part VII (*Information on Macedonia and Macedonian Mineral Policy & Law*).

10. LITIGATION

10.1 Neither the Company nor any member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months prior to the date of this document, a significant effect on the Company and/or the financial position or profitability of the Group.

10.2 Save as disclosed in this paragraph 10.2, no member of the Lynx Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or

threatened of which the Company is aware) which may have, or have had during the 12 months prior to the date of this document, a significant effect on the financial position or profitability of the Lynx Group.

(A) The Macedonian tax authority, the Public Revenue Office (the "**PRO**"), has concluded that the loan provided to the former shareholders of Rudnik SASA DOOEL (from whom Lynx Resources acquired Rudnik SASA DOOEL) was a fictive profit distribution. As a result, Rudnik SASA DOOEL was required to pay MKD 646,796,624 of withholding tax, with an additional amount of MKD 11,642,339 which represents default interest for the period from 1 October 2013 to 31 November 2013 and for the period after 1 December 2013, 0.03 per cent. of all due amounts as default interest until day of final payment. All amounts due under the PRO's decision have been fully paid by Rudnik SASA DOOEL. The Macedonian courts have confirmed the PRO's decision on appeal. Rudnik SASA DOOEL has appealed this decision to a higher court and the case is still pending. If Rudnik SASA DOOEL's appeal is successful, any amounts received by Rudnik SASA DOOEL will be payable to the Solway Sellers. The PRO could also choose to repay Rudnik SASA DOOEL by setting off any amounts owed to the company against future tax payments. There is a remote risk that the situation could trigger a criminal investigation for tax evasion by the public prosecutor's office which could lead to Rudnik SASA DOOEL being fined up to EUR 500,000.

11. SUBSIDIARIES

11.1 The Company acts as the holding company of the Group, and will, following completion of Acquisition, act as the holding company of the Enlarged Group. As at 21 September 2017 (being the latest practicable date prior to publication of this document), the Company has the following significant subsidiary undertakings.

Subsidiary	Company's holding in subsidiary (%)	Country of Incorporation
CAML MK Limited	100	UK
CAML Kazakhstan BV	100	Netherlands
Shuak BV	80(1)	Netherlands
Sary Kazna LLP	100	Kazakhstan
Kounrad Copper Company LLP	100	Kazakhstan
Ken Shuak LLP	80(2)	Kazakhstan
Copper Bay Limited	75*	UK
Copper Bay (UK) Limited	75*	UK
Copper Bay Chile Limitada	75*	Chile
Minera Playa Verde Limitada	75*	Chile
Zuunmod UUL LLC	85(3)	Mongolia
ZMLUK Limited	100	UK

* fully diluted basis

(1) As at 31 December 2016, CAML wholly-owned Shuak BV which was incorporated on 20 September 2016. Under the terms of the framework agreement, on 22 February 2017, CAML reduced its interest in Shuak BV to 80%, with 20% effectively being held by local partners. Ken Shuak LLP, which was incorporated on 5 October 2016, is a wholly owned subsidiary of Shuak BV.

(2) Ken Shuak LLP is a wholly owned subsidiary of Shuak BV.

(3) Following unsuccessful attempts to dispose of the Ereen project, management have taken the decision to exit the position in Zuunmod UUL LLC. It is envisaged that this process will be completed in 2017.

11.2 Following completion of the Acquisition, the Company will have the following additional subsidiary undertakings:

Subsidiary	Company's holding in subsidiary (%)	Country of Incorporation
Lynx Resources Limited	100	Bermuda
Lynx Mining Limited	100	Bermuda
Lynx Europe SPLLC Skopje	100	Macedonia
Rudnik SASA DOOEL Makedonska	100	Macedonia

12. THE TAKEOVER CODE

The Takeover Code applies to the Company. The Company is not aware of the existence of any takeover bid pursuant to the rules of the Takeover Code, or any circumstances which may give rise to any takeover bid, and the Company is not aware of any public takeover bid by third parties for the Ordinary Shares in the current financial year nor in the last financial year.

13. NO SIGNIFICANT CHANGE

13.1 There has been no significant change in the financial or trading position of the Group since 30 June 2017, being the date to which its last unaudited interim financial statements were prepared.

13.2 There has been no significant change in the financial or trading position of the Lynx Group since 30 June 2017, being the date to which its last unaudited interim financial information was prepared.

14. RELATED PARTY TRANSACTIONS

The transactions or arrangements entered into between members of the Enlarged Group and its related parties are summarised in:

- note 22 of section A of Part X (*Lynx Group Historical Financial Information)* of this document;
- note 26 of section C of Part X (*Lynx Group Historical Financial Information)* of this document;
- note 18 of section E of Part X (*Lynx Group Historical Financial Information)* of this document; and
- the notes to CAML's interim results for the six months to 30 June 2017 and its annual consolidated accounts for each of the financial years ending 31 December 2016, 31 December 2015 and 31 December 2014 (each of which are incorporated by reference into this document).

15. EMPLOYEES

On Readmission, the Enlarged Group is expected to have a total of full time employees with 11 in the United Kingdom, 356 in Kazakhstan, 683 in Macedonia and 2 in Chile.

