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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.

The rules of AIM are less demanding than those of the Official List of the United Kingdom Listing Authority and it is emphasised that no application is being made for admission of the Ordinary Shares to the Official List of the United Kingdom Listing Authority. Furthermore, the United Kingdom Listing Authority has not examined or approved the contents of this document. It is expected that Admission will become effective and that trading in the Ordinary Shares will commence on AIM on 30 September 2010.

This document, which does not constitute a prospectus, has been drawn up in accordance with the AIM Rules for Companies and has been issued in connection with the application for admission to trading of the Ordinary Shares on AIM. This document contains no, and the Company is not making an, offer to the public within the meaning of sections 85 and 102B of FSMA. This document is therefore not an approved prospectus for the purposes of section 85 of FSMA, and has not been filed with the Financial Services Authority (the "FSA") or any other authority which could be a competent authority for the purposes of the EU Prospectus Directive 2003/71/EC nor has it been approved by a person authorised under FSMA.

CENTRAL ASIA METALS PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 5559627)

**Placing of 39,735,100 new Ordinary Shares of US\$0.01 each at 96p per share
and**

Admission to trading on AIM

Nominated Adviser

KPMG Corporate Finance

Lead Manager and Broker

Mirabaud Securities LLP

All of the Placing Shares will, on Admission, rank *pari passu* in all respects with the existing Ordinary Shares in issue and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

KPMG Corporate Finance, a division of KPMG LLP, which is authorised and regulated by the FSA for the conduct of investment business in the United Kingdom, is acting as nominated adviser to the Company in connection with the Placing and Admission. Its responsibilities as the Company's nominated adviser under the AIM Rules 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 his decision to acquire shares in the Company in reliance on any part of this document. KPMG Corporate Finance is not acting for any person other than the Company and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or providing advice in relation to the contents of this document or any matter or for any arrangements in relation to the Placing and Admission.

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Investors should rely only on the information contained in this document. No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the Placing and, if given or made, such information or representations must not be relied upon as having been so authorised by or on behalf of the Company, KPMG Corporate Finance or Mirabaud Securities LLP.

The contents of this document should not be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice.

Neither this document nor the Ordinary Shares have been, and nor will they be, registered under the United States Securities Act of 1933, as amended, or under the securities legislation of any state of the United States of America, Canada, Australia, Japan, the Republic of South Africa or the Republic of Ireland. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered or sold within the United States of America, Canada, Australia, Japan, the Republic of South Africa or the Republic of Ireland or to or for the account or benefit of any national resident or citizen of, or any person located in, the United States of America, Canada, Australia, Japan, the Republic of South Africa or the Republic of Ireland. This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction or which would impose any unfulfilled registration, publication or approval requirements on the Company or Mirabaud Securities LLP.

The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

Prospective investors should read the whole text and contents of this document and should be aware that an investment in the Company is speculative and involves a significant degree of risk. In particular, prospective investors' attention is drawn to Part 1 of this document entitled "Risk Factors".

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, KPMG Corporate Finance, situated at 8 Salisbury Square, London EC4Y 8BB, United Kingdom, from the date of this document until the date being one month after the date on which Admission takes place, which is expected to be 30 September 2010.

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 which may cause the actual results, financial condition, performance or achievements of CAML, 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 1 “Risk Factors”. New factors may emerge from time to time that could cause CAML’s business not to develop as it expects, and it is not possible for CAML 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, CAML disclaims any obligation to update any such forward looking statements in this document to reflect future events or developments.

Mineral Resources and Reserves disclosure

Where possible, CAML’s Competent Person, Wardell Armstrong International Limited (or “WAI”), has reviewed Mineral Resources in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (the “JORC Code” or “the Code” 2004), which is an internationally recognised standard. The Code sets out minimum standards, recommendations and guidelines for Public Reporting of Exploration Results, Mineral Resources and Ore Reserves in Australasia. The Code 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.

Reserves reported for the Kounrad Project in Kazakhstan have been approved by GKZ (Republic of Kazakhstan), the state governing body in Kazakhstan. WAI believes that the Republic of Kazakhstan, a member of the Commonwealth of Independent States (“CIS”), formerly a Soviet Republic (Kazakhstan declared its sovereignty as a Republic within the Union of Soviet Socialist Republics (“USSR”) in October 1990) still adheres to the GOST regulations of the Russian Federation for the reporting of mineral resources and reserves and as such the reserves quoted in this document for the Kounrad Project are equivalent to the Russian Standard. Gosstandart of the Russia Federation (“GOST”) is a set of regulations (similar to ISO) which relate to all Russian industries. Resources and reserves are approved by GKZ in Moscow, the state governing body for this, which applies the GOST regulations. Therefore, if resources and reserves are approved by GKZ, they are in compliance with GOST.

Unless stated otherwise, resource estimates contained in this document and the CPR in respect of the Kounrad Project have not been prepared in accordance with an internationally recognised standard, are based on historical data and are included for information only. No assurance can be given that any resources which CAML may report to an internationally recognised standard in the future will be in line with these estimates or that the tonnages and grades referred to will be achieved. Investors should therefore place no reliance on these estimates. **Where resources have not been estimated in accordance with an internationally recognised standard, such as the JORC Code (2004) or the Russian Standard and are based on historical data they are included for information only.**

The Company will undertake a rolling programme of transfer of material to a recognised resource standard (JORC) with the aim to complete the task of having all presently estimated material in respect of the Kounrad Project classified to an acceptable international standard by the end of the first quarter of 2013.

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PLACING STATISTICS

Placing Price	96p
Number of Ordinary Shares in issue prior to Admission	41,270,001
Total number of Placing Shares being issued pursuant to the Placing	39,735,100
Number of Ordinary Shares issued on conversion of Loan Notes	5,160,833
Number of Ordinary Shares in issue immediately following Admission (“Enlarged Share Capital”)	86,165,934
Percentage of Enlarged Share Capital subject to the Placing and Loan Note conversion	52.1 per cent.
Number of Ordinary Shares subject to Options and Warrants at Admission	2,013,225
Fully diluted number of Ordinary Shares in issue following Admission	88,179,159
Gross proceeds of the Placing	£38.1 million
Estimated net proceeds of the Placing receivable by the Company	£35.0 million
Market capitalisation on Admission at the Placing Price	£82.7 million
ISIN of Ordinary Shares	GB00B67KBV28
EPIC	CAML
US\$/£ exchange rate used in this document	1.580

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	24 September 2010
Admission and commencement of trading in Ordinary Shares on AIM	8.00 a.m. on 30 September 2010
CREST accounts credited (as applicable)	30 September 2010
Expected date of dispatch of definitive certificates for Ordinary Shares (as applicable)	By 15 October 2010
References to time are to London time	

DIRECTORS, SECRETARY AND ADVISERS

Directors	Christopher Nigel Hurst-Brown (<i>Non-Executive Chairman</i>) Nicholas Royston Clarke (<i>Chief Executive Officer</i>) Nigel Francis Robinson (<i>Chief Financial Officer</i>) Alexander Abraham Capelson (<i>Non-Executive Director</i>) Robert Maitland Cathery (<i>Non-Executive Director</i>) Dr Michael Allan Price (<i>Non-Executive Director</i>)
Company secretary	Anthony George Hunter
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Nominated Adviser	KPMG Corporate Finance 8 Salisbury Square London EC4Y 8BB United Kingdom
Lead Manager and Broker	Mirabaud Securities LLP 33 Grosvenor Place London SW1X 7HY United Kingdom
Competent Person	Wardell Armstrong International Wheal Jane, Baldhu Truro Cornwall TR3 6EH United Kingdom
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SUMMARY INFORMATION

This summary highlights information contained elsewhere in this document. Prospective investors should read the whole document before considering an investment in the Company's Ordinary Shares and not rely solely on the information in this "Summary Information" section or any other summarised information in this document. In particular, prospective investors should consider carefully the risk factors set out in Part 1 of this document.

Overview

Central Asia Metals Plc ("CAML" or the "Company" and together with its subsidiaries, the "Group") is a mining exploration and development company focused on base and precious metals in Central Asia.

CAML currently has interests in a number of copper, gold and molybdenum mining assets in Kazakhstan and Mongolia. In Kazakhstan, CAML has advanced plans for the construction of a plant at the former Kounrad copper mine that will have the capacity to deliver 10,000 tonnes per annum of near term, low-cost copper production. It also has exploration opportunities with the potential to deliver substantial additional upside, including its Alag Bayan asset in Mongolia which is situated close to the Oyu Tolgoi copper mine being developed by Rio Tinto and Ivanhoe Mines.

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

Copper produced at CAML's pilot scale SX-EW plant at Kounrad



Source: CAML

CAML was incorporated in September 2005 and is the UK parent company of the Group. Since incorporation, the Group has identified, acquired and developed a number of mining exploration and development assets. It is currently focused on the following:

- Kounrad, acquired in September 2007, is the most developed asset. It was formerly an open-pit copper mine in Kazakhstan that was operated between 1936 and 2005. The site around the mine contains a number of dumps of waste material from the mine from which copper can be extracted through an in-situ leaching process followed by Solvent Extraction – Electro-Winning (“SX-EW”). A pilot scale SX-EW plant has been commissioned by CAML at the site and has been operating successfully since August 2008. CAML now plans to construct a commercial SX-EW plant at the Kounrad mine and the project (the “Kounrad Project”) is operated under a joint venture agreement with Saryarka, a local Kazakh government entity;
- Alag Bayan, for which a licence was obtained in August 2008, is an early stage exploration project in Mongolia focused on outlining a potentially significant copper/gold porphyry target;
- Handgait, for which a licence was obtained in May 2007, is a molybdenum exploration project in Mongolia;
- Ereen, for which a licence was obtained in May 2007, is an advanced stage gold exploration project located in Northern Mongolia with a potential 1 Moz gold resource. CAML is in discussions with a third party regarding a sale of this asset; and
- Tochtar, a gold mine in Kazakhstan for which a licence was obtained in April 2006. CAML’s intention is to dispose of the asset by the end of the year and the asset is currently subject to due diligence.

Investment highlights

The Board considers that CAML offers the following investment highlights:

- An experienced management team with a proven track record in Central Asia and of bringing projects to the market, supported by non-executive directors with broad mining and/or public company experience;
- Near-term, low-cost copper production from the commercial SX-EW plant at Kounrad:
 - No mining risk;
 - Low discovery risk with gross GKZ (Republic of Kazakhstan) approved reserves of 49.2 Mt at 0.16 per cent. copper giving contained metal of 77.7kt (or approximately 47kt attributable to CAML);
 - CAML has estimated a further 576.3Mt (subject to GKZ approval) in additional dumps at Kounrad for a total content of 655.5kt of copper at an average grade of 0.11 per cent.;
 - SX-EW processing technology proven by completion of a pilot trial which has produced 320 tonnes of 99.99 per cent. copper cathode between August 2008 and August 2010;
 - Feasibility study completed and local permissions granted to commence construction of a commercial SX-EW plant capable of producing 10,000 tonnes of copper per annum. Ground-works for the plant have commenced;
 - Capital expenditure for the commercial SX-EW plant estimated to be US\$46.9 million to first commercial copper production in late 2011;
 - Extensive existing mining infrastructure in place to support the construction and operation of the commercial SX-EW plant following a 72-year history of mining at the Kounrad open-pit mine; and
 - Low direct cash operating cost estimated at US\$0.38 per pound of copper produced.
- Significant potential upside from exploration assets including:
 - The highly prospective Alag Bayan copper/gold porphyry exploration project in Mongolia located close to the Oyu Tolgoi mine being developed by Rio Tinto and Ivanhoe Mines;
 - The Handgait molybdenum exploration project; and
 - The Ereen advanced stage gold exploration project (by way of its sale and, potentially, further investment in its development in the short term).
- A track record of raising funding and securing mining exploration and development opportunities in Central Asia;

- An established presence in Kazakhstan and Mongolia and a track record of successful operations in each country;
- Proximity to China, one of the world's largest consumers of commodities;
- Exposure to opportunities across a range of commodities and to Mongolia, a country that is expected to become increasingly attractive for mining companies; and
- Early stage discussions underway in respect of a new exploration and development opportunity.

Strategy

CAML's objective in the short term is to seek to maximise the value of its current asset portfolio. Its primary focus will be on the construction of a commercial SX-EW plant at Kounrad through to production in order to generate an early revenue stream for the Group. In parallel with this, CAML will further its exploration of the Group's other assets at Alag Bayan and Handgait. The Board believes that success with one of these exploration assets will deliver a significant increase in the value of the Group.

The Board is seeking to maximise the value of the Group's interest in Ereen which is expected to be by way of a sale that is currently under discussion or, if the sale cannot be completed on acceptable terms, by way of the further development of the asset in 2011 with a view to a sale in the future.

Plans for the construction of a 10,000 tonnes per annum commercial copper SX-EW plant at the Kounrad mine are well advanced. A pilot scale SX-EW plant has been operational on the site since August 2008 which to date has produced over 300 tonnes of cathode copper from the processing of material in the dumps for sale to third parties. Initial construction ground-works for the commercial SX-EW plant have already been started. Subject to raising further funding by way of the Placing and Admission, production at the plant is expected to commence in the fourth quarter of 2011.

In order to drive additional growth in the business, the Group's strategy in the short to medium term is to seek new opportunities, subject to further funding, by:

- Focusing on base and precious metals in Kazakhstan and Mongolia, although CAML will also consider new opportunities in other CIS countries; and
- Using its experience from Kounrad on other late stage mining projects where the use of alternative mining and metallurgical technologies can help realise their full economic potential. The Board believes that such projects are often not of a scale that would warrant development by larger mining groups and therefore represent a significant opportunity for CAML.

An integral part of CAML's strategy is to give regard to the various environmental and social aspects of its operations so that it not only fully complies with all relevant local legislation but also seeks to make a significant contribution to local communities.

A major factor in the delivery of CAML's strategy is the experience of its directors and senior management in successfully completing mining projects, delivering value to shareholders and raising finance for new ventures. They are also able to employ their long standing experience of operating in Kazakhstan and Mongolia.

CAML’s Mongolian management team on-site at Alag Bayan



Source: CAML

Countries in which the group operates

The Group’s major assets are located in Kazakhstan and Mongolia, both of which border and enjoy positive relations with China and Russia. Both countries have stable governments and have benefited from progressive trade policies which have delivered strong economic growth over the past ten years.

Kazakhstan is the ninth largest, and the largest landlocked, country in the world, equivalent in size to Western Europe. Under the leadership of President Nurultan Nazarbayev, who has led the ruling political party since 1989, Kazakhstan has made significant progress towards developing as a market economy.

Map of Kazakhstan showing location of the Group's assets



Source: Competent Person's Report

Kazakhstan has enjoyed significant economic growth since 2000, largely due to the abundance of its fossil fuel resources. In 2000, it became the first country in the CIS to repay all of its debt to the International Monetary Fund, 7 years ahead of schedule. Then in 2002, it became the first country in the CIS to receive an investment grade credit rating from a major international credit rating agency and was granted market economy status under US trade law. In granting this change in status, the U.S. Department of Commerce recognised Kazakhstan's substantive market economy reforms in the areas of currency convertibility, wage rate determination, openness to foreign investment and government control over the means of production and allocation of resources.

Mongolia is the nineteenth largest, and second largest landlocked, country in the world. It has extensive mineral deposits including copper, coal, molybdenum, tin, tungsten and gold. Its largest trading partner is China, which accounts for over two-thirds of its exports.

Map of Mongolia showing location of the Group's assets



Source: Competent Person's Report

Since 1991, Mongolia has been implementing a comprehensive economic reform programme aimed at moving the country toward a free market economy. The primary objective of this programme is to encourage foreign direct investment in order to stimulate economic growth. Since the late 1990s, a number of policies have been implemented, including the easing of price controls, liberalisation of domestic and international trade, and the restructuring of the banking system and the energy sector. Major domestic privatisation programmes in the energy, agricultural and banking sectors have also been conducted.

Copper, gold and molybdenum

In the last ten years, base and precious metal prices have risen considerably, in large part due to the increasing demand from China, India and other major developing countries. Compared with other base and precious metals, copper and gold have proven, respectively, to be the strongest performing metals relative to others, with their prices having appreciated more and having been demonstrably more resilient.

Over the past few months, the London Metal Exchange (the "LME") copper inventories have experienced an uncharacteristic counter-seasonal drawdown, which has further supported the price. Continuing concerns over the debasement of currencies and the associated inflationary effects of prolonged fiscal and monetary stimulus programmes across the western world have supported demand for gold.

Copper price history (LME)



Source: Datastream

Molybdenum is mainly used in the production of stainless and alloy steels for a variety of specialised applications. While its price largely correlates with the global economic growth cycle, in the near future it may also be supported by recent initiatives to reduce greenhouse gas emissions, as molybdenum is widely used in the construction of nuclear power plants.

The Group's assets

A summary of key features of the Group's assets is set out in the table below:

Summary of Group Assets						
Asset	Holder	Interest (per cent.)	Status	Licence Expiry Date	Licence Area (ha)	Comments
Kazakhstan						
Kounrad						
Sub Soil Contract #2447	Sary Kazna LLP	60	Exploration and Processing	20 August 2034	2,350	Development Existing Heap Leach Pilot Plant Operation
Tochtar						
Sub Soil Contract #1487	Tochtar Mining Company LLP	75 (A)	Mining	12 August 2020	284	Mining and Heap Leach Operation Held on care and maintenance
Mongolia						
Alag Bayan						
3226X	Bayan Resources LLC	70 (B)	Exploration	March 2012	3,941	Exploration
Handgait						
14992M	Mon Resources LLC	80	Mining	9 July 2039	1,791	Advanced Exploration
Ereen						
6-5086	Zuun Mod UUL LLC	85	Mining	30 June 2040	1,184	Partly replacing exploration licence No.3441x(E) to the north, west and south of the Baavgait deposit
2616A (M)			Mining	25 Sept 2030	50	Located within the Ereen quartz vein deposit
4265A (M)			Mining	11 April 2032	50	Located within the Baavgait gold deposit area
6-5088			Mining	30 June 2040	665	Located to the east, north and south of the Ereen deposit
6-5087			Mining	30 June 2040	1,058	Located between Baavgait and Ereen

Source: Competent Person's Report

Notes: A. Although CAML is the registered owner of a 100 per cent. interest in the shares of Tochtar Mining Company LLP, its economic interest in the asset is considered by the Directors to be 75 per cent. CAML has an understanding with third parties that on any onward sale of Tochtar, the third parties will be entitled to 25 per cent. of the consideration once the funding provided by CAML to Tochtar Mining Company LLP has been repaid. As CAML has not yet made payment for a 25 per cent. interest acquired from the third parties, in law the third parties may therefore claim back their 25 per cent. interest in the asset.

B. GoviEx Mongolia LLC has an option to acquire a 19.99 per cent. interest in the Alag Bayan asset.

The Group's Reserves, Mineral Resources and estimates in Kazakhstan

Kounrad:

The copper Reserves in the table below are for the oxide dumps at Kounrad and have been approved by GKZ (Republic of Kazakhstan):

Kounrad Oxide Reserves (CAML 2010) (Approved by GKZ – Republic of Kazakhstan on 1 January 2002) (Equivalent to the Russian Standard for the reporting of Mineral Resources and Reserves)					
Category					
Copper	Tonnage (Mt)	Grade (% Cu)	Contained Metal (kt)	Contained Metal (kt) Net Attributable 60%	Operator
Ore/Mineral reserves per asset – Kounrad					Sary Kazna LLP
State Approved (C ₂)	49.2	0.16	77.7	46.62	

Source: Competent Person's Report

Note: Approved by GKZ- Republic of Kazakhstan, equivalent to the Russian Standard

All attributable resource grades are the same as total resource grade

Inaccuracies may be due to rounding

In addition to the oxide reserves, estimates have been made for sulphide and mixed/waste dumps at Kounrad; these were estimated internally by Balkashmed, the state-owned operator of the Kounrad mine prior to the creation of Kazakhmys Plc, and have not yet been approved by GKZ (Republic of Kazakhstan).

CAML is of the opinion that there is potentially 576.3Mt (gross) of sulphide and mixed/waste dump material available containing 655.5kt of copper (393.3kt net attributable to CAML). **These estimates have not been prepared according to an internationally recognised reporting standard such as the JORC Code (2004) or the Russian Standard and are based on historical data; hence they are included for information only:**

Inventory of Kounrad Sulphide and Mixed/Waste Dumps (CAML 2010)						
Data Source	Dump No	Ore Type	Mt	Grade (% Cu)	Contained Cu (t)	Contained Cu (t) Net Attributable 60%
<i>Eastern Dumps</i>						
Balkashmed 2006	#2	Mixed/Waste	48.5	0.10	48,466	29,080
Balkashmed 2006	#5	Mixed/Waste	44.2	0.10	44,241	26,540
Balkashmed 2006	North Cluster	Mixed/Waste	106.0	0.10	105,949	63,570
<i>Western Dumps</i>						
Balkashmed 2006	#1 (part)	Sulphide	19.9	0.24	48,466	29,080
Balkashmed 2006	#21	Sulphide	22.6	0.27	60,678	36,410
Balkashmed 2006	#21A	Sulphide	5.2	0.25	12,906	7,740
Balkashmed 2006	#1A	Sulphide	5.3	0.19	10,148	6,090
Balkashmed 2006	#13	Mixed/Waste	13.6	0.10	13,656	8,190
Balkashmed 2006	#20	Mixed/Waste	22.1	0.10	22,100	13,260
Balkashmed 2006	#15-16	Mixed/Waste	257.6	0.10	257,572	154,540
Balkashmed 2006	#22	Mixed/Waste	28.0	0.10	27,997	16,800
Balkashmed 2006	#1 (south)	Mixed/Waste	3.3	0.10	3,305	1,980
	Total		576.3		655,484	393,280

Source: *Competent Person's Report*

Note: *These estimates have not been prepared according to an internationally recognised reporting standard such as the JORC Code (2004) or the Russian Standard and are based on historical data; hence they are included for information only.*

The Company will undertake a rolling programme of transfer of material to a recognised resource standard (JORC) and expects to have all of the presently estimated sulphide resources quantified by end of 2011. Thereafter, CAML will transfer other material with the aim to complete the task of having all presently estimated dump material classified to an acceptable international standard by the end of the first quarter of 2013. The western sulphide dumps are at present undergoing active sampling and reserve re-estimation.

Tochtar:

The copper Mineral Resources in the table below are for Tochtar and have been prepared in accordance with the guidelines of the JORC Code. CAML's intention is to dispose of the asset by the end of the year and the asset is currently subject to due diligence. The asset is being held on a care and maintenance basis:

Tochtar Mineral Resource Estimate by Ordinary Kriging (0.5g/t Au Cut-off Grade – without top cut) (WAI Audited 2008) (Estimate in accordance with the guidelines of the JORC Code (2004))					
Category					
Gold	Tonnage (t)	Grade (g/t Au)	Contained Metal (kg)	Contained Metal (kg) Net Attributable 75%	Operator
Mineral Resources per asset – Tochtar					
<i>Measured</i>	942,510	2.61	2,458	1,845	Tochtar Mining Company LLP
<i>Indicated</i>	503,655	2.54	1,279	960	
<i>Inferred</i>	5,747,197	3.14	18,069	13,550	
Total	7,193,362	3.03	21,788	16,354	

Source: Competent Person's Report

Note: All attributable resource grades are the same as total resource grade
Inaccuracies may be due to rounding

Although CAML is the registered owner of a 100 per cent. interest in the shares of Tochtar Mining Company LLP, its economic interest in the asset is considered by the Directors to be 75 per cent. CAML has an understanding with third parties that on any onward sale of Tochtar, the third parties will be entitled to 25 per cent. of the consideration once the funding provided by CAML to Tochtar Mining Company LLP has been repaid. As CAML has not yet made payment for a 25 per cent. interest acquired from the third parties, in law the third parties may therefore claim back their 25 per cent. interest in the asset.

The Group's Mineral Resources in Mongolia

Alag Bayan:

Although copper Mineral Resources equivalent to the Soviet C₂ and C₁ categories have been approved for Alag Bayan, they have not been included in this document as they have not been prepared in accordance with an AIM approved standard. The calculated Mineral Resources at Alag Bayan are not considered material but are significant in demonstrating the near surface presence of mineralisation in the Alag Bayan licence area and in supporting the decision to explore further. CAML was aware that in addition to this surficial material the licence area had the potential to host deeper seated porphyry style targets that required further attention. WAI has reviewed the results of the latest surveys and considers that the target anomalies identified, albeit deep seated, are attractive given the analogy to the Oyu Tolgoi gold-rich porphyry deposit which lies approximately 100km southwest and within a similar structural and geological setting to that of Alag Bayan.

CAML has a 70 per cent. interest in Alag Bayan through Bayan Resources LLC. GoviEx Mongolia LLC has an option to acquire a 19.99 per cent. interest in the asset and further details of this option are set out in paragraph 9 of Part 8 of this document.

Handgait:

The molybdenum Mineral Resources in the table below are for the central areas of Handgait and have been prepared in accordance with the guidelines of the JORC Code:

Central Handgait Mineral Resource Estimate (East + West) Kazakhstan Mineral Corporation January 2009 (Prepared in accordance with the guidelines of the JORC Code (2004)) (at a 0.025% Mo cut-off grade)					
Category					
Molybdenum	Tonnage (t)	Grade (% Mo)	Contained Metal (t)	Contained Metal (t) Net Attributable 80%	Operator
Mineral Resources per asset – Handgait					
EAST + WEST HANDGAIT					Mon Resources LLC
<i>Measured</i>	3,138,740	0.064	2,009	1,610	
<i>Indicated</i>	15,079,390	0.057	8,595	6,880	
<i>Inferred</i>	46,540,770	0.054	25,130	20,100	
Total	64,758,900	0.055	35,736	28,590	

Source: Competent Person's Report

Note: All attributable resource grades are the same as total resource grade
Inaccuracies may be due to rounding

The molybdenum Mineral Resources in the table below are for the Bulagtai and Sogoot areas of Handgait and have been prepared in accordance with the guidelines of the JORC Code:

Bulagtai-Sogoot Mineral Resource Estimate (Kazakhstan Mineral Corporation, January 2009) (Prepared in accordance with the guidelines of the JORC Code (2004)) (at a 0.01% Mo cut-off grade)					
Category					
Molybdenum	Tonnage (Mt)	Grade (% Mo)	Contained Metal (t)	Contained Metal (t) Net Attributable 80%	Operator
Mineral Resources per asset – Handgait					
SOGOOT					Mon Resources LLC
<i>Inferred</i>	26.054	0.024	6,151	4,921	
BULAGTAI					
<i>Inferred</i>	19.37	0.03	5,716	4,573	

Source: Competent Person's Report

Note: All attributable resource grades are the same as total resource grade
Inaccuracies may be due to rounding

CAML has estimated a global potential resource for the whole Handgait area based on a combination of the drilling results, geochemistry and geophysics of some 320,000 tonnes of contained molybdenum. Although some of this resource is somewhat speculative, WAI believes it does provide a feel for the overall size of the property. However, WAI believes a further significant drilling programme, which needs to be properly targeted, will be required to realise the full potential of this large resource target.

Ereen:

The gold Mineral Resources in the table below are for Ereen and have been prepared in accordance with the guidelines of the JORC Code. CAML is in discussions with a third party regarding a sale of this asset:

Ereen Mineral Resource Estimate (Kazakhstan Mineral Corporation, 2008) (Prepared in accordance with the guidelines of the JORC Code (2004)) (Cut-off Grade 1g/t Au)					
Category					
Gold	Tonnes (t)	Grade (g/t Au)	Contained Metal (kg)	Contained Metal (kg) Net Attributable 85%	Operator
Mineral Resources per asset – Ereen					
<i>Measured</i>	5,852	1.443	8.4	7.1	Zuun Mod UUL LLC
<i>Indicated</i>	42,973	1.408	60.5	51.4	
<i>Inferred</i>	8,284,610	1.730	14,332	12,174	
Total	8,333,430		14,400	12,240	

Source: Competent Person's Report

Note: All attributable resource grades are the same as total resource grade
Inaccuracies may be due to rounding

Use of proceeds

The Company is seeking to raise £35.0 million (US\$55.3 million at the date of this document), after estimated expenses of £3.1 million (US\$4.9 million), through the Placing which will be used to:

- Fund the construction of the commercial SX-EW plant at Kounrad with capacity to produce 10,000 tonnes of copper per annum;
- Fund further testing of the sulphide and mixed/waste dumps at Kounrad;
- Fund additional exploration work programmes at Alag Bayan and Handgait through to the end of 2011 in order to further evaluate their resource potential;
- Fund an additional work programme at Ereen to continue the development of the asset, subject to the outcome of the current sale discussions and sufficient funding being available; and
- Provide working capital for the Group.

The Group intends to fund future expenditure through cashflow from the commercial SX-EW plant at Kounrad. In the case of a decision to develop its exploration assets at Alag Bayan or Handgait, the Board expects that this will be by way of joint ventures with industry partners. However, depending on the timing and scale of its work programmes in future, CAML may also require additional external finance in order to fund the exploration and development of its assets.

The Board's intention is to convert the majority of the proceeds of the Placing into US Dollars shortly after Admission. The Company will also implement a treasury policy aimed at managing foreign exchange risk in respect of those currencies where it has an exposure.

Financial information for the Group

Historical financial information for the Group is set out in Part 7 of this document.

Current funding, trading and prospects

The Group had net cash of US\$1.3 million at 31 December 2009 and at 30 June 2010 had US\$3.6 million which includes the net proceeds of a placement by Mirabaud Securities on behalf of the Company of US\$5,455,000 of convertible loan notes in May 2010 (the "Loan Notes"). Immediately prior to Admission, the Loan Notes will be converted at a discount of 30 per cent. to the Placing Price into 5,160,833 new Ordinary Shares. Further information concerning the Loan Notes is in paragraph 9 of Part 8 of this document.

The Group is at an early stage of its development and reported revenue of US\$1.1 million and a loss of US\$15.0 million for the year ended 31 December 2009. The reported revenue is from the sale of gold and copper. In the first half of 2010, the Group has seen an increase in revenue from the sale of copper produced by the pilot scale SX-EW plant at Kounrad, compared to the same period in 2009. This increase is due to a higher volume of copper sold and a higher average copper price in the period. The Group's loss in the first half has reduced partly as a result of the increased sales but also following a favourable exchange rate movement in the year.

The current focus of the Group is on the development of the Kounrad commercial SX-EW plant and also on the continued exploration of its assets at Alag Bayan and Handgait. Discussions concerning the disposal of the Group's interests in Ereen and Tochtar are also expected to continue following Admission.