16. AUDITOR

16.1 PricewaterhouseCoopers LLP of 1 Embankment Place, London, WC2N 6RH, has been the independent auditor of CAML since CAML's IPO in 2010 and will remain the Company's auditor following Readmission.

16.2 PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants in England and Wales and has no material interest in the Company.

17. MISCELLANEOUS

17.1 The total costs and expenses (including possible contingent costs estimated at US$23 million) payable by the Enlarged Group in connection with or incidental to the Acquisition, Placing, Admission and Readmission, including governmental fees, commissions, AIM fees, professional fees, consulting and investor relation services and the costs of printing and distribution are currently expected to amount to up to US$44.2 million (excluding applicable VAT). Further information relating to these costs and expenses is provided in the Unaudited Pro Forma Statement Of Net Assets Of The Enlarged Group as set out in Part XI of this document.

17.2 The gross proceeds expected to be raised by the Company Placing are approximately £113.0 million.

17.3 PricewaterhouseCoopers LLP has given and has not withdrawn its written consent to the inclusion in this document of its reports in Section B of Part X (*Reporting Accountants' Report on the Historical Financial Information of Rudnik SASA DOOEL*) and Section D of Part X (*Reporting Accountants' Report on the Historical Financial Information of Lynx Resources*) in the form and context in which they appear and has authorised the content of its reports for the purposes of Schedule Two of the AIM Rules for Companies.

17.4 J.P. Morgan Securities plc has given and has not withdrawn its written consent to the inclusion herein of references to its name in the form and context in which it appears.

17.5 Peel Hunt LLP has given and has not withdrawn its written consent to the inclusion herein of references to its name in the form and context in which it appears.

17.6 Mirabaud Securities Limited has given and has not withdrawn its written consent to the inclusion herein of references to its name in the form and context in which it appears.

17.7 WAI has given and has not withdrawn its written consent to the inclusion in this document of its Competent Person's Report and its letter set out in Part A of Part VIII of this document, and the references thereto and to its name, in the form and context in which they appear and has authorised the contents of those parts of this document. This report was prepared at the request of the Company. The Competent Person has no interest in the share capital of the Group.

17.8 SRK has given and has not withdrawn its written consent to the inclusion in this document of its Competent Person's Report and its letter set out in Part B of Part VIII of this document, and the references thereto and to its name, in the form and context in which they appear and has authorised the contents of those parts of this document. This report was prepared at the request of the Company. The Competent Person has no interest in the share capital of the Group.

17.9 The Ordinary Shares will be admitted with the ISIN GB00B67KBV28.

17.10 Save as disclosed in this document, the Company had no principal investments for each financial year covered by the historical financial information and there are no principal investments in progress and there are no principal future investments on which the Board has made a firm commitment.

17.11 Information sourced from a third party has been accurately reproduced and so far as the Company is aware, and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Dated 22 September 2017

PART XIII

DEFINITIONS

DEFINITIONS

"**1985 Act**"	the UK Companies Act 1985
"**A-integrated Permit**"	A-integrated environmental permit no. 11-3677/5 dated 25 October 2016 issued by the Macedonian Ministry of Environment and Physical Planning to the Rudnik SASA DOOEL
"**Acquisition**"	the proposed acquisition by CAML of the entire issued share capital of Lynx Resources Limited pursuant to the terms of the Acquisition Agreement
"**Acquisition Agreement**"	the agreement dated 22 September 2017 between, amongst others, CAML, the Purchaser and the Sellers relating to the sale and purchase of the entire issued share capital of Lynx Resources Limited
"**Acquisition Conditions**"	the conditions to the completion of the Acquisition being, *inter alia*, the Resolutions being passed at the Extraordinary General Meeting and Admission
"**Act**"	the UK Companies Act 2006
"**Admission**"	the admission of the Company Placing Shares to trading on AIM becoming effective in accordance with the AIM Rules
"**AGM**"	the Company's Annual General Meeting
"**AIM**"	the AIM market of the London Stock Exchange
"**AIM Rules**"	the AIM Rules for Companies and the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time
"**AIM Rules for Companies**"	the AIM Rules for Companies as published by the London Stock Exchange from time to time including the AIM Note for Mining and Oil and Gas Companies
"**AIM Rules for Nominated Advisers**"	the AIM Rules for Nominated Advisers as published by the London Stock Exchange from time to time
"**Aksu-Esil**"	the Company's business partner in Kazakhstan
"**Articles**"	the articles of association of the Company, as amended from time to time
"**Audit Committee**"	the audit committee established by the Board
"**Banks**"	J.P Morgan Securities plc, Peel Hunt LLP and Mirabaud Securities Limited
"**Board**"	the board of directors of CAML from time to time
"**Business Day**"	any day (other than a Saturday or Sunday) on which clearing banks in the City of London are open for business
"**Company**" or "**CAML**"	Central Asia Metals PLC, a company incorporated in England and Wales under the Companies Act 1985 with registered number 05559627
"**Company Placing**"	the placing of the Company Placing Shares by Peel Hunt LLP, J.P. Morgan Securities plc and Mirabaud Securities Limited at the Placing Price pursuant to the Placing Agreement