Lock-in and orderly market arrangements

The Company, KPMG and Mirabaud Securities have entered into lock-in and orderly market agreements with the Directors pursuant to which they have undertaken in respect of an aggregate of 17,726,796 Ordinary Shares, comprising 20.6 per cent. of the Enlarged Share Capital, not to dispose of their interest in such Ordinary Shares (subject to certain limited exceptions) at any time prior to the first anniversary of Admission. In addition, they have agreed for a further period of 12 months to dispose of an interest in such Ordinary Shares only with the prior consent of KPMG and Mirabaud Securities and through Mirabaud Securities and in accordance with orderly market principles.

The Company has entered in a lock-in agreement with Edward Bloomstein, a founder of the Company, pursuant to which he has undertaken in respect of 3,541,896 Ordinary Shares, comprising 4.1 per cent. of the Enlarged Share Capital, not to dispose of his interest in such Ordinary Shares at any time prior to the first anniversary of Admission, without the prior approval and agreement of Mirabaud Securities.

Risk factors

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS REFERRED TO IN PART 1 OF THIS DOCUMENT.

PART 1

RISK FACTORS

Before deciding to invest in the Ordinary Shares, prospective investors should carefully consider the risks associated with an investment in the Ordinary Shares, the Group's business and the industry in which it operates, together with all other information contained in this document and in particular the risk factors described below. If any of the following risks actually occur, the Group's business, financial condition, results and/or scope of operations and anticipated expansion could be materially and adversely affected. In such case, an investor may lose all or part of his or her investment. Additional risks and uncertainties not currently known to CAML may also have an adverse effect on the Group's business and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group.

An investment in CAML is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise therefrom and which may be equal to the whole amount invested.

Risks specific to the Group in Kazakhstan

Construction and operation of the commercial SX-EW plant at Kounrad

The Group's profitability and cashflow in the near term will depend to a significant extent on the time taken and cost required to construct and operate the commercial SX-EW plant at Kounrad, which may differ significantly from the Group's current estimates. The construction of the Kounrad SX-EW plant may be subject to unexpected problems and delays leading to cost over-runs and as a result a need for additional capital.

The Group's decision to develop the plant is based on the results of a feasibility study which has derived estimates of expected or anticipated project economic returns. These estimates are based on assumptions as to future copper prices, anticipated tonnage, grades and metallurgical characteristics of ore to be processed, anticipated recovery rates of copper from the ore, anticipated capital expenditure and cash operating costs and the anticipated return on investment. Actual cash operating costs, production and economic returns may differ significantly from those anticipated by such studies and estimates.

There are also a number of uncertainties inherent in the development and construction of the commercial SX-EW plant, any extension to the capacity of the plant once built, or in the development and construction of any new commercial SX-EW plant at Kounrad, in order to increase the level of copper production. These uncertainties include, in addition to those discussed immediately above: the timing and cost of the construction of the facility which can be considerable; the availability and cost of skilled labour, power, water, consumables, such as acid, fuel and transportation facilities; the need to obtain necessary environmental and other Governmental permits, and the timing of those permits and the availability of funds to finance construction and development activities.

State Waiver under the Subsoil Law

On 24 June 2010, the Law of the Republic of Kazakhstan "On Subsoil and Subsoil Use" (the "Subsoil Law") was adopted. The Subsoil Law replaced the Law of the Republic of Kazakhstan "On Subsoil and Subsoil Use" dated 27 January 1996 (the "Previous Subsoil Law"). The Previous Subsoil Law established regulatory formalities which had to be obtained when selling and purchasing the subsoil use rights and/or selling shares in companies owning or controlling subsoil use companies in Kazakhstan. One of such formalities included the state waiver of the statutory pre-emptive right. The Subsoil Law retains such waiver and specifies the transactions which are subject thereto.

The Company has been granted a waiver under the Previous Subsoil Law in connection with the issue of Ordinary Shares pursuant to the Placing and Admission. However, 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.

Kounrad Joint Operating Agreement

The Group's operations at Kounrad are governed by a joint operating agreement (the "Kounrad JOA") between CAML's subsidiary, Sary Kazna LLP ("Sary Kazna"), and its partner on the project, Saryarka, a local Kazakh government entity.

Although the Group has a 60 per cent. interest in the subsoil use rights under the Kounrad Contract, and is the operator, both it and Saryarka have an equal vote in respect of certain matters to be decided under the Kounrad JOA. If the joint venture partners are unable to reach an agreement on key matters there is a risk of a material adverse impact on the Group's interest in the Kounrad Project.

The Kounrad JOA stipulates that if a party thereto commits (or fails to commit) an action which may cause termination of the Kounrad Contract by the competent body, or a party fails to provide financing under the Kounrad JOA, such party will be deemed in default. The party in default will have two months to cure the default. If the default is not cured, the party in default may not receive its share of income from the sale of minerals under the Kounrad Contract, and such income will be received by the other party which is not in default. If the default continues for more than four months, the parties must consider amending or terminating the Kounrad JOA. If terminated, the non-defaulting party will have an exclusive right to obtain the remaining part of the subsoil use rights under the Kounrad Contract from a party in default. If the Group is unable to comply with its obligations under the Kounrad Contract or is unable to provide financing, there is therefore a risk that it will lose its rights which would have a material adverse impact on the Group.

Pursuant to a warrant issued by CAML to Saryarka, CAML undertook to provide Saryarka with an option to acquire CAML shares in exchange for a 40 per cent. interest in the Kounrad Contract at the then current price of those shares until 6 September 2012. The warrant was required pursuant to the Transfer Agreement which constitutes an integral part of the Kounrad JOA. CAML has not yet granted the option but covenanted to grant it when Saryarka wished to exchange the interest in the Kounrad Contract for CAML shares. In order for the option to be granted, the parties will have to agree on the value of Saryarka's interest in the Kounrad Contract to be exchanged for the shares, the mechanism of transfer of the interest to CAML, the number of CAML shares to be acquired by Saryarka, and other terms and conditions pursuant to which the option will be performed. The grant and exercise of such an option carries a risk of dilution to Shareholders following Admission.

The Kounrad JOA allows for a change of operator should the existing operator breach the terms of the Kounrad JOA or the Kounrad subsoil use contract. In this case the existing operator may not vote on the change of operator. Sary Kazna LLP, through its branch office, Kounrad Mining Company, is the current operator and therefore in the event that it breaches the Kounrad JOA or the Kounrad subsoil use contract there is a risk that a new operator will be appointed unilaterally by Saryarka. In this event the Group's interests in Kounrad and the operation of the commercial SX-EW plant may be materially adversely affected.

The Kounrad JOA also includes a pre-emption right in favour of Saryarka that, if broadly interpreted, may be considered to apply to indirect transfers. The Directors consider it unlikely that the pre-emption right conferred on Saryarka under the Kounrad JOA will be deemed to apply to the Placing and Admission and, if it were, that the State Waiver under the Subsoil Law granted to CAML would also be deemed to have included Saryarka given that this is a 100 per cent. government owned entity. However if this were not the case there may be a material adverse impact on the Group's interest.

As a matter of the Subsoil Law (Article 12), the government has a priority right to buy copper at a price not exceeding either the market price or the price used by the subsoil user when selling copper to other entities. At the same time, the final price is subject to commercial negotiations between the Company and the government, should the latter wish to realize its pre-emption right. In the unlikely event of the government realizing its pre-emption right, there is a risk that the final price agreed by the parties might be lower than the market price at that time.

Unapproved estimates for the Kounrad Project

Historical estimates in respect of the Kounrad Project have not yet been approved by GKZ (Republic of Kazakhstan), the state governing body in Kazakhstan, and have therefore not been estimated in accordance with an internationally recognised standard such as the JORC Code or the Russian Standard. Although these historical estimates are based the archives of the previous operator of the Kounrad mine and show good correlation with a number of overall global estimates of contained

residual copper metal, there remains a risk that GKZ (Republic of Kazakhstan) approval will not be forthcoming for all of the estimated material. In this case there may be a material adverse impact on the financial performance and assets of the Group.

Risk specific to the Group in Mongolia

Impacts of the New Prospecting Law in Mongolia

On 16 July 2009 the State Ih Hural, the Mongolian Parliament, enacted a law prohibiting mineral prospecting, exploration and mining in water basins and forested areas (except for deposits of strategic importance) (the “New Prospecting Law”).

The New Prospecting Law prohibits mineral exploration and mining in the following areas:

- (i) watersheds;
- (ii) land protection zones within water basins; and
- (iii) forested areas.

If any of the Group’s existing assets were deemed to be located in these areas the applicable licences could be revoked, with compensation to be paid to the Group. The fact that a licence has been revoked will not relieve the Group from any environmental rehabilitation obligations.

Although to date no licences have actually been revoked due, in part to the Mongolian Government’s lack of funds to pay the requisite compensation, as long as the New Prospecting Law remains in force its potential to have a material adverse impact on the Group’s operations remains.

Risks relating to the countries in which the Group operates

The Group’s mining licences and contracts

No assurance can be given that the governments of Kazakhstan or Mongolia 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 licences and permits from the relevant governmental authority or authorities. The Group’s ability to obtain, sustain or renew such licences and permits or to obtain, sustain or renew such licences on acceptable terms may be subject to changes in regulations and policies and to the discretion of the applicable government authorities.

The Group’s subsoil use rights and licences are also 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.

Climatic concerns

Exploration and mining in Central Asia is predominantly carried out from April to October, as the weather in winter can slow progress and add to the deterioration and break down of equipment. As a result, the Kounrad Project may be delayed. The plant design has taken the extremes of climate into consideration, especially regarding operability through the winter period, but a risk remains that these measures will not be sufficient in which case the operation of the plant and the financial performance of the Group may be materially adversely impacted.

Environmental compliance

All phases of the Group’s operations in Kazakhstan and Mongolia are subject to environmental regulation in these jurisdictions. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. Compliance with environmental laws requires 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 or assets. There is no assurance that existing or future environmental regulation will not materially adversely affect the Group's business, financial condition and results of operations.

Environmental hazards may also exist on the properties on which the Group holds interests that are unknown to the Group at present and that have been caused by previous or existing licence holders or operators.

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, for example following Kazakhstan's ratification of the Kyoto protocol in March 2009, 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.

Social programmes for 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 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.

Taxation

The taxation systems in Kazakhstan and Mongolia are at an early stage of development. The interpretation and application of tax laws and regulations are evolving, which significantly increases the risks with respect to mining and subsoil use operations, and investments in Kazakhstan and Mongolia in comparison with more developed tax systems.

Tax legislation is subject to different and changing interpretations, as well as inconsistent enforcement. Tax 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, Kazakhstan's tax system does not recognise the concept of tax authorities giving legally binding rulings on tax issues that are put before them.

The inconsistent enforcement and the evolution of Kazakh tax laws create a risk of excessive payment of tax or penalties by the subsoil users if they fail to comply with tax legislation. Further, with the recent adoption of the Subsoil Law, tax stability arrangements for subsoil users in Kazakhstan have been eliminated.

Tax rates may be increased and new types of taxes may be introduced subject to the approval of the Mongolian Parliament. To minimise these risks, Mongolian companies attempt to enter into investment agreements with the Mongolian Government at the appropriate time. However, there is no guarantee that the Mongolian companies will be able to enter into such agreements, which may materially adversely impact the Group's finances.

Windfall profit tax law in Mongolia

On 12 May 2006 the Mongolian Parliament enacted the Windfall Tax Law. This law has proven particularly unpopular with the foreign investors in Mongolia and on 28 August 2008 the Law on Abolition of Windfall Profit Tax Law (the "Abolition of Windfall Profit Tax Law") was enacted. The Abolition of Windfall Profit Tax Law is due to come into effect on 1 January 2011.

However, there have been views expressed within the Mongolian Parliament that the windfall tax should be re-introduced. If so, such re-introduction could have a material adverse impact on the Group's finances.

Operating in Kazakhstan and Mongolia

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

- corruption, low professionalism and bias among state officials and judiciary;
- invalidation or rescission of governmental orders, permits or agreements;
- the effects of local political, labour and economic developments, instability and unrest;
- currency fluctuations;
- significant or abrupt changes in the applicable regulatory or legal climate, including in Kazakhstan 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.

Kazakhstan: The Company's Kazakh subsidiaries have entered into contracts with the Government of Kazakhstan or obtained permits or concessions from the Government of Kazakhstan that enable them to conduct operations or development and exploration activities. Notwithstanding these arrangements, the Company'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 Company has no control. Further, since the break up of the Soviet Union, a number of former Soviet republics have experienced periods of political instability, civil unrest, military action or incidents of violence. Kazakhstan has not experienced any such unrest and, to date, this regional instability has not affected Kazakhstan or the Group's operations in Kazakhstan. However, future political instability, civil unrest or continued violence in the region could affect the political or economic stability of Kazakhstan, and could have a material adverse effect on the Group's business, financial condition, results of operations or prospects.

Mongolia: Although Mongolia's transition to democracy has been relatively peaceful and there is representation of various political parties in the Government, tension exists between the governing coalition and the rest of society. There can be no assurance that future political and economic conditions in Mongolia will not result in its government adopting different policies in relation to foreign development and ownership of mineral resources. Any such changes in government or policy may result in changes in laws affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income, return of capital, investment agreements and other areas, each of which may affect the Group's ability to undertake exploration and development activities in the manner currently contemplated. Future changes in the make-up of the Mongolian Government, major policy shifts or lack of consensus between the various political groups could lead to political instability and could also have a material adverse effect on the mineral sector in general.

A security risk in Mongolia comes from illegal miners entering sites. Companies often hire their own security force to protect their assets and in the event that illegal miners are found on licensed areas they can be removed following due process. The Directors are hopeful that the recently enacted law regulating artisanal mining will be conducive to mitigating this risk.

Legal systems and legislation risks

The legal systems in Kazakhstan and Mongolia 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 Mongolian legal systems create uncertainties, many of which do not exist in countries with more developed market economies:

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

In Kazakhstan and Mongolia, although the judicial systems can be described as independent, judges have little experience, if any, 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 and the interpretation of existing ones may be subject to policy changes reflecting domestic political or social changes. As the legal systems develop, there can be no assurance that changes in such legislation or interpretation thereof will not have a material adverse effect on the Group's business, financial condition, results of operations and future prospects.

Deposits of strategic importance

Kazakhstan: 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 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 government of Kazakhstan will prove to be enforceable or provide adequate protection against any or all of the risks described above.

Mongolia: The Mongolian Minerals Law grants the Mongolian State primary control over its national mineral assets and resources. In addition, the Mongolian State is entitled by law to claim up to 50 per cent. of any mineral deposit of strategic importance. A mineral deposit of strategic importance is defined as "a deposit of a size with potential effect on national security, economic and social development of the country at the national or regional levels or that produces or has a potential of producing more than 5 per cent. of total GDP in a given year" when (i) the identification of such mineral deposit is completed through Mongolian State-funded prospecting and exploration, and (ii) such mineral deposit is developed by a private legal person jointly with a state-owned entity. When private funds are exclusively used to assess the reserves of a mineral deposit of strategic importance, the Mongolian State cannot claim more than 34 per cent. of such deposit. As of the date of this document, none of the areas which are the subject of any licences or agreements overlap with the areas of the 15 deposits currently designated as of strategic importance.