"**Company Placing Shares**"	49,150,000 new Ordinary Shares to be issued by the Company pursuant to the Company Placing
"**Competent Body**"	the Kazakhstan Ministry of Industry and New Technologies (previously the Ministry of Energy and Mineral Resources)
"**Completion**"	completion of the Acquisition pursuant to the terms of the Acquisition Agreement
"**Copper Bay**"	the development project at Chañaral Bay, in the Atacama region of Chile
"**Consideration Shares**"	15,278,528 new Ordinary Shares to be subscribed for by Orion pursuant to the Acquisition Agreement
"**CPRs**" or "**Competent Person's Reports**"	the Kazakh Competent Person's Report and the Macedonian Competent Person's Report
"**CREST**"	the computerised settlement system (being the relevant system as defined in the CREST Regulations) to facilitate the transfer of title of shares in uncertificated form operated by Euroclear
"**CREST Regulations**"	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended
"**Directors**" or "**Board**"	The directors of the Company and any duly constituted committee of the board of directors from time to time
"**Debt Financing**" or "**Debt Financing Agreement**"	The agreement described in paragraph 9.1(C)(1) of Part XII *(Additional Information)* of this document
"**Employee Benefit Trust**"	the Central Asia Metals Limited Employee Benefit Trust adopted by the Board on 6 August 2010
"Enlarged Group"	the Group following completion of the Acquisition
"**Enlarged Share Capital**"	the issued share capital of the Company immediately following Readmission as enlarged by the Company Placing (assuming all of the Company Placing Shares are allotted) and the Consideration Shares (excluding treasury shares unless otherwise stated)
"**Euroclear**"	Euroclear UK & Ireland Limited
"**Excluded Territories**"	Australia, Canada, Dubai International Financial Centre, Guernsey, Jersey, Japan, Malaysia, New Zealand, Singapore, Switzerland, The Republic of South Africa and the United States and any jurisdiction where the availability of the Placing would breach any applicable laws or regulations and "Excluded Territory" shall mean any of them
"Existing Ordinary Shares"	the existing ordinary shares of US$0.01 each in the capital of the Company (excluding treasury shares unless otherwise stated)
"**Executive Directors**"	Nicholas Clarke, Nigel Robinson and Gavin Ferrar
"**Existing Shareholders**"	Shareholders in the Company as at the date of the Admission Document
"**Extraordinary General Meeting**"	the extraordinary general meeting of the Company to be held at 21 Tudor Street, London EC4Y 0DJ at 11.00 a.m. on 11 October 2017, details of which are contained in the notice set out at the end of this document
"**FCA**"	the Financial Conduct Authority of the United Kingdom
"**FSMA**"	the Financial Services and Markets Act 2000 of the United Kingdom, as amended or supplemented from time to time

"**GKZ (Republic of Kazakhstan)**"	the Committee for Geology and Subsoil Use of the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan (previously known as the Committee for Geology and Subsoil Protection of the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan prior to 28 October 2004)
"**Group**"	the Company and its subsidiaries
"**IFRS**"	International Financial Reporting Standards
"**Independent Board**"	the Board save for Mr. Kenges Rakishev
"**Issue**"	the Ordinary Shares to be offered pursuant to the Company Placing and the Consideration Shares
"**Issue Price**"	the price at which Consideration Shares are to be issued pursuant to the Acquisition, being 241.5 pence
"**Joint Bookrunners**"	J.P. Morgan Securities plc and Peel Hunt LLP
"**Kazakh Competent Person's Report**"	as set out in Part A of Part VIII
"**Kazakhstan**"	the Republic of Kazakhstan
"**KCC**"	Kounrad Copper Company LLP, in which the Group has a 100 per cent. interest
"**Kounrad Contract**"	The contract for exploration and development of copper out of the technical mineral generations of the Kounrad Mine entered into by the MEMR and Saryarka dated 20 August 2007, as amended
"**Kounrad JOA**"	the agreement between Sary Kazna LLP and Saryarka originally dated 6 September 2007, as amended and dated 16 August 2010
"**Kounrad Project**"	the construction and operation of a 10,000 tonnes per annum commercial copper SX-EW plant at the Kounrad mine in accordance with the Kounrad JOA
"**Kyoto Protocol**"	The Kyoto Protocol to the United Nations Framework Convention on Climate Change adopted on 11 December 1997
"**Lead Managers**"	J.P. Morgan Securities plc, Peel Hunt LLP and Mirabaud Securities Limited
"**LME**"	the London Metal Exchange
"**London Stock Exchange**"	London Stock Exchange plc
"**Lynx Group**"	Lynx Resources and the Lynx Subsidiaries
"**Lynx Europe**"	limited liability company incorporated in Macedonia with company registration number 7048998 and its registered seat at St. Cyril and Methodius str. No. 52b/1-18, Skopje, Republic of Macedonia
"**Lynx Metals**"	Lynx Metals Limited
"**Lynx Mining**"	limited liability company incorporated in Bermuda with registration number 50422 and its registered office at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda
"**Lynx Resources**"	limited liability company incorporated in Bermuda with registration number 50388 and its registered office at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda
"**Lynx Subsidiaries**"	Lynx Mining, Lynx Europe and Rudnik SASA DOOEL
"**Macedonian Competent Person's Report**"	as set out in Part B of Part VIII
"**MEMR**"	Ministry of Energy and Mineral Resources of Kazakhstan