However, Decree No. 27 dated 6 February 2007 allows the Mongolian State to submit proposals to designate as having strategic importance a further 39 deposits, as well as other deposits for which reserves are established after the date of such decree. In the future, if any particular deposit meets the criteria for designation as a deposit of strategic importance, then the Mongolian Government can submit a proposal to the Parliament to designate it as strategic. If some of the areas in which the Group may hold or acquire an interest fall into this category this would make it possible for the Mongolian State to participate in the mining reserves to the extent of up to 34 per cent., as negotiated with the licence holder, or up to 50 per cent. if Mongolian State funds were used in establishing the reserve. If any of the areas in which the Group has an interest is designated as a deposit of strategic importance, the Group's financial performance may suffer significant detriment as a result of the operation of these provisions.

There is also an additional requirement imposed by the Mongolian Minerals Law that an entity holding a mining licence for a deposit of strategic importance must sell at least 10 per cent. of its shares through the Mongolian Stock Exchange. It is unclear whether and how this provision is to be implemented but if it is, or if a similar requirement is adopted, this may have a material adverse effect on the Group's business plans, market position and financial performance.

Pursuant to the Land Law (2002), government bodies at various levels (national, regional (aimag) or district (sum)) may claim for "special needs" all or part of the areas subject to an exploration or mining license. Potential claims from governmental bodies may materially adversely affect all further mining operations which the relevant license holder intends to undertake on such areas. Should any government body decide to claim an area, the license holder must be compensated in respect of the area subject to the claim. There is no guarantee that such amount would adequately compensate the

Group for the loss of the land and its operations thereon, and it is highly likely that such reclamation of land by the government agency would have a material adverse effect on the Group's finances and business.

Currency fluctuations

Currency fluctuations may affect the costs that the Group incurs in its operations. Copper is sold throughout the world based principally on the US Dollar and the Board's intention is to convert the majority of the proceeds of the Placing into US Dollars shortly after Admission. However a significant proportion of the Group's capital and operating expenditure is incurred in currencies other than the US Dollar. The opportunities to hedge any foreign exchange exposure in these currencies are limited and currency fluctuations may result in unrealised foreign exchange gains or losses that materially adversely affect the financial results of the Group.

Exchange control risks

The Group operates 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 affecting the industry in which the Group operates

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 metal ore is discovered it can take several years to determine whether reserves exist. During this time the economic viability of production may change. Substantial expenditure may be required to locate and establish mineral resources or 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.

Resource estimates

The Group's reported mineral resources are only estimates. 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, including factors beyond the control of the Group. The estimation of mineral resources is a subjective process and the accuracy of any such estimate 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. Mineral resources that are not mineral reserves do not have demonstrated economic viability. A mineral resource is not the equivalent of a commercially mineable ore body or a mineral reserve. The Company and the Directors cannot give any assurance that the estimated mineral resources will be recovered if the Group proceeds to production or that they will be recovered at the volume, grade and rates estimated.

Dependence on key personnel

The success of the 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 Group whilst management time is directed at finding suitable replacements. The future success of the Group is in part dependent upon its ability to identify, attract, motivate and retain staff with the requisite expertise and experience. Although the Group enters into employment arrangements with its key personnel to

secure their services, the 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 Group will be reliant on third party service providers and suppliers to provide equipment, infrastructure and raw materials required for the 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

The business of mining and chemical processing involves a number of risks and hazards, including industrial accidents, labour disputes, 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 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, any of which could materially adversely affect the Group's results of operations

Commodity pricing

The profitability of the Group's operations will be dependent upon the market price of copper, molybdenum, gold and other mineral commodities. Mineral prices fluctuate widely and are affected by numerous factors beyond the control of the Group. 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.

Furthermore, reserve estimates and feasibility studies using significant lower commodity prices could result in material write-downs of the Group's investment in its assets and increased amortisation, reclamation and closure charges.

In addition to adversely affecting the 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.

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, 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 site 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 Group believes that the level of its 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 Group 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 is also 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.

General risks relating to an investment in the Ordinary Shares

Additional capital

The funds currently available to the Group, to be raised under the Placing and the cashflow expected from the commercial SX-EW plant at Kounrad may not be sufficient to complete all future exploration and development by the Group. Accordingly, the Group may need to raise further financing in the future. The success or otherwise and the pricing of any such financing will depend upon the prevailing market conditions at that time, the outcome of relevant feasibility studies and exploration programmes of the Group and other factors. Any debt financing, if available, may involve financial covenants which limit the Group's operating flexibility. If the Group cannot obtain such additional capital, the Group may not be able to complete the development of its projects or may be required to reduce the scope of any expansion which could materially adversely affect its business, operating results and financial condition.

Failure to obtain sufficient additional financing will result in a delay or indefinite postponement of exploration, development or production on any or all of the Company's properties or even a loss of property interest. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders in the Group. Failure to raise capital when needed would have a material adverse effect on the Group's business, prospects, financial condition or results of operations.

Transition to a publicly quoted company

The change to a publicly quoted company whose shares are admitted to trading on AIM will require some cultural changes, increased awareness of the requirements of being a publicly quoted company and a requirement to ensure that staff satisfy a number of new requirements, including the AIM Rules, disclosure and financial reporting requirements and enhanced corporate governance obligations and expectations. Whilst the Board will make every effort to manage the transition successfully, there can be no assurance that the Group will be able so to do, and such failure so to do could have a material adverse effect on the Group's business, prospects, financial condition or results of operations.

No prior market for the Ordinary Shares

Prior to Admission, there has been no public market for the Ordinary Shares. As a consequence, there can be no assurance that an active trading market will develop after Admission or, if developed, that an active trading market will be sustained. CAML cannot predict the extent to which investor interest in the Ordinary Shares will lead to the development of a trading market or how liquid such a market might become. Investors may experience greater price volatility and less efficient execution of buy and sell orders than expected.

Trading and performance of Ordinary Shares

The AIM Rules are less demanding than those of the Official List and an investment in shares that are traded on AIM is likely to carry a higher risk than an investment in shares listed on the Official List. It may be more difficult for investors to realise their investment on AIM than to realise an investment in a company whose shares are quoted on the Official List. The share price of publicly traded early stage exploration companies can be highly volatile. The price at which the Ordinary Shares will be traded and the price at which investors may realise these investments will be influenced by a large number of factors, some specific to CAML and its operations and some which may affect junior mining companies or quoted companies generally. The market perception of junior mining companies may impact upon the value of investors' holdings and on the ability of CAML to raise funds by the issue of further securities. The value of Ordinary Shares will be dependent upon the success of the exploration activities undertaken by CAML and prospective investors should be aware

that the value of the Ordinary Shares can go down as well as up. Furthermore, there is no guarantee that the market price of an Ordinary Share will accurately reflect its underlying value.

Future sales of Ordinary Shares could adversely affect the price of the Ordinary Shares

Certain existing shareholders have given an undertaking that, save in certain circumstances, they will not until the first anniversary of Admission, dispose of the legal or beneficial ownership of, or any other interest in, Ordinary Shares held by them at Admission. There can be no assurance that such parties will not effect transactions upon the expiry of the lock-in or any earlier waiver of the provisions of the lock-in. The sale of a significant amount of Ordinary Shares in the public market, or the perception that such sales may occur, could materially adversely affect the market price of the Ordinary Shares.

Shareholders not subject to the lock-in arrangements and, following the the first anniversary of Admission (or earlier in the event of a waiver of the provisions of the lock-in), Shareholders who are otherwise subject to the lock-in arrangements, may sell their Ordinary Shares in the public or private market, and CAML may undertake a public or private offering of Ordinary Shares. CAML cannot predict what effect, if any, future sales of Ordinary Shares will have on the market price of the Ordinary Shares. If CAML's existing shareholders were to sell, or CAML were to issue a substantial number of Ordinary Shares in the public market, the market price of the Ordinary Shares could be materially adversely affected. Sales by CAML's existing shareholders could also make it more difficult for CAML to sell equity securities in the future at a time and price that it deems appropriate.

The specific and general risk factors detailed above do not include those risks associated with CAML which are unknown to the Directors.

PART 2

KEY INFORMATION ON THE GROUP

1. Introduction

Central Asia Metals Plc is a mining exploration and development company focused on base and precious metals in Central Asia.

CAML currently has interests in a number of copper, gold and molybdenum mining assets in Kazakhstan and Mongolia. In Kazakhstan, CAML has advanced plans for the construction of a plant at the former Kounrad copper mine that will have the capacity to deliver 10,000 tonnes per annum of near term, low-cost copper production. It also has exploration opportunities with the potential to deliver substantial additional upside, including its Alag Bayan asset in Mongolia which is situated close to the Oyu Tolgoi copper mine being developed by Rio Tinto and Ivanhoe Mines.

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

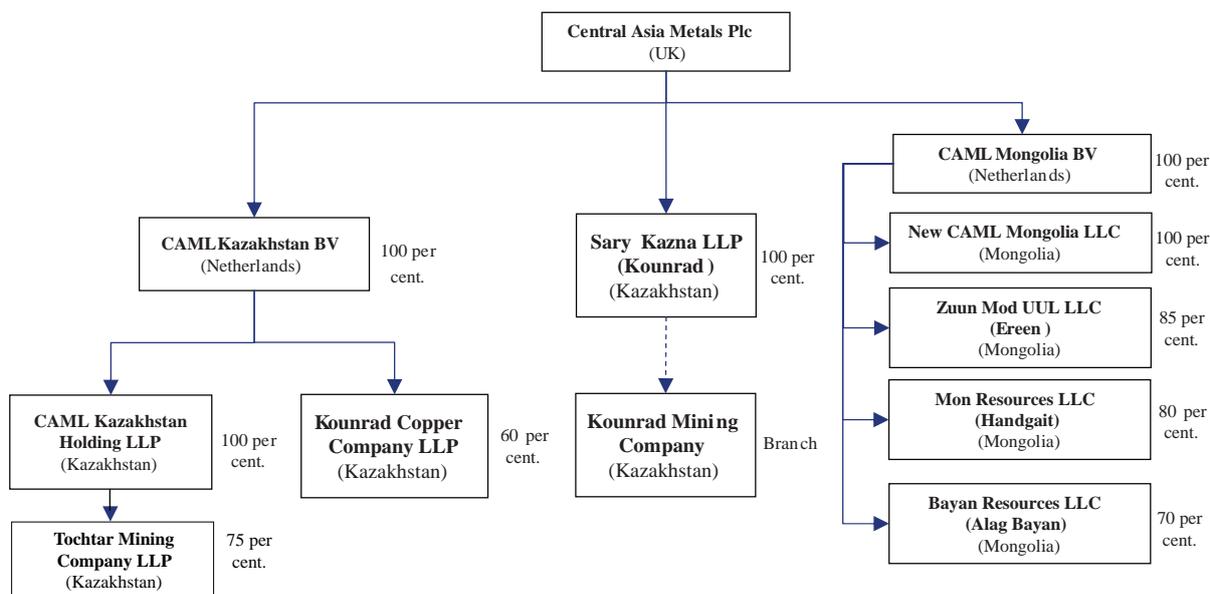
2. Overview and history of the Group

CAML was incorporated in September 2005 and is the UK parent company of the Group. Since incorporation the Group has identified, acquired and developed a number of mining exploration and development assets. It is currently focused on the following:

- Kounrad, acquired in September 2007, is the most developed asset. It was formerly an open-pit copper mine in Kazakhstan that was operated between 1936 and 2005. The site around the mine now contains a number of dumps of waste material from the mine from which copper can be extracted through an in-situ leaching process followed by Solvent Extraction – Electro-Winning (“SX-EW”). A pilot scale SX-EW plant has been commissioned by CAML at the site and has been operating successfully since August 2008. CAML now plans to construct a commercial SX-EW plant at the Kounrad mine and the project (the “Kounrad Project”) is operated under a joint venture agreement with Saryarka, a local Kazakh government entity;
- Alag Bayan, for which a licence was obtained in August 2008, is an early stage exploration project in Mongolia focused on outlining a potentially significant copper/gold porphyry target;
- Handgait, for which a licence was obtained in May 2007, is a molybdenum exploration opportunity in Mongolia;
- Ereen, for which a licence was obtained in May 2007, is an advanced stage gold exploration project located in Northern Mongolia with a potential 1 Moz gold resource. CAML is in discussions with a third party regarding a sale of this asset; and
- Tochtar, a gold mine in Kazakhstan for which a licence was obtained in April 2006. CAML's intention is to dispose of the asset by the end of the year and the asset is currently subject to due diligence.

The Group's significant subsidiaries through which it holds its licence interests and operates are listed below in figure 1.

Figure 1. Significant Group subsidiaries



Source: CAML

Note: Sary Kazna LLP holds 60 per cent. of the subsoil use rights under the Kounrad Contract with the balance held by its joint venture partner Saryarka. The construction of the commercial SX-EW plant is to be carried out by Kounrad Copper Company LLP. The Group also has a wholly owned subsidiary in Mongolia, Mongolian Silver Mountain LLC, that was established to bid for a new asset that has not yet been tendered.

3. Strategy

CAML's objective in the short term is to seek to maximise the value of its current asset portfolio. Its primary focus will be on the construction of a commercial SX-EW plant at Kounrad through to production in order to generate an early revenue stream for the Group. In parallel with this, CAML will further its exploration of the Group's other assets at Alag Bayan and Handgait. The Board believes that success with one of these exploration assets will deliver a significant increase in the value of the Group.

The Board is seeking to maximise the value of the Group's interest in Ereen which is expected to be by way of a sale that is currently under discussion or, if the sale cannot be completed on acceptable terms, by way of the further development of the asset in 2011 with a view to a sale in the future.

Plans for the construction of a 10,000 tonnes per annum commercial copper SX-EW plant at the Kounrad mine are well advanced. A pilot scale SX-EW plant has been operational on the site since August 2008 which to date has produced over 300 tonnes of cathode copper from the processing of material in the dumps for sale to third parties. Initial construction ground-works for the commercial SX-EW plant have already been started. Subject to raising further funding by way of the Placing and Admission, production at the plant is expected to commence in the fourth quarter of 2011.

In order to drive additional growth in the business, the Group's strategy in the short to medium term is to seek new opportunities, subject to further funding, by:

- Focusing on base and precious metals in Kazakhstan and Mongolia, although CAML will also consider new opportunities in other CIS countries; and
- Using its experience from Kounrad on other late stage mining projects where the use of alternative mining and metallurgical technologies can help realise their full economic potential. The Board believes that such projects are often not of a scale that would warrant their development by larger mining groups and therefore represent a significant opportunity for CAML.

An integral part of CAML's strategy is to give regard to the various environmental and social aspects of its operations so that it not only fully complies with all relevant local legislation but seeks to make a significant contribution to local communities.

A major factor in the delivery of CAML’s strategy is the experience of its directors and senior management in successfully completing mining projects, delivering value to shareholders and raising finance for new ventures. They are also able to employ their long standing experience of operating in Kazakhstan and Mongolia.

4. Summary of assets in Kazakhstan

4.1 Introduction

In Kazakhstan, CAML has two assets being Kounrad, situated approximately 15km north of the town of Balkhash in south-central Kazakhstan and Tochtar, a gold mine and dump reclamation operation in northern Kazakhstan. CAML has a 60 per cent. interest in the sub-soil rights at Kounrad, through its wholly-owned operating subsidiary Sary Kazna LLP and a 75 per cent. interest in Tochtar, through its subsidiary, Tochtar Mining Company LLP.