"**Memorandum**"	the memorandum of association of the Company, as amended from time to time
"**Minerals Law**"	the Law on Mineral Resources 2012 (Official Gazette of the Republic of Macedonia no. 136/2012; 25/2013; 93/2013; 44/2014; 160/2014; 129/15; 192/15; 39/16; 53/16; 120/16 and 189/16), as amended from time to time
"**Nominated Adviser**"	Peel Hunt LLP
"**Non-Executive Directors**"	Nigel Hurst-Brown, Robert Cathery, David Swan, Roger Davey, Kenges Rakishev and Nurlan Zhakupov
"**Official List**"	the Official List of the United Kingdom Listing Authority
"**OPEC**"	Organisation of Petroleum Exporting Countries
"**Options**"	Share options awarded under the Option Plan
"**Option Plan**"	the Central Asia Metals plc Share Option Plan adopted by the Board in October 2011
"**Ordinary Shares**"	ordinary shares in the issued share capital of the Company from time to time
"**Orion**"	Orion Co-Investment III L.P.
"**Paris Agreement**"	the Paris Agreement under the United Nations Framework Convention on Climate Change which came into force on 4 November 2016
"**Panel**"	the Panel on Takeovers and Mergers in the UK
"**Placees**"	any person that has agreed to subscribe for and/or acquire (as applicable) Placing Shares
"**Placing**"	the Company Placing and the Selling Shareholder Placing
"**Placing Agreement**"	the agreement dated 22 September 2017 between the Company, the Directors, Peel Hunt LLP, J.P. Morgan Securities and Mirabaud Securities Limited pursuant to which Peel Hunt LLP, J.P. Morgan Securities plc and Mirabaud Securities Limited agree to procure subscribers for the Company Placing Shares
"**Placing Announcement**"	the announcement released through a Regulatory Information Service at 7.02 a.m. on 22 September 2017 containing the terms and conditions of the Placing
"**Placing Price**"	the price at which Ordinary Shares are offered pursuant to the Placing, being 230 pence
"**Placing Shares**"	the Company Placing Shares and the Selling Shareholder Placing Shares
"**Proposals**"	the Acquisition and the Company Placing
"**Purchaser**"	CAML MK Limited, a wholly owned subsidiary of the Company
"**Readmission**"	admission of the Enlarged Share Capital to trading on AIM
"**Registrar**"	Computershare Investor Services PLC
"**Regulation S**"	Regulation S promulgated under the US Securities Act
"**Resolutions**"	the resolutions to be proposed at the Extraordinary General Meeting, each a "**Resolution**", as described in paragraph 20 of Part I (*Letter from the Chairman*)
"**Remuneration Committee**"	the remuneration committee established by the Board
"**Rudnik SASA DOOEL**"	Rudnik SASA DOOEL Makedonska Kamenica, a limited liability company incorporated in Macedonia with company registration

	number 6006094 and its registered seat at Rudarska Street No. 28, Makedonska Kamenica, Republic of Macedonia
"**Sale Shares**"	the entire issued share capital of Lynx Resources
"**Saryarka**"	the National Company Social and Entrepreneurial Corporation "**Saryarka**" Joint Stock Company, a Kazakh government entity
"**Sary Kazna**"	Sary Kazna LLP, a wholly owned subsidiary of the Company
"**Selling Shareholder**"	CBH Europe Limited
"**Selling Shareholder Placing**"	the placing of the Selling Shareholder Placing Shares by Peel Hunt LLP and J.P. Morgan Securities plc at the Placing Price pursuant to an agreement between the Joint Bookrunners and the Selling Shareholder
"**Selling Shareholder Placing Shares**"	10,605,875 Existing Ordinary Shares to be sold by the Selling Shareholder pursuant to the Selling Shareholder Placing
"**Sellers**"	Orion Co-Investments III L.P. and Fusion Capital AG
"**Shareholder**"	a person recorded in the Company's register of shareholders as a holder of Ordinary Shares
"**Shareholder Participation Agreement**"	the agreement described in paragraph 9.1 of Part XII (*Additional Information*)
"**Shareholding**"	a holding of Ordinary Shares
"**Share Capital**"	the Group's total issued share capital prior to Admission and/or Readmission taking place
"**Silver Purchase Agreement**"	the silver purchase agreement described in paragraph 3.2 of Part VII (*Information on Macedonia and Macedonian Mineral Policy & Law*)
"**SASA Mine**"	means the zinc, lead and silver mine which is located near the town of Makedonska Kamenica, in the Northeast part of Macedonia's Osogovo Mountain Massif and is currently owned by Lynx Resources Limited
"**SASA Project**"	the mining project in relation to the SASA Mine, as described in section 3 of Part IV of the Admission Document
"**Solway Sellers**"	Solway Industries Ltd and Solway Industries EESTI AS
"**SRK**"	SRK Consulting (UK) Limited
"**Stage 1 Expansion**"	the initial expansion of the Kounrad Project which involved enhancing the throughput and copper plating capacity of the processing plant
"**Stage 2 Expansion**"	the expansion of the Kounrad Project which comprised building electricity and pipeline infrastructure to connect Western Dumps to the existing SX-EW plant and constructing a pipeline to Lake Balkash in order to extract water for processing at Kounrad in the future
"**Subsidiary**"	as defined in section 1159 of the Act
"**Subsoil Law**"	the Law of the Republic of Kazakhstan dated 27 January 1996 "On Subsoil and Subsoil Use" as amended
"**Substantial Shareholder**"	a Shareholder holding ten per cent. or more of the Enlarged Share Capital