Figure 2. Location of assets in Kazakhstan



Source: Competent Person’s Report

4.2 Kounrad

4.2.1 Background

Copper ore was mined at Kounrad from 1936, originally by Balkhashtsvetmed and more recently by Kazakhmys Plc, which still owns the mine and the historic liabilities associated with restoration of the site. Over the years of production detailed mining and processing records have been maintained relating to the classification and grades of the various waste dumps at the site.

Sub-soil contract 2447 covers an area of 23.5 km² (2350 hectares) and is valid until 20 August 2034. A sense of the scale of the waste dumps covered by this licence can be gained from the aerial photograph in figure 3.

Figure 3. Aerial photograph of the Kounrad mine and waste dumps



Source: Competent Person's Report

Kounrad encompasses a number of low grade waste dumps/stockpiles which were produced during the working of the large open-pit copper mine and are estimated to contain approximately 49.2 million tonnes (gross) of GKZ (Republic of Kazakhstan) approved oxide ore, with an average grade of 0.16 per cent. total copper and leach recovery of approximately 50 per cent. In addition to the oxide reserves, estimates have been made for sulphide and mixed/waste dumps on the property; these were estimated internally by Balkashmed and have not yet been approved by GKZ (Republic of Kazakhstan). CAML is of the opinion that there is potentially 576.3Mt of sulphide and mixed/waste dump material available containing 655.5kt of copper (gross).

In 2007 CAML, through its Kazakh wholly-owned subsidiary Sary Kazna LLP, acquired 60 per cent. ownership of the sub-soil use contract covering the Kounrad waste dumps from the State Entrepreneurial Corporation Saryarka ("Saryarka"). The subsequent Kounrad JOA between the two companies saw the incorporation of Kounrad Copper Company LLP ("KCC") which is the company through which the construction and operation of the commercial SX-EW plant will be tasked. The project is to be run as a joint venture with equal votes for each company on major strategic and operating matters as set out in the Kounrad JOA. KCC is currently finalising the design for the plant and will also be responsible for its operation and full scale production. Sary Kazna LLP developed the basic design for the plant construction, based on the earlier data from the engineering companies

Bateman, MECC, PakPas, Unipromed, Terramatrix, Hydrogeo and KarGIIZ, as well as its own updated data on the waste dumps obtained from a pilot scale SX-EW plant operated at the site since mid-2008.

4.2.2 Resources

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. Test work on the potential methods for the extraction and recovery of copper from the numerous waste dumps and leaching of the dumps has been undertaken since the 1970s.

The waste dumps can be divided into four categories of which the three main ore-bearing waste types are oxide, sulphide and mixed/waste materials. The oxide waste is dumped entirely on the eastern margin of the open-pit mine, which CAML proposes to treat first. All of the sulphide, and the bulk of the mixed/waste dumps are located in the western area and will be subjected to leach testing during 2010 and 2011 to verify copper recoveries and acid consumptions.

The archives of Balkashmed, the State-owned operator prior to the creation of Kazakhmys Plc, contain the results of hundreds of thousands of assays covering the entire period of the waste dump accumulations. Utilising this data several estimates of the quantities of residual copper contained in these materials have been calculated by several organisations over a time span of two decades. Despite certain differences between them the overall global estimates of contained residual copper metal show good correlation.

Four waste dumps (namely 6, 7 and 9-10) located on the eastern side of the open pit are estimated to contain gross reserves of 49.2Mt of C₂ category oxide ore, approved in January 2002 by GKZ (Republic of Kazakhstan), with an average grade of 0.16 per cent. total copper and with a leach recovery of approximately 50 per cent.

The copper reserves in table 1 are for the oxide waste dumps at Kounrad and have been approved by GKZ (Republic of Kazakhstan).

Table 1: Kounrad Reserves – approved by GKZ (Republic of Kazakhstan)

Kounrad Oxide Reserves (CAML 2010) (Approved by GKZ – Republic of Kazakhstan on 01 January 2002) (Equivalent to the Russian Standard for the reporting of Mineral Resources and Reserves)					
Category					
Copper	Tonnage (Mt)	Grade (% Cu)	Contained Metal (kt)	Contained Metal (kt) Net Attributable 60%	Operator
Ore/Mineral Reserves per asset – Kounrad					Sary Kazna LLP
State Approved (C ₂)	49.2	0.16	77.7	46.62	

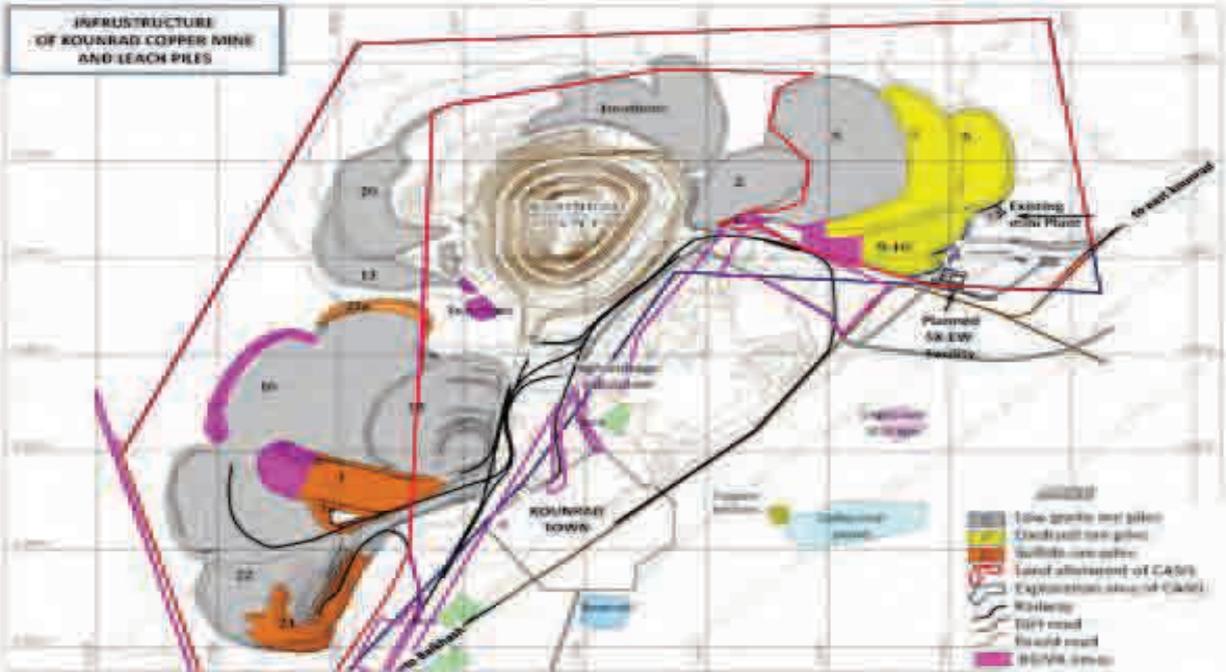
Source: Competent Person's Report

Note: Approved by GKZ- Republic of Kazakhstan, equivalent to the Russian Standard

All attributable resource grades are the same as total resource grade

Inaccuracies may be due to rounding

Figure 4. Schematic layout of Kounrad site



Source: Competent Person's Report

In addition to the approved oxide, estimates have been made for sulphide and mixed/waste dumps located in the west of the property; these were estimated internally by Balkashmed and as yet have not yet been approved by GKZ (Republic of Kazakhstan).

Consequently, CAML is of the opinion that there is potentially 576.3Mt of sulphide and mixed/waste dump material available containing 655.5kt of copper (gross) as shown in table 2. **These estimates have not been prepared according to an internationally recognised reporting standard such as the JORC Code (2004) or the Russian Standard and are based on historical data; hence they are included for information only.**

Table 2: Kounrad estimates – not approved by GKZ (Republic of Kazakhstan)

Inventory of Kounrad Sulphide and Mixed/Waste Dumps (CAML 2010)						
Data Source	Dump No	Ore Type	Mt	Grade (% Cu)	Contained Cu (t)	Contained Cu (t) Net Attributable 60%
<i>Eastern Dumps</i>						
Balkashmed 2006	#2	Mixed/Waste	48.5	0.10	48,466	29,080
Balkashmed 2006	#5	Mixed/Waste	44.2	0.10	44,241	26,540
Balkashmed 2006	North Cluster	Mixed/Waste	106.0	0.10	105,949	63,570
<i>Western Dumps</i>						
Balkashmed 2006	#1 (part)	Sulphide	19.9	0.24	48,466	29,080
Balkashmed 2006	#21	Sulphide	22.6	0.27	60,678	36,410
Balkashmed 2006	#21A	Sulphide	5.2	0.25	12,906	7,740
Balkashmed 2006	#1A	Sulphide	5.3	0.19	10,148	6,090
Balkashmed 2006	#13	Mixed/Waste	13.6	0.10	13,656	8,190
Balkashmed 2006	#20	Mixed/Waste	22.1	0.10	22,100	13,260
Balkashmed 2006	#15-16	Mixed/Waste	257.6	0.10	257,572	154,540
Balkashmed 2006	#22	Mixed/Waste	28.0	0.10	27,997	16,800
Balkashmed 2006	#1 (south)	Mixed/Waste	3.3	0.10	3,305	1,980
	Total		576.3		655,484	393,280

Source: Competent Person's Report

Note: These estimates have not been prepared according to an internationally recognised reporting standard such as the JORC Code (2004) or the Russian Standard and are based on historical data; hence they are included for information only.

The Company will undertake a rolling programme of transfer of material to a recognised resource standard (JORC) and expects to have all of the presently estimated sulphide resources quantified by end of 2011. Thereafter, CAML will transfer other material with the aim to complete the task of having all presently estimated dump material classified to an acceptable international standard by the end of the first quarter of 2013.

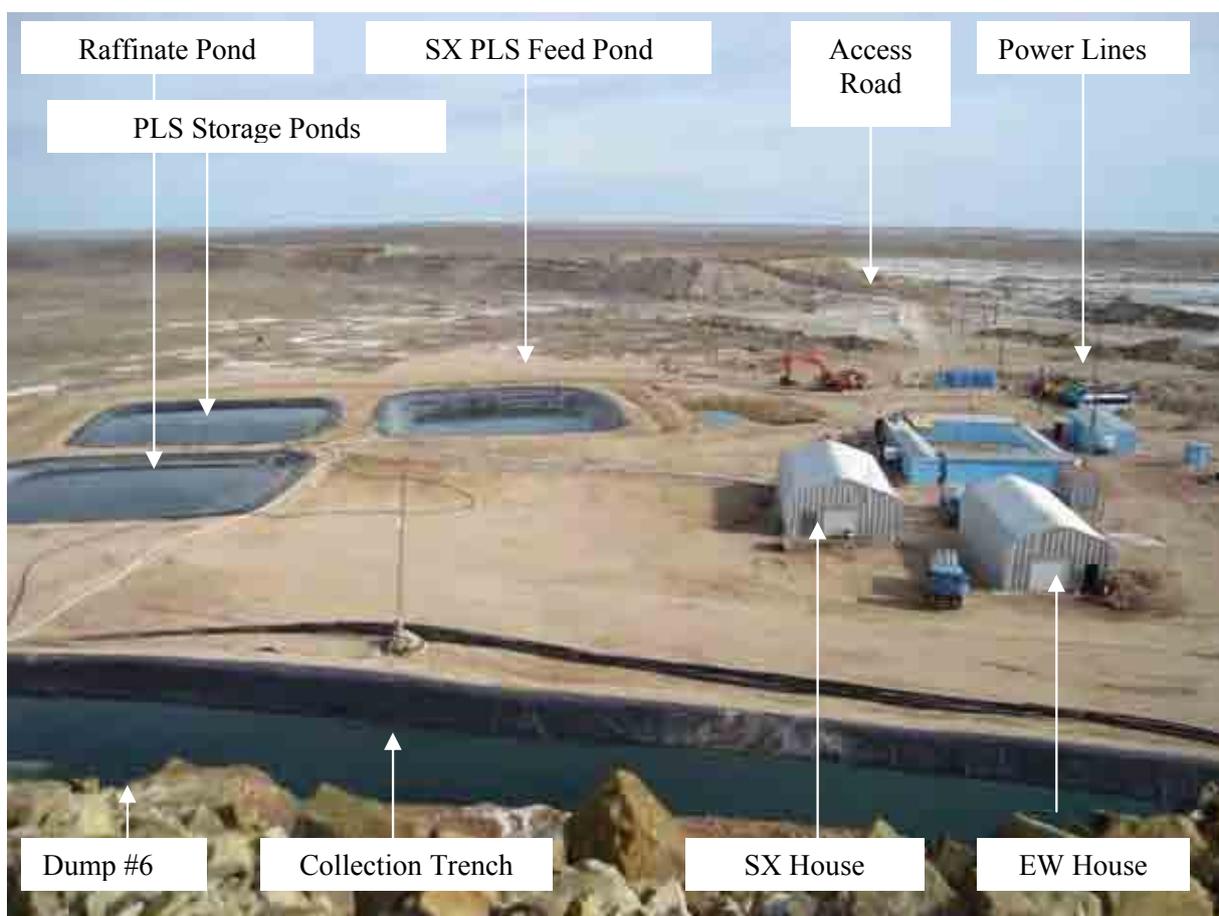
The western sulphide dumps are at present undergoing active sampling and reserve re-estimation by Sary Kazna LLP. Further evaluation of the western dumps will be conducted during 2010 by means of excavating trenches and pits from the dump surface, removing bulk samples, preparing samples followed by assaying at an approved laboratory, all in accordance with GKZ (Republic of Kazakhstan) protocols. If testing is successful it is CAML's intention to upgrade these estimates to reserves by obtaining GKZ (Republic of Kazakhstan) approval and then to exploit them. If sufficient further reserves are proven, and approval obtained, there may be potential to increase production capacity beyond the planned 10,000 tonnes per annum, expected to be by way of a second commercial SX-EW plant.

4.2.3 Pilot scale SX-EW plant

In August 2008 CAML commissioned a pilot scale SX-EW 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 is located at oxide waste dump 6, with test leaching cells of area 1000m² being irrigated at any one time and over the period to early September 2009 had recovered 46.8 per cent. of the estimated contained copper (from 3 cells of ore); with a figure of 50.2 per cent. reached by 21 July 2010 (from 4 cells of ore). Copper in cathode recovered by the pilot scale SX-EW plant to the end of August 2010 was 320 tonnes.

Laboratory test work on samples taken from a sulphide dump drilling programme in 2009 has indicated that a significant amount of natural oxidation has occurred converting primary to secondary sulphides, resulting in potential leach recoveries approaching 50 per cent. However, in its economic assessment CAML has utilised a lower number of 40 per cent. for these materials.

Figure 5. The pilot scale SX-EW plant at Kounrad



Source: Competent Person's Report

4.2.4 Commercial SX-EW plant

In November 2009 CAML commissioned the Beijing General Research Institute of Mining and Metallurgy ("BGRIMM") to undertake a feasibility study on a 10,000 tonnes per annum commercial copper SX-EW plant. The study was completed in March 2010.

Following a review of information provided by CAML from its own operation and from previous test work and using their experience in the design of several SX-EW plants in China, BGRIMM has developed a detailed leaching schedule and designed a plant capable of treating a range of flow rates and solution grades to produce 10,000 tonnes per annum of copper cathodes at a minimum 99.99 per cent. quality. The plant design has taken the extremes of climate into consideration, especially as to operability through the winter period.