"**Takeover Code**"	means The City Code on Takeovers and Mergers issued and administered by the UK Panel on Takeovers and Mergers, as amended, modified or supplemented from time to time
"**Taxes Act**"	the Income and Corporation Taxes Act 1988 of the United Kingdom, as amended
"**Third Party Offtake Agreements**"	the offtake agreements described in paragraph 3.2 of Part VII, save for the Silver Purchase Agreement.
"**Traxys**"	Traxys Europe SA
"**Trustee**"	Ogier Employee Benefit Trustee Limited
"**Trust Deed**"	a Trust deed between the Company and the Trustee dated 16 December 2009
"**United Kingdom**" or "**UK**"	the United Kingdom of Great Britain and Northern Ireland
"**US**" or "**USA**"	the United States of America, its territories and possessions, any State of America and the District of Columbia
"**US Person**"	has the meaning given in Regulation S
"**US Securities Act**"	United States Securities Act of 1933, as amended
"**Wardell Armstrong**" or "**WAI**"	Wardell Armstrong International Limited, the Company's independent technical consultant

PART XIV

GLOSSARY OF TECHNICAL TERMS

"Adit"	A horizontal or sub-horizontal underground development providing access to underground workings from surface
"Anode"	An electrode through which conventional current flows into a polarised electrical device
"ASL"	Above sea level
"Barren"	Of rock or vein material containing no minerals of value
"Base metals"	Any of the more common and more chemically active metals, e.g., lead, copper
"C1 cash costs"	A Wood Mackenzie industry definition of the costs incurred on a per unit basis at each processing stage from mining through to recoverable metal delivered to market, less net by-product credits
"Category C2"	A GKZ resource and reserve category. These reserves are based on a loose exploration grid, with limited data. The limits of the orebody are defined by extrapolation within known geological structures, and from comparison with other similar deposits in the vicinity. The grade and mineral properties of the orebody are determined from core samples and comparison with similar mineral deposits in the area
"Category P1"	A GKZ resource and reserve category. P resources are estimated for mineralisation outside of the limits defined in the C2 category. The outer limits of P1 resources are determined indirectly by extrapolating from similar known mineral deposits in the area. P1 is the main source from which C2 reserves can be increased
"Cathode"	An electrode from which a conventional current leaves a polarised electrical device
"Chalcopyrite"	The mineral sulphide of iron and copper, CuFeS
"Concentrate"	A metal-rich product resulting from a mineral enrichment process such as gravity concentration or flotation, in which most of the desired mineral has been separated from the waste material in the ore
"Copper" or **"Cu"**	A soft, malleable and ductile metal with very high thermal and electrical conductivity, chemical symbol Cu
"Copper cathode"	A cathode—a 50 to 80 kg copper plate—is produced in an electrolytic refining process. The saleable end product from the Kounrad operation. The primary raw material for the copper wire industry
"Cut-off grade"	The grade below which material within an orebody does not contain sufficient value to justify extraction
"Decline"	A spiral tunnel that is typically developed from surface to an orebody in underground mining and may be used to transport ore
"Definitive Feasibility study"	A comprehensive study of a mineral deposit in which all geological, engineering, legal, operating, economic, social, environmental and other relevant factors are considered in sufficient detail so that it could reasonably serve as the basis for a final decision by a financial institution to finance the development of the deposit for mineral production. In a Feasibility Study the declaration of Ore Reserves would be expected and the economic viability of the mineral deposit could

	be demonstrated with sole reliance on the depletion of the Ore Reserves without inclusion of Mineral Resources. In parallel to the development of the Feasibility Study it is normally expected that an Environmental and Social Impact Study would have been completed. Typical contingencies included within the capital expenditure estimate range between 10 per cent. and 15 per cent. and accuracy ranges are typically ±15 per cent.
"Diamond drilling"	Drilling method which obtains a cylindrical core of rock by drilling with an annular bit impregnated with diamonds
"Dilute sulphuric acid"	A strong acid with formula, H_2SO_4. The leaching chemical used to irrigate the Kounrad dumps
"Dilution"	The contamination of ore with barren or low grade bearing wall rock in mining. The assay of the ore after mining is frequently lower than when sampled in place. The proportion of waste that is contained in the Run-of-Mine ore delivered to the metallurgical processing plant
"Dip"	The angle of descent of a tilted bed or geological feature relative to the horizontal plane
"Dredging"	A method of extracting material, usually carried out in shallow water. Proposed extraction technique for Copper Bay
"Drive"	A horizontal underground tunnel
"Dump leach"	Similar to heap leach except ore is not stacked. Copper extraction process at Kounrad
"EA"	Environmental Assessment
"EIA"	Environmental Impact Assessment
"Electrolysis"	The passing of a direct current (DC) through a substance that is dissolved in a suitable solvent, resulting in the separation of materials. Process used to produce copper cathode at Kounrad
"Electrolyte"	Copper rich solution produced from the solvent extraction process at Kounrad
"ESIA"	Environmental and Social Impact Assessment
"Exploration"	Process of evaluating mineral potential
"Facies"	An assemblage or association of minerals reflecting the environment and conditions or origin of the rock
"Fault"	The mass of rock underlying the mineral deposit or reef or the underlying side of an orebody or stope
"Flotation"	A mineral processing technique used to separate mineral particles in a slurry, by causing them to selectively adhere to a froth and float to the surface
"Footwall"	The mass of rock underlying the mineral deposit or reef
"g/t"	Grammes per tonne
"Galena"	Economically important sulphide ore of lead, chemical formula PbS
"Gangue"	General term for minerals that are not considered to be of economic significance
"GDP"	Gross Domestic Product; total value of goods produced and services provided in a country in one year