BGRIMM has assumed recovery levels of 50 per cent., 45 per cent. and 40 per cent. respectively for the three ore types (oxide, mixed and sulphide) resulting in the projected recovery of almost 324,000 tonnes of copper (gross) over the project life. The eastern waste dumps are assumed to recover approximately 121,000 tonnes during a 12-year period, with the western waste dumps producing the balance of 203,000 tonnes. This assumes GKZ (Republic of Kazakhstan) approval of the full amount of the estimated volumes of material in the sulphide and mixed/waste dumps at Kounrad.

Per the BGRIMM feasibility study, the total annual direct operating cost for the production of 10,000 tonnes of cathode copper is US\$8.293 million or US\$0.83/kg of copper produced (US\$0.38/lb). Accounting for depreciation, annual costs to extend the leachate collection trenches and office overheads (outside of Balkhash) the overall processing cost would increase to US\$13.16 million or US\$1.32/kg of copper produced (US\$0.60/lb).

The total capital expenditure required to construct the 10,000 tonnes per annum copper SX-EW facility is estimated as US\$40.6 million, plus a contingency of US\$6.3 million for any cost overruns, working capital investment and project delays. The BGRIMM Feasibility Study states that the total Kounrad Project NPV (10 per cent. discount) is US\$242.5 million (post-tax), based on the assumptions above and a copper sale price of US\$3.00/lb (with a CAML share of US\$151.97 million).

Key events in the plan to construct the commercial SX-EW plant are set out in Figure 6.

Figure 6. Plan for Kounrad commercial SX-EW plant to commercial production

Kounrad commercial SX-EW plant construction and development schedule	2010		2011				2012	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Detailed design	■							
Earthworks and construction				■				
Equipment order (November)		■						
Equipment construction by suppliers			■					
Delivery of equipment to site				■				
Main SX-EW plant construction				■				
First fill and commissioning						■		
Operation begins and production ramp-up						■	■	
Full commercial production							■	■

Source: CAML

Groundworks for the plant have been started ahead of the Kazakh winter and construction of the plant itself and the associated support infrastructure is expected to commence following the winter in the second quarter of 2011 with production expected to start in the fourth quarter of 2011.

Operational SX-EW plants currently operate in Chile, Australia and China and an estimated 30 per cent. of regional copper production comes from SX-EW plants.

4.3 Tochtar

4.3.1 Background

CAML has a 75 per cent. interest in the sub-soil rights at Tochtar, through its subsidiaries CAML Kazakhstan BV and CAML Kazakhstan Holding LLP. The Tochtar deposit is located in a belt of gold mineralisation up to 20km long and 4-6km wide, the Tobol regional fault and the Vostochny fault marking the western and eastern boundaries respectively. The deposit's high-grade gold mineralisation continues for 3.5km along strike and varies in width from 80 to 400m. CAML's intention is to dispose of the asset by the end of the year and the asset is currently subject to due diligence. The asset is being held on a care and maintenance basis.

Although CAML is the registered owner of a 100 per cent. interest in the shares of Tochtar Mining Company LLP, its economic interest in the asset is considered by the Directors to be 75 per cent. CAML has an understanding with third parties that on any onward sale of Tochtar, the third parties will be entitled to 25 per cent. of the consideration once the funding provided by CAML to Tochtar Mining Company LLP has been repaid. As CAML has not yet made payment for a 25 per cent. interest acquired from the third parties, in law the third parties may therefore claim back their 25 per cent. interest in the asset.

4.3.2 Resources

A Mineral Resource estimate, audited by WAI, provides a comparison between Ordinary Kriging and IDW³ estimation methodologies. The IDW³ estimation yielded some 942.5kt grading 2.61g/t Au in

Measured category; 503.6kt grading 2.54g/t Au in *Indicated* category and 5,747.2kt grading 3.14g/t Au in *Inferred*. The combined Mineral Resources totalling 7.4Mt @ 2.94g/t Au. Of this, only some 270,000t @ 2.1g/t Au is oxide mineralisation, the current target of shallow mining operations. These estimates are reported in accordance with the guidelines of the JORC Code (2004).

Table 3: Tochtar Mineral Resources

Tochtar Mineral Resource Estimate by Ordinary Kriging (0.5g/t Au Cut-off Grade - without top cut) (WAI Audited 2008) (Estimate in accordance with the guidelines of the JORC Code (2004))					
Category					
Gold	Tonnage (t)	Grade (g/t Au)	Contained Metal (kg)	Contained Metal (kg) Net Attributable 75%	Operator
Mineral Resources per asset – Tochtar					
<i>Measured</i>	942,510	2.61	2,458	1,845	Tochtar Mining Company LLP
<i>Indicated</i>	503,655	2.54	1,279	960	
<i>Inferred</i>	5,747,197	3.14	18,069	13,550	
Total	7,193,362	3.03	21,788	16,354	

Source: Competent Person's Report

Note: All attributable resource grades are the same as total resource grade
Inaccuracies may be due to rounding

However, new discoveries of additional mineralised feather structures in the open pits have offered the possibility of increased resources. Furthermore, considerable volumes of oxide (and semi-oxide) mineralised stockpiles/waste dumps also exist, although these await further study.

4.3.3 Heap leaching operation

In October 2006, CAML started a small-scale Heap Leaching Operation designed for treatment of Tochtar oxide ores. The ore was trucked a short distance to the Heap Leaching Site and placed in one of the eight clay-lined pad areas 50 x 150m. The ore was stacked to a height of 3.5-4.0m and leached with 0.03% cyanide solution, which was applied through a network of sprays.

These limited mining operations during 2006-2009 produced 230,664 tonnes of ore at an average grade of 1.21g/t Au. This material was then subjected to heap leaching to produce 156.67kg (5,037oz) of gold at an overall recovery of 56.23 per cent.

No mining was undertaken in 2009 although production of gold continued from a total of 8 heap leach pads to the end of 2009.

Comprehensive metallurgical studies were carried out from 1976-1990 by the Tula Branch of the All-Union Research Institute of Exploration. In view of the oxide ore composition, the main method of gold and silver recovery is considered by cyanide leaching. Gravity concentration methods are considered inefficient.

Based on the phase analysis of gold in the sulphide ore, the bulk of gold (70-90 per cent.) is in close association with pyrite and arsenopyrite. Flotation is the main concentration method for this ore type.

4.3.4 Future work programme

CAML's intention is to dispose of the asset by the end of the year and the asset is currently subject to due diligence. The asset is being held on a care and maintenance basis.

5. Summary of assets in Mongolia

5.1 Introduction

In Mongolia, CAML has three assets being the Alag Bayan copper, Handgait molybdenum and Ereen gold exploration projects, situated in southern, central and northern Mongolia respectively.

Figure 7. Location of assets in Mongolia



Source: Competent Person's Report

5.2 Alag Bayan

5.2.1 Background

The Alag Bayan property is held under exploration licence No. 3226X and is 70 per cent. held by Bayan Resources LLC, a subsidiary company of CAML. The licence covers a total area of 39.41km² (3,941ha) and is located in the middle of Mongolia's prolific copper-gold porphyry mineralisation trend, approximately 100km from the world-class Oyu Tolgoi copper/gold deposit and 80km from the Tsagaan Subarga copper deposit.

Surface outcrop of copper mineralisation exists in the central portion of the licence area and was investigated by a series of exploration programmes. Its continuation at depth has been revealed and economic studies, based on the open-pit mining of a small scale deposit, have been performed.

Such areas, characterised by their relatively high geophysical IP anomalies, were found in the immediate vicinity of a shallow intrusive body in the licence area, so that sulphide mineralisation may occur in association with this geological environment.

Based on the results of previous geological and geophysical (induced polarisation and magnetic) surveys and trench sampling undertaken throughout the licence area, follow-up diamond drilling was conducted to elucidate the further potential of the area and identify the geological settings and anomalies of interest. The initial stages of this geological investigation have identified a near-surface copper target resource.

On 3 August 2009 CAML entered into a services and option agreement with GoviEx Mongolia LLC ("GoviEx") pursuant to which GoviEx agreed to provide high resolution geophysical survey services within the Alag Bayan exploration area. As part consideration for these services, CAML agreed a call option for GoviEx to purchase a 19.99 per cent. interest in the asset at a fixed price of US\$650,000. The option is exercisable by GoviEx until the later of 2 years from the delivery of GoviEx's report (in early August 2009) or such time as CAML has spent no less than £5 million in exploration costs in relation to Alag Bayan. Should GoviEx exercise its call option, it is obliged to contribute *pro rata* to all ongoing capital funding requirements for the asset. GoviEx also has certain other rights under the agreement which are set out in paragraph 9 of Part 8 of this document.

5.2.2 Resources

CAML's exploration programme commenced in 2008, targeting near-surface copper mineralisation, and has demonstrated an occurrence of a potentially extractable ore body down to 130m below the surface. Additional work included an ore processing technological study, a site hydrogeological survey, a scoping level economic evaluation of the deposit and submission of a final Mineral Resource report to the experts' group of the Mongolian Minerals Council for consideration and approval. The Mineral Resource report was successfully signed and approved under the resolution No 113 of the Head of the Mineral Resources Authority of Mongolia on 27 February 2010.

The limited programme of near surface exploration carried out to date by CAML at Alag Bayan was done in order to secure an extension of its exploration licence. For this purpose the Mineral Resources were also prepared in accordance with the requirements of the Mongolian Mineral Resource Agency of Mongolia. Therefore, although copper Mineral Resources equivalent to the Soviet C₂ and C₁ categories have been approved for Alag Bayan, they have not been included here as they have not been prepared in accordance with an AIM approved standard. The calculated Mineral Resources at Alag Bayan are not considered material but are significant in demonstrating the near surface presence of mineralisation in the Alag Bayan licence area and in supporting the decision to explore further.

CAML was aware that in addition to the surficial material delineated during the 2008 season, the licence area had the potential to host deeper-seated porphyry-style targets that required further attention. Geophysical surveys were conducted by Bayan Resources LLC in 2008 and 2009, both comprising an IP survey. The 2008 survey conducted by contractor Geomaster Engineering LLS concentrated on the area centred around the 2008 drilling and the surficial target. An innovative new 3 dimensional IP survey in 2009, conducted by GoviEx, searched for deep-seated copper porphyry-style mineralisation.

A review by WAI of the results of the latest surveys and particularly the work of GoviEx suggests that the target anomalies, albeit deep-seated, identified are attractive given the analogy to the Oyu Tolgoi gold-rich porphyry deposit which lies approximately 100km southwest and within a similar structural and geological setting to that of Alag Bayan. CAML completed some 6,300m of deep drilling in 2009 to test the targets identified in the GoviEx survey but failed to intersect the target zones successfully. However, WAI considers that the targets merit further more detailed geophysical work and follow-up drilling.

5.2.3 Future work programme

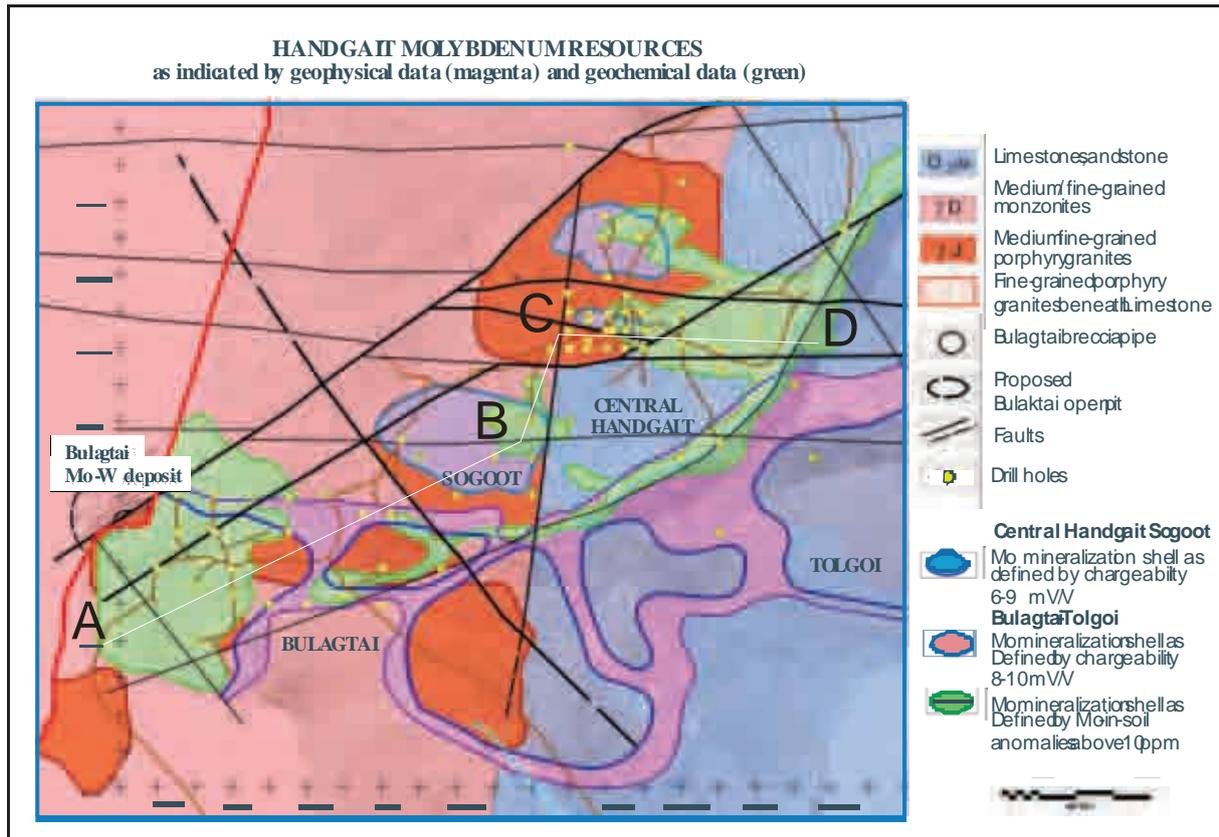
Following the completion of a feasibility study, CAML expects to commence a drilling programme in the second and third quarters of 2011 to follow on from the drilling programme in 2009. The use of proceeds in respect of this asset is expected to be in the range of US\$2.3 million to US\$4.9 million. The target of this drilling will be the potential deep-seated porphyry style targets.

5.3 Handgait

5.3.1 Background

CAML holds 80 per cent. of the Handgait project through its local subsidiary Mon Resources LLC. The exploration licence covers an area of 17.91km² in northern Mongolia, abutting the Russian border. The licence area hosts a significant molybdenum resource which has been undergoing extensive exploration in the form of soil geochemistry, detailed geophysics, and importantly a substantial core drilling programme to delineate preliminary resources. The main areas of interest are Central Handgait, Sogoot, Tolgoi and Bulagtai.

Figure 8. Map of the Handgait licence area



Source: Competent Person's Report

An application for conversion of the exploration licence to a mining licence was submitted on 15 December 2008 to the Mongolian State Minerals Commission, together with CAML's Report entitled "Handgait Molybdenum Deposit: Exploration Programme Results for the Period 2007-2008".

Following MC procedures and regulations, the mining licence application for Central Handgait has been reviewed by several appointed experts and CAML was issued with mining licence No.14992M on 9 July 2009, covering an area of 1790.75ha for an initial period of 30 years, with the possibility of two 20-year extension periods.

A number of styles of molybdenum mineralisation are seen at Handgait related to fine-medium crystalline Jurassic mineralised granites. Overall, the Handgait property illustrates a classic Climax-type genetic model in that the mineralisation is seen at various levels. Magmatic, disseminated type mineralisation is seen in the Central Handgait area representing the lower part of the system, with more hydrothermal vein-type molybdenum mineralisation at Sogoot and Bulagtai further up the system, and the explosive breccias at Bulagtai with associated tungsten mineralisation on the Russian border, representing the top of the system. Coupled with this is skarn-molybdenum mineralisation (both endo and exo) located in the Central Handgait area.