"Geochemistry"	Prospecting techniques which measure the content of specified metals in soils and rocks; sampling defines anomalies for further testing
"Geological losses"	Losses to account for all necessary adjustments with respect to faults, potholes, dykes etc. Incorporated into the Mineral Resource estimates
"Geophysics"	Prospecting techniques which measure the physical properties (magnetism, conductivity, density, etc.) of rocks and define anomalies for further testing
"GKZ"	The Russian State Commission on Mineral Reserves
"GPS"	Global Positioning System
"Grade"	Relative quantity or the percentage of mineral or metal content in an ore body
"Ground water"	Water present below the earth's surface, occupying openings, cavities, and spaces in rocks and soils
"Hanging wall"	The mass of rock overlying the mineral deposit
"HDPE"	High Density Polyethylene
"Hydrogeology"	The study of water flow and distribution underground
"Indicated Mineral Resource"	The part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill-holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed
"Inferred Mineral Resource"	The part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability
"IRR"	Internal Rate of Return is a capital budgeting method used by firms to decide whether they should make long term investments; the IRR is defined as any discount rate that results in a net present value of zero, and is usually interpreted as the expected return generated by the investment
"JORC Code 2012"	The 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
"km"	Kilometres
"km^2"	Square kilometres
"Kriging"	An interpolation method of assigning values from samples to blocks that minimises the estimation error
"kt"	Kilo tonnes (1,000 tonnes)
"kV"	Kilo-volt

"Leaching"	The removal of soluble material from a substance, such as rock, through the percolation of water or other fluids
"Lead" or "Pb"	A soft and malleable heavy metal, with chemical symbol Pb. One of the most important products from the SASA Mine
"LME"	London Metal Exchange, major global base metals trading platform
"Lower Palaeozoic"	The earliest of the three geological eras, from 541 to 252 million years old
"m"	Metre
"Ma"	million years
"Malachite"	A bright green copper carbonate hydroxide found in the oxide zone of copper deposits
"Measured Mineral Resource"	That part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drillholes. The locations are spaced closely enough to confirm geological and grade continuity
"Modifying Factor"	Considerations made when converting mineral resources to ore reserves. Includes mining, processing, infrastructure and environmental factors
"Metasomatism"	The alteration of the chemical composition of a rock by hydrothermal or other fluids
"Micro"	Prefix that divides a basic unit by 1 million or multiplies it by 10^6; a prefix meaning small; when modifying a rock name, it signifies fine-grained, as in microgranite
"Mill"	Equipment used to grind crushed rocks to the desired size for mineral extraction
"Mineral Resource"	A concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such a form that there are reasonable prospects for the eventual economic extraction; the location, quantity, grade geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge; mineral resources are sub-divided into Inferred Mineral Resource, Indicated Mineral Resource and Measured Mineral Resource categories
"Mineral Resource Estimation"	Set of computerised processes and procedures used to derive estimates of in-situ tonnages and grades of a mineral deposit
"Mineralisation"	Process of formation and concentration of elements and their chemical compounds within a mass or body of rock
"mm"	Millimetre, one thousandth of a metre
"Moz"	Million troy ounces
"MPa"	Unit to measure rock strength, Megapascal
"Mt"	Million tonnes
"NPV"	Net Present Value is a standard method in finance of capital budgeting—the planning of long-term investments; using the NPV method a potential investment project should be undertaken if the present value of all cash inflows minus the present value of all cash outflows (which equals the net present value) is greater than zero

"Open pit"	A surface mine
"Orebody"	Mining term to define a solid mass of mineralised rock which can be mined profitably under current or immediately foreseeable economic conditions "ore" a mineral deposit that can be extracted and marketed profitably
"Ore Reserves"	An Ore Reserve is the economically mineable part of a Measured Mineral Resource and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified
"Ounce"	or "oz", 1 troy ounce = 31.1035 grammes
"Oxides"	Minerals that occur in predominantly oxide based compounds
"pregnant leach solution"	the copper-bearing solution used in the SX process
"ppb"	Parts per billion
"ppm"	Parts per million
"Porphyry"	A term for an intrusive igneous rock consisting of large grained crystals. Common host of copper deposits
"Probable Ore Reserves"	The economically mineable part of an Indicated Mineral Resource, and in some circumstances, a Measured Mineral Resource. The confidence in the Modifying Factors applying to a Probable Ore Reserve is lower than that applying to a Proved Ore Reserve
"Proved Ore Reserves"	The economically mineable part of a Measured Mineral Resource. A Proved Ore Reserve implies a high degree of confidence in the Modifying Factors
"Raffinate"	The liquid from which impurities and dissolved metals have been removed in the solvent extraction process
"Recovery"	Proportion of valuable material obtained in the processing of an ore, stated as a percentage of the material recovered compared with the total material present
"Run-of-Mine"	Ore mined and delivered to the processing plant
"Scoping Study"	A study that includes an economic analysis of the potential viability of mineral resources taken at an early stage of the project prior to the completion of a pre-feasibility study. A Scoping Study may be based on Measured, Indicated Mineral Resource, or Inferred Mineral Resources or a combination of any of these and include disclosure of forecast mine production rates and may contain capital costs to develop and sustain the mining operation, operating costs. A Scoping Study would have limited site specific data in respect of key operating assumptions and would only address certain disciplines on a high level fatal flaw basis. Both the contingency (>30%) and accuracy/sensitivity (±30%) associated with key assumptions are generally higher than that assumed for PFSs. Key deliverables of a Scoping Study would include the determination of sufficiently positive technical and economic outcomes such that advancement to PFS level is warranted. A Scoping Study is preliminary in nature, in that it may also include Inferred Mineral Resources
"Shaft"	Vertical or inclined excavation into mine workings