Previous geochemical surveys in the Handgait area demonstrated that soil sampling has an excellent response to underlying molybdenum mineralisation. Soil geochemical anomalies at Central Handgait, Bulagtai, Sogoot and Tolgoi range in diameter from 100-200m to 500-1200m, reflecting molybdenum-rich mineralisation close to the surface.

Exploration geochemistry has shown that a molybdenum-in-soil anomaly in a Siberian-type forested area, such as Handgait, is likely to be about twice the size of the mineralisation zone beneath it. Based on drilling results, the length of mineralised lenses at Handgait varies from 150 to 400m which corresponds to soil anomalies varying from 300 to 800m.

Geophysical exploration has been highly successful in delineating the various intrusive bodies present in the area with magnetics clearly highlighting magnetite rich granites. Moreover, IP chargeability values from 6 to 11mV/V are seen to result from the presence of sulphides within the molybdenum-

bearing granites and thus have proved to be a vital primary tool in defining broad areas of potential mineralisation.

Following this geophysical and geochemical work, an extensive drilling programme was planned with a principal goal of defining resources for the Central Handgait deposit, and defining preliminary estimates for the Sogoot, Tolgoi and Bulagtai areas. Drill holes were targeted on molybdenum-in-soil anomalies of more than 10ppm and by chargeability anomalies with intensities between 6 to 11mV/V.

The drilling revealed that mineralisation is associated with the gradient zone of the polarisation anomaly. A further examination has shown that molybdenum mineralisation is typically not correlated with the centre of an IP anomaly which is explained by the predominance of pyrite in the central part of IP anomalies with molybdenite concentrated around the peripheries.

This strong link between the IP gradient data coupled with the overall magnetic responses has allowed CAML to delineate target maps for prospective molybdenum mineralisation with the key factor being the delineation of mineralisation shells defined by a chargeability range of 6-9mV/V.

5.3.2 Resources

The drilling programme (comprising a total of 78 boreholes and 12,241m to date) has endeavoured to test the main areas of the system on a fairly wide spacing, as well as concentrating on Central Handgait which has the highest density of drilling. Hence at Central Handgait (east and west zones) a Mineral Resource estimate prepared by Kazakhstan Mineral Corporation in January 2009, using Micromine[®] mining software, has identified a Mineral Resource at a 0.025 per cent. molybdenum cut-off of 18.2Mt (gross) at a grade of 0.058 per cent. molybdenum in the combined *Measured + Indicated* categories and 46.5Mt (gross) at a grade of 0.054 per cent. molybdenum in the *Inferred* category (all reported in accordance with JORC Code guidelines).

Table 4: Handgait Mineral Resources – Central area

Central Handgait Mineral Resource Estimate (East + West) Kazakhstan Mineral Corporation January 2009 (Prepared in accordance with the guidelines of the JORC Code (2004)) (at a 0.025% Mo cut-off grade)					
Category					
Molybdenum	<i>Tonnage (t)</i>	<i>Grade (% Mo)</i>	<i>Contained Metal (t)</i>	<i>Contained Metal (t) Net Attributable 80%</i>	<i>Operator</i>
Mineral Resources per asset – Handgait					Mon Resources LLC
EAST + WEST HANDGAIT					
<i>Measured</i>	3,138,740	0.064	2,009	1,610	
<i>Indicated</i>	15,079,390	0.057	8,595	6,880	
<i>Inferred</i>	46,540,770	0.054	25,130	20,100	
Total	64,758,900	0.055	35,736	28,590	

Source: Competent Person's Report

Note: All attributable resource grades are the same as total resource grade
Inaccuracies may be due to rounding

In addition, a preliminary Mineral Resource estimate has been prepared by Kazakhstan Mineral Corporation in January 2009 for the Bulagtai and Sogoot areas, which have been less well explored and used the November 2008 database which contains 28 drill holes. The estimate, at a 0.025 per cent. Mo cut-off, and reported in accordance with JORC Code guidelines, comprises 14Mt (gross) at a grade 0.047 per cent. Mo in the *Inferred* category. The *Inferred* resources estimated for Bulagtai and Sogoot are generally lower grade than those seen at Central Handgait.

Table 5: Handgait Mineral Resources – Bulagtai and Sogoot areas

Bulagtai-Sogoot Mineral Resource Estimate (Kazakhstan Mineral Corporation January 2009) (Prepared in accordance with the guidelines of the JORC Code (2004)) (at a 0.01% Mo cut-off grade)					
Category					
Molybdenum	<i>Tonnage (Mt)</i>	<i>Grade (% Mo)</i>	<i>Contained Metal (t)</i>	<i>Contained Metal (t) Net Attributable 80%</i>	<i>Operator</i>
Mineral Resources per asset – Handgait					
SOGOOT					Mon Resources LLC
<i>Inferred</i>	26.054	0.024	6,151	4,921	
BULAGTAI					
<i>Inferred</i>	19.37	0.030	5,716	4,573	

Source: *Competent Person's Report*

Note: *All attributable resource grades are the same as total resource grade
Inaccuracies may be due to rounding*

CAML has estimated a global potential resource for the whole area based on a combination of the drilling results, geochemistry and geophysics of some 320,000 tonnes of contained molybdenum. Although some of this resource is somewhat speculative, WAI believes it does provide a feel for the overall size of the property. However WAI believes a further significant drilling programme, which needs to be properly targeted, will be required to realise the full potential of this large resource target.

No mining studies have been undertaken to-date, but as a general statement, the depth and potential size of the resource, coupled with the local topography lend themselves well to an open-pit(s) operation.

Overall, in WAI's opinion the Handgait property represents a very attractive target for average-grade (based on current international molybdenum projects being developed or in production) bulk tonnage molybdenum mineralisation with the potential to delineate areas of higher grade (>0.1 per cent. Mo) as well as tungsten (scheelite) and gold which have as yet not been systematically investigated.

Thus, continued drilling is required to test the validity of the model with respect to deeper magmatic mineralisation beneath Sogoot, the importance of Bulagtai for both molybdenum and tungsten, and the spatial distribution of the important skarn mineralisation.

5.3.3 Forward work programme

CAML, as the Handgait mining licence holder, is obliged to complete a feasibility study on the project by the beginning of 2011. The use of proceeds in respect of this asset is expected to be in the range of US\$0.5 million to US\$0.6 million. CAML proposes that this work will be done using both 'in-house' expertise and an external contractor. Following the completion of the feasibility study, CAML expects to conduct a drilling programme in the second and third quarters of 2011.

5.4 Ereen

5.4.1 Background

CAML has an 85 per cent. interest in Ereen, which is an advanced stage gold project located in Northern Mongolia, where previously Chinese workers exploited narrow, high-grade gold veins. Geophysical investigations and core drilling have demonstrated the occurrence of metasomatic gold mineralisation associated with the veins and a potential 1 Moz gold resource.

In May 2007, CAML acquired its interest in the Ereen Project through the acquisition of an 85 per cent. share of Mongolian company Zuun Mod UUL LLC and received all necessary licence documentation to explore the property. The exploration programme commenced in August 2007 and consisted of the following:

- geophysical and soil geochemical survey (both used to target drill holes);
- reconnaissance drilling; and
- resource definition grid drilling on 80x80m spacing.

Due to the forested character of the area and minimal outcrop, a strong reliance on “see through” exploration techniques was made, such as “gold-in-soil” geochemical sampling, which helped to identify shallow mineralisation, and IP geophysics, which helped to outline chargeability anomalies that contain sulphides, mostly arsenopyrite and pyrite. From these works, the current drilling programme was planned which started in October 2007 and to date includes 62 diamond core holes.

The Board is seeking to maximise the value of the Group’s interest in Ereen which is currently expected to be by way of a sale that is under discussion or, if the sale cannot be completed on acceptable terms, by way of the further development of the asset in 2011 with a view to a sale in the future.

Figure 9. Drilling at Ereen



Source: CAML

5.4.2 Resources

A Mineral Resource estimate was completed by Kazakhstan Mineral Corporation in October 2008. This work showed that given the relatively limited data available at that time, it was not possible to derive a geostatistical (kriging) estimate for Ereen, though the commonly used IDW² method proved acceptable.

Table 6: Ereen resources

Ereen Mineral Resource Estimate (Kazakhstan Mineral Corporation, 2008) (Prepared in accordance with the guidelines of the JORC Code (2004)) (Cut-off Grade 1g/t Au)					
Category					
Gold	<i>Tonnage (t)</i>	<i>Grade (g/t Au)</i>	<i>Contained Metal (kg)</i>	<i>Contained Metal (kg) Net Attributable 85%</i>	<i>Operator</i>
Mineral Resources per asset – Ereen					
<i>Measured</i>	5,852	1.443	8.4	7.1	Zuun Mod UUL LLC
<i>Indicated</i>	42,973	1.408	60.5	51.4	
<i>Inferred</i>	8,284,610	1.730	14,332	12,174	
Total	8,333,430		14,400	12,240	

Source: Competent Person's Report
Inaccuracies may be due to rounding

The existing density of the exploration grid (pattern) determined that the majority of the resource was at Inferred status (more than 98 per cent.). As an example, using a 1g/t Au cut-off, an Inferred resource of 9.7Mt (gross) @ 1.73g/t Au was estimated, with a further 57kt (gross) @ 1.43g/t Au in Measured + Indicated categories. All resource categories are reported in accordance with JORC Code (2004) guidelines.

This demonstrated that the project had significant potential to host an open pit resource with grades likely to be around 2.0g/t Au, though further drilling has been recommended by WAI. Further infill drilling on a closer spacing is required in order to improve the confidence in the Inferred Mineral Resources which may potentially allow these to be upgraded to Indicated category.

CAML completed a short programme of drilling in 2009, which consisted of 4 additional holes at Ereen totalling 1,249.55m and 5 holes at Baavgait (a similar target which lies some 2km to the west of Ereen) totalling 542.85m. This additional drilling was required to enable an application to be made to the Mongolian authorities for conversion of the exploration licences into mining licences which was approved on 30 June 2010.

The short drilling programme at Ereen did not intersect mineralisation that has materially altered the Mineral Resource estimate which was completed by Kazakhstan Mineral Corporation in 2008.

5.4.3 Future work programme

The Board is seeking to maximise the value of the Group's interest in Ereen which is currently expected to be by way of a sale that is under discussion or, if the sale cannot be completed on acceptable terms, by way of the further development of the asset in 2011 with a view to a sale in the future. Should the sale not complete, CAML intends to continue its exploration of the Ereen asset and, subject to funding being available, to conduct a drilling programme in the second and third quarters of 2011.

6. Competent Person's Report

The information in sections 4 and 5 of this Part 2 is a summary of that contained in the independent Competent Person's Report prepared for CAML by Wardell Armstrong. Wardell Armstrong's Competent Person's Report is reproduced in full in Part 6 of this document.

7. Directors, senior management and employees

7.1 Directors

The Board consists of six 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 8 of this document and related party transactions are set out in paragraph 15 of this Part 2.

Christopher Nigel Hurst-Brown, Non-executive Chairman, aged 59

Nigel Hurst-Brown is currently Chief Executive of Hotchkis and Wiley (UK) Limited. Previously he was Chairman of Lloyds Investment Managers (1986-1990), a director of Mercury Asset Management and later a Managing Director of Merrill Lynch Investment Managers. He is also a non-executive director of Borders & Southern Petroleum Plc and a Fellow of the Institute of Chartered Accountants in England & Wales.

Nicholas Royston Clarke, Chief Executive Officer, aged 58

Nick Clarke has 35 years of mining experience, including 16 years spent within senior management positions in production and technical services in South Africa, Ghana and South Arabia. Nick served as the Managing Director of Oriol Resources Plc until its acquisition by OAO Mechel for US\$1.5 billion in 2008. In addition, he was Managing Director at Wardell Armstrong International Limited, where he managed numerous multi-disciplinary mining projects. He is a graduate of Camborne School of Mines and a Chartered Engineer. Nick Clarke is currently a non-executive director of each of Obtala Resources Plc, Sunkar Resources Plc and Empire Mining Corporation.

Nigel Francis Robinson, Chief Financial Officer, aged 50

Nigel Robinson is a member of the Institute of Chartered Accountants in England & Wales and formerly a Royal Navy 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 to become more involved with smaller enterprises.

Alexander Abraham Capelson, Non-executive Director, aged 62

Alexander Capelson has 30 years of experience as an oil and gas geophysicist and is a founder of CAML. He is currently Chief Executive Officer of Vostok Energy Limited and was previously involved with First International Oil Corp, International Energy Services and Imperial Energy Corp. Alexander Capelson is a founder shareholder of CAML and a beneficiary of Commonwealth American Partners LP, a substantial shareholder of CAML.

Robert Maitland Cathery, Non-executive Director, aged 66

Robert Cathery was a member of the London Stock Exchange from 1967 to 2007 and was Managing Director and Head of Oil and Gas at Canaccord Europe between 2001 and 2005 prior to retiring in 2006. During his career in the City he was a Director of Vickers da Costa and Schrodgers Securities and Head of Corporate Sales at SG Securities (London) Ltd. He is currently a non-executive director of Salamander Energy Plc, Vostok Energy Ltd, SOCO International Plc and IndigoVision Group Plc. Robert Cathery is a founder shareholder of CAML.

Dr. Michael Allan Price, Non-executive Director, aged 54

Michael Price has arranged, structured and advised on mining related projects around the world having spent 13 years at NM Rothschild & Sons Ltd in various positions including Head of Mining Finance and Metals Trading, two years as Global Head of Mining and Metals at Societe Generale in London, and between 2003 and 2006 as Joint Global Head of Mining and Metals at Barclays Capital. Michael has more than 30 years experience in mining and mining finance and has extensive board experience, having been a non-executive director of AIM quoted EMED Mining, Monterrico Metals Ltd, Crew Gold Corporation (Canada) and Tertiary Minerals. He is currently also a non-executive director of AIM quoted Q Resources Plc, ASX listed Sumatra Copper and Gold Plc and TSX-V listed Lincoln Mining Corporation as well as several private companies including GV Gold Ltd.

7.2 Senior management

UK:

Howard Nicholson, Technical Manager

Howard Nicholson is a metallurgist with 30 years experience in project development and mine operations management. Between 2002 and 2008 he was technical manager and then the Chief Operating Officer of European Minerals Corporation, which developed a large Copper-Gold mine in Kazakhstan. He has previously held senior management positions with Ashanti Goldfields, Lonrho and Anglo American.

Alexander Shapoval, Financial Controller

Alexander Shapoval is a qualified accountant and has held a number of financial roles in the UK and Ukraine. He was formerly the Financial Controller of AISI Realty Public Ltd and Optimum Security Ltd. and also worked in the Transaction Services division of Deloitte & Touche.

Kazakhstan:

Pavel Semenchenko, General Director, Sary Kazna LLP

Pavel Semenchenko has over 15 years of experience of managing businesses in Kazakhstan and a proven track record in the industry. Prior to joining CAML in 2006, he was General Director of East Energy Company CJSC and Director at JV Bekas LLP.