"Silver" or "Ag"	A soft, white, precious metal with very high thermal and electrical conductivity, chemical symbol Ag
"Smelting"	A high temperature pyrometallurgical operation conducted in a furnace, in which the valuable metal is collected to a molten matte phase and separated from the gangue components that accumulate in a less dense molten slag phase
"Sphalerite"	An economically important zinc sulphide mineral, chemical formula ZnS
"Stoping"	The process of extracting the ore from an underground mine, leaving behind an open space known as a stope
"Stratiform"	Of deposits that are confined within specific geological strata. Mineralisation style at SASA Mine
"Strike"	Direction of line formed by the intersection of strata surfaces with the horizontal plane, always perpendicular to the dip direction
"Sub-level caving"	An underground bulk mining method that is suitable for large orebodies with a steep dip. Utilises the geological characteristics of the weak hanging wall to allow the rock to cave naturally after ore has been extracted
"Sulphides"	Minerals containing sulphur in non-oxidised form
"SX-EW"	Solvent extraction and electro-winning is a two-stage process that first extracts and upgrades copper ions from low-grade leach solutions into a concentrated electrolyte, and then deposits pure copper onto cathodes using an electrolytic procedure
"t"	A metric tonne
"Tailings"	Material that remains after all metals/minerals considered economic have been removed from the ore
"Tailings storage facility"	An impoundment used to deposit tailings arising as waste from a metallurgical processing facility
"tpa"	Tonnes per annum
"Treatment plant"	A plant where ore undergoes physical or chemical treatment to extract the valuable metals/minerals
"Trench sampling"	Sampling of a trench cut through the rock, generally in the form of a series of continuous channels (channel samples)
"Weathering"	The breakdown of rocks and minerals in the near-surface environment by the action of physical and chemical processes, in the presence of air and water
"Zinc" or "Zn"	A metallic element with the chemical symbol Zn. One of the most important products from the SASA Mine
"µm"	Micron (one millionth of a metre)

CENTRAL ASIA METALS PLC

(incorporated and registered in England and Wales with Company Number 05559627)

NOTICE OF EXTRAORDINARY GENERAL MEETING AND EXPLANATORY STATEMENT

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of CENTRAL ASIA METALS PLC (the "**Company**" or "**CAML**") will be held at 21 Tudor Street, London, EC4Y 0DJ on 11 October 2017 at 11.00 a.m. (London time), for the purpose of considering and, if thought fit, passing the resolutions set out in this Notice of extraordinary general meeting as special resolutions.

The explanatory notes that accompany and form part of this Notice of extraordinary general meeting (the "**Explanatory Notes**") are set out at the end of this Notice of extraordinary general meeting.

Terms used in this Notice of extraordinary general meeting and the Explanatory Statement shall have the same meanings as defined in the circular to shareholders of CAML comprising an admission document dated 22 September 2017 (the "**Admission Document**"), unless the context requires otherwise.

SPECIAL RESOLUTION 1

1. THAT subject to and conditional upon (i) the placing agreement dated 22 September 2017 (the "**Placing Agreement**") between the Company, the Directors and the Lead Managers becoming unconditional in all respects save for the conditions set out therein relating to the passing of this resolution and Special Resolution 2 and the admission or readmission to trading on AIM of the existing issued ordinary shares of the Company (the "Ordinary Shares") and the Ordinary Shares to be issued pursuant to the Placing Agreement ("**Placing**") (the "**Placing Shares**") and the Acquisition (as defined below) (the "**Consideration Shares**") and such admission and readmission becoming effective in accordance with Rule 6 of the AIM Rules for Companies and (ii) the Placing Agreement not having been terminated or lapsed in accordance with its terms:

(A) the proposed acquisition of Lynx Resources Limited ("**Lynx**") (the "**Acquisition**") as described in the Admission Document be and are hereby approved and the directors of the Company be and are hereby authorised to implement the Acquisition and generally and unconditionally authorised to exercise the powers conferred by this resolution and all the powers of the Company to the extent that the directors of the Company (or a duly appointed committee thereof) determine it necessary or desirable to implement the Acquisition and that the directors (or a duly appointed committee thereof) be and are hereby authorised to waive, amend, vary or extend any of the terms of the Acquisition;

(B) the directors be generally and unconditionally authorised in accordance with section 551 of the Act to allot Ordinary Shares up to an aggregate nominal amount of US$644,285.28 in connection with the Acquisition and the Placing; and

(C) the directors be empowered, pursuant to section 571 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by paragraph (B) of this resolution as if section 561(1) of the Act did not apply to the allotment of the Placing Shares, provided that this authority shall expire on 11 January 2019 or, if earlier, the conclusion of the next annual general meeting of the Company, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired.

SPECIAL RESOLUTION 2

2. THAT, subject to and conditionally upon the passing of Special Resolution 1 and completion of the Acquisition,

(A) in addition to the authority granted in paragraph (B) of Special Resolution 1 and in substitution for the authority granted at the annual general meeting of the Company held on 31 May 2017, the directors be generally and unconditionally authorised in accordance with section 551 of the Act to allot:

  (i) shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of US$586,563.40 and

  (ii) equity securities of the Company (within the meaning of section 560 of the Act) in connection with an offer of such securities by way of a rights issue up to an aggregate nominal amount of US$586,563.40,

provided that this authority shall expire on 11 January 2019 or, if earlier, at the conclusion of the next annual general meeting of the Company but, in each case, so that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the directors may allot shares or grant rights to subscribe for or convert securities into shares pursuant to such an offer or agreement as if this authority had not expired.

"rights issue" means an offer to:

(1) holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to the respective number of ordinary shares held by them; and

(2) holders of other equity securities if this is required by the rights of those securities or, if the directors consider it necessary, as permitted by the rights of those securities, to subscribe for further securities by means of the issue of a renounceable letter (or other negotiable document) which may be traded for a period before payment for the securities is due, but subject in both cases to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

(B) in addition to the authority granted in paragraph (C) of Special Resolution 1 and in substitution of the authority granted at the annual general meeting held on 31 May 2017, and conditional on completion of the Acquisition, the directors be empowered, pursuant to section 570 and section 573 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by paragraph (A) of this Special Resolution 2 as if section 561(1) did not apply to such allotment:

(i) in connection with an offer of such securities by way of a rights issue (as defined in paragraph (A) of this Special Resolution 2); and

(ii) (otherwise than pursuant to paragraph (B)(i) of this Special Resolution 2), up to an aggregate nominal amount of US$175,986.62

provided that this authority shall expire on 11 January 2019 or, if earlier, the conclusion of the next annual general meeting of the Company, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired.

By Order of the Board

Anthony Hunter
Company Secretary

22 September 2017

Registered Office

Masters House
107 Hammersmith Road
London, W14 0QH

EXPLANATORY STATEMENT TO THE RESOLUTIONS

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the preceding Notice of extraordinary general meeting.

The Explanatory Statement and all attachments (including the Admission Document) are important documents. They should be read carefully. The Directors recommend Shareholders read this Explanatory Statement and the Admission Document in full before making any decision in relation to the Resolutions.

Terms used in this Explanatory Statement shall have the same meanings as defined in the Admission Document and Notice of extraordinary general meeting, unless the context requires otherwise.

EXPLANATORY NOTES TO THE NOTICE OF EXTRAORDINARY GENERAL MEETING

1. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy (who need not be a member of the Company) to attend, speak and vote instead of him/her. A form of proxy is enclosed with this Notice. The completion and return of the proxy form does not preclude a member from attending the Meeting and voting in person.

2. A member may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such member. To appoint more than one proxy, please sign and date the form of proxy and, if necessary, attach a schedule listing the names and addresses (in block letters) of all of your proxies, the number of shares in respect of which each proxy is appointed (which, in aggregate, should not exceed the number of shares held by you) and indicating how you wish each proxy to vote or abstain from voting. You may not appoint more than one proxy to exercise the rights attached to any one share. If you wish to appoint the Chairman of the Meeting as one of your multiple proxies, simply write "the Chairman of the Meeting".

3. In order to be valid, the form of proxy and any power of attorney, or notarially certified copy thereof, under which it is executed, must be received by the Company no later than 11.00 a.m. on 9 October 2017, having been returned in hard copy form by post, by courier or by hand to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY.

4. Any person to whom this Notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have the right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise such right, he/she may, under such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

5. The statement of the rights of members in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

7. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6.30 p.m. on 9 October 2017 shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at that time. Subsequent changes to entries on the register of members shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

8. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual, which can be viewed at www.euroclear.com/CREST.

CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual.

The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

9. If the Meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original Meeting, the time referred to in note 7 will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned Meeting. If, however, the Meeting is adjourned for a longer period, then to be so entitled members must be entered on the Company's register of members at a time which is 48 hours (excluding non-working days) before the time fixed for the adjourned Meeting or, if the Company gives notice of the adjourned Meeting, at the time specified in that notice.

10. You may not use any electronic address (within the meaning of section 333(4) of the Act) provided in this Notice (or in any related documents including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

11. As at 21 September 2017 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital comprises 112,069,738 ordinary shares of US$0.01 each, each such share carrying one vote, including 511,647 shares in Treasury. Accordingly, the total number of voting rights in the Company as at 21 September 2017 are 111,558,091.

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