Saken Ashirbekova, General Director, Kounrad Copper Company

Saken Ashirbekova joined CAML in 2010 in order to help manage the development of the Kounrad Project. She was formerly a General Director of JSC Varvarinskoye, a wholly-owned subsidiary of European Minerals Corporation, having worked for that Company in Kazakhstan since 1996. Prior to that, she worked for Kazhakmys as a research engineer. She is a graduate of the Moscow Institute of Steel and Alloys with a degree and PhD in metallurgy. She is a Kazakh national.

Oleg Telnoi, Overseas Finance Director

Oleg Telnoi has over ten years of experience in financial and commercial management in the mining sector. Prior to joining CAML in 2007, he worked in a variety of finance and business development roles including finance director of Spectrum LLP, Polygon Resources LLP and Siemens LLP (Kazakhstan), and as a finance and business administration manager for Siemens AG (Germany). He is a qualified engineer and holds an MBA.

Mongolia:

Yerken Magad, General Director, New CAML Mongolia LLC

Yerken Magad is a graduate of the Moscow Mining Institute and a mining engineer with over 20 years of proven production record in mining. He gained extensive managerial experience whilst working on major mining projects in Mongolia, and possesses a first-hand understanding of technical and economic aspects of mining. He holds a PhD in geology from Moscow Mining Academy.

Dr. Alexei Sokolov, Exploration Manager

Alexei Sokolov has nearly 30 years of experience gained whilst working on various mining projects around the globe. Formerly Vice President Exploration of Freedom Gold (USA) and later exploration manager of Avocet Mining's Zeravshan project in Tajikistan, he has an extensive knowledge of exploration technology. He received a PhD in Geology from the Institute of Geology of ore deposits (Russia).

7.3 Employees

As at the date of this document, the Group employs 100 people.

8. Corporate governance and share dealing code

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions. The Company intends to hold Board meetings not less than four times each financial year and at other times, as and when required. The Board currently comprises the chairman (who is a non-executive director), two executive directors and three non-executive directors. The

Board considers the Chairman, Nigel Hurst-Brown, and one of the non-executive directors, Michael Price, to be independent.

8.1 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.

8.2 Board committees

The Company has established Audit and Remuneration committees as follows:

Audit committee

The Company has established an audit committee comprising two members, both of whom are independent non-executive Directors. The Audit Committee is currently chaired by Michael Price and its other member is Nigel Hurst-Brown. It will meet at least three times each year and at any other time when it is appropriate to consider and discuss audit and accounting related issues. The audit committee will be responsible for monitoring the quality of any internal controls and for ensuring that the financial performance of the Group is properly monitored, controlled and reported on. It will also meet the Company's auditors and review reports from the auditors relating to accounts and any internal control systems.

Remuneration committee

The Company has established a remuneration committee comprising two members both of whom are independent non-executive Directors. The Remuneration Committee is currently chaired by Michael Price and its other member is Nigel Hurst-Brown, who will review the performance of the executive Directors and set the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of Shareholders. In determining the remuneration of executive Directors, the remuneration committee will seek to enable the Company to attract and retain executives of the highest calibre. No Director will be permitted to participate in discussions or decisions concerning their own remuneration.

8.3 Share dealing code

The Company has adopted a share dealing code for Directors and Applicable Employees, which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules for Companies) and the Company will ensure compliance with such code by its Directors and Applicable Employees.

9. Reasons for the Placing and Admission

The primary purpose of the Placing is to raise sufficient funds to allow the Group to construct a 10,000 tonnes per annum commercial SX-EW plant at Kounrad in Kazakhstan and also to continue the development of its exploration assets in Mongolia. It will also provide the Group with additional financial flexibility to execute its business strategy as described in paragraph 3 of this Part 2.

The Directors consider that Admission will be an important step in the Group's development and will enhance its ability to pursue new opportunities in line with its strategy. The Directors also believe that Admission will afford the Group better access to finance which may be required in order to allow the Group to progress its current and future developments.

10. Use of proceeds

The Company is seeking to raise £35.0 million (US\$55.3 million at the date of this document), after estimated expenses of £3.1 million (US\$4.9 million), through the Placing which will be used to:

- Fund the construction of the commercial SX-EW plant at the Kounrad with capacity to produce 10,000 tonnes of copper per annum;
- Fund further testing of the sulphide and mixed/waste dumps at Kounrad;
- Fund additional exploration work programmes at Alag Bayan and Handgait through to the end of 2011 in order to further evaluate their resource potential;
- Fund an additional work programme at Ereen to continue the development of the asset, subject to the outcome of the current sale discussions and sufficient funding being available; and

- Provide working capital for the Group.

The Group intends to fund future expenditure through cashflow from the commercial SX-EW plant at Kounrad. In the case of a decision to develop its exploration assets at Alag Bayan or Handgait, the Board expects that this will be by way of potential joint ventures with industry partners. However, depending on the timing and scale of its work programmes in future, CAML may also require additional external finance in order to fund the exploration and development of its assets.

The Board's intention is to convert the majority of the proceeds of the Placing into US Dollars shortly after Admission. The Company will also implement a treasury policy aimed at managing foreign exchange risk in respect of those currencies where it has an exposure.

11. Financial information for the Group

Historical financial information for the Group is set out in Part 7 of this document.

12. Current funding, trading and prospects

The Group had net cash of US\$1.3 million at 31 December 2009, and at 30 June 2010 had US\$3.6 million which includes the net proceeds of a placement by Mirabaud Securities on behalf of the Company of US\$5,455,000 Loan Notes in May 2010. Immediately prior to Admission, the Loan Notes will be converted at a discount of 30 per cent. to the Placing Price into 5,160,833 new Ordinary Shares. Further information concerning the Loan Notes is set out in Section 9 of Part 8 of this document.

The Group is at an early stage of its development and reported revenue of US\$1.1 million and a loss of US\$15.0 million for the year ended 31 December 2009. The reported revenue is from the sale of gold and copper. In the first half of 2010, the Group has seen an increase in revenue from the sale of copper produced by the pilot scale SX-EW plant at Kounrad, compared to the same period in 2009. This increase is due to a higher volume of copper sold and a higher average copper price in the period. The Group's loss in the first half has reduced partly as a result of the increased sales but also following a favourable exchange rate movement in the year.

The current focus of the Group is on the development of the Kounrad commercial SX-EW plant and also on the continued exploration of its assets at Alag Bayan and Handgait. Discussions concerning the disposal of the Group's interests in Ereen and Tochtar are also expected to continue following Admission.

13. Takeover Code

CAML is incorporated in the UK and has its place of central management and control in the UK; accordingly, the Takeover Code applies to CAML.

Mandatory bid

Under Rule 9 of the Takeover Code, if:

- (a) a person acquires an interest in shares in CAML 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 CAML; 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 CAML 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 CAML 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 CAML 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 CAML 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.

14. Disclosure of Shareholdings

As a UK incorporated company with its shares admitted to trading on AIM, CAML and its Shareholders will be subject to Chapter 5 of the Disclosure and Transparency Rules of the UK Financial Services Authority. Prospective investors should note these disclosure obligations.

15. Related party transactions

Commonwealth American Partners LP, a Substantial Shareholder of CAML and a body corporate with which Alexander Capelson is connected, entered into two gold purchase agreements dated 5 May (as amended) and 11 September (as amended) (together, the “Gold Purchase Agreements”) with Tochtar Mining Company LLP, a subsidiary of CAML, pursuant to which Tochtar Mining Company LLP agreed to supply Commonwealth American Partners LP with approximately 4,000 ounces of gold in return for the payment of approximately US\$1,800,000.

On 10 November 2009, subsequent to the failure of Tochtar Mining Company LLP to deliver approximately 1,895 ounces of gold to Commonwealth American Partners LP under the Gold Purchase Agreement, the parties to the Gold Purchase Agreements entered into a novation agreement with CAML such that CAML agreed to assume the liability for the outstanding amount of US\$947,077 and a premium of US\$52,923 thereby releasing Tochtar Mining Company LLP from all of its obligations and liabilities under the Gold Purchase Agreements. CAML agreed with Commonwealth American Partners LP that the remaining liability could be settled through the payment in Ordinary Shares of equivalent value. On 4 February 2010, the Company issued and allotted 1,470,588 Ordinary Shares for a total subscription price of US\$999,999.84 (representing US\$0.68 per Ordinary Share) to Commonwealth American Partners LP.

16. Dividend policy

The Company has not declared or paid any dividends since its incorporation. The payment of dividends in the initial years following Admission is unlikely as it is the intention of the Directors to use available funds to achieve capital growth. The dividend policy will be reviewed periodically in light of the availability of cash and distributable reserves.

17. Lock-in and orderly market arrangements

The Company, KPMG and Mirabaud Securities have entered into lock-in and orderly market agreements with the Directors pursuant to which they have undertaken in respect of an aggregate of 17,726,796 Ordinary Shares, comprising 20.6 per cent. of the Enlarged Share Capital, not to dispose of their interest in such Ordinary Shares (subject to certain limited exceptions) at any time prior to the first anniversary of Admission. In addition, they have agreed for a further period of 12 months to dispose of an interest in such Ordinary Shares only with the prior consent of KPMG and Mirabaud Securities and through Mirabaud Securities and in accordance with orderly market principles.

The Company has entered in a lock-in agreement with Edward Bloomstein, a founder of the Company, pursuant to which he has undertaken in respect of 3,541,896 Ordinary Shares, comprising 4.1 per cent. of the Enlarged Share Capital, not to dispose of his interest in such Ordinary Shares at any time prior to the first anniversary of Admission, without the prior approval and agreement of Mirabaud Securities.

18. Terms and conditions of the Placing

Mirabaud Securities has conditionally agreed to use its reasonable endeavours to place, as agent for the Company, 39,735,100 Placing Shares at the Placing Price, which will represent 46.1 per cent. of the Enlarged Share Capital diluting existing holders of Ordinary Shares by 52.1 per cent. (taking into account the allotment of Ordinary Shares pursuant to the Loan Note conversion described at paragraph 12 of this Part 2). The Placing Shares are being placed by Mirabaud Securities with institutional investors. The Placing will raise approximately £38.1 million for the Company (before commissions and expenses).

The Placing has not been underwritten by Mirabaud Securities.

The Placing is conditional, *inter alia*, on Admission occurring on 30 September 2010 (or such later date as the Company, KPMG and Mirabaud Securities may agree being no later than 15 October 2010) and on the Placing Agreement not being terminated prior to Admission. The Placing Shares will rank *pari passu* in all respects with the existing Ordinary Shares in issue. It is expected that the proceeds of the Placing will be received by the Company on or before 5 October 2010. Placees not electing to receive Placing Shares pursuant to the Placing in uncertificated form in CREST will receive Placing Shares in certificated form.

The Placing is subject to the satisfaction of certain conditions contained in the Placing Agreement, which are typical for an agreement of this nature. Certain conditions are related to events which are outside the control of the Company, the Directors, Mirabaud Securities and KPMG Corporate Finance.

Further details of the Placing Agreement are set out in paragraph 9 of Part 8 of this document.

19. Admission

It is expected that Admission will take place and unconditional dealings in the Ordinary Shares will commence on AIM on 30 September 2010.

Each prospective investor will be required to undertake to pay the Placing Price for the Ordinary Shares issued to such prospective investor in such manner as shall be directed by Mirabaud Securities.

20. CREST and trading in Ordinary Shares

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.

21. Taxation

The attention of Shareholders is drawn to the information contained in paragraph 8 of Part 8 of this document in respect of the tax position of UK resident Shareholders. **If you are in any doubt as to your tax position, you should contact your professional adviser immediately.**

22. Share options and joint ownership arrangements

CAML adopted an employee share Option Plan on 14 December 2007 to incentivise certain Directors and employees of the Group through the award of share options.

The Board has approved the grant of Options exercisable over 821,172 Ordinary Shares with an exercise price of US\$0.68 for current employees and US\$6.42 in the case of two former employees. The Options may be exercised from February 2011. A summary of the key terms of the Option Plan and the awards which have been made under it are disclosed in paragraphs 5 and 9 of Part 8 of this document. The Board has determined that no further Options will be granted under the Option Plan.

The Company has established The Central Asia Metals Limited Share Trust (the "Share Trust") for the purpose of facilitating the acquisition of Ordinary Shares by or for the benefit of Directors and employees of the Group. The Trustee of the Share Trust has entered into joint ownership agreements with seven participants (the "Joint Ownership Agreements") pursuant to which each participant holds a number of jointly owned shares with the Trustee.

Pursuant to the Joint Ownership Agreements participants currently hold, in aggregate, 3,387,946 Ordinary Shares. A summary of the key terms of the Share Trust and the awards which have been made under it are disclosed at paragraphs 5 and 9 of Part 8 of this document. The Board has determined that no further awards of jointly owned shares will be made pursuant to the Share Trust.

It is the intention of the Board that a new share option plan will be adopted in due course to allow the award of options following Admission. Any such plan will have due regard to ABI guidelines in respect of the use of share option plans for executive remuneration subject to any variations as the Board may consider appropriate and taking into account the stage of development of the Group and

current market practice for AIM quoted companies. Any new arrangements will include a maximum dilution limit of ten per cent. of the issued share capital of the Company.

23. Further information

Your attention is drawn to the additional information set out in Parts 3 to 8 of this document and in particular to the “Risk factors” in Part 1 of this document which sets out certain risk factors relating to any investment in the Ordinary Shares.

PART 3

KAZAKHSTAN: BACKGROUND AND SUMMARY OF KEY AGREEMENTS

1. Information on Kazakhstan

1.1 Geography and Population

Kazakhstan is the ninth largest country by land area in the world. 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 of the country and is the largest city in Kazakhstan.

At 1 January 2010, the population of Kazakhstan was approximately 16.19 million people, which makes Kazakhstan a relatively sparsely populated country with an average population density of 5.9 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, won a new seven-year term in the 2005 election, gaining 91.1 per cent. of votes cast. 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. Karim Masimov, who has been Prime Minister since 10 January 2007, was appointed by the President and approved by the Parliament of the republic and is Kazakhstan's head of government. There are three deputy prime ministers – Umirzak Shukeyev, Yerbol Orynbayev, and Asset Issekeshov – and 18 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. Ninety eight members of the Mazhilis are elected by party lists and 9 are appointed by the Assembly of Peoples of Kazakhstan. Sixteen members of the Senate are renewed every three years and 15 are presidential appointees. The fourth parliamentary election was held in Kazakhstan on 18 August 2007. The President's party, Nur-Otan, received approximately 88 per cent. of the vote and won all of the available seats. None of the six other parties contesting the election reached the 7 per cent. threshold to win seats.

1.3 Economic overview

Kazakhstan's economy is highly dependent on the successful development of the oil sector. Recently, GDP growth in Kazakhstan has been fuelled by increased world demand for oil and high oil prices. As a result, the general economic situation in Kazakhstan has improved, leading to a strong growth in imports into Kazakhstan. High oil prices have boosted the current account and balance of payments which moved into surplus and increased foreign exchange reserves. In 2009, Kazakhstan attracted approximately US\$12.6 billion in foreign direct investment which is 20.1 per cent. less than that in 2008. The mining industry accounts for approximately 27 per cent. of GDP.

Inflation, which was equal to 9.5 per cent. in 2008, decreased to 6.2 per cent. in 2009.

Rapid economic growth has helped stimulate employment and raise living standards. Unemployment fell from 7.7 per cent. in 2007 to 6.6 per cent. in 2009.

The Kazakh economy also benefits from a significant cushion, the National Fund for the Republic of Kazakhstan (the "NFRK"), a professionally-managed fund that aggregates above-target tax receipts and a share of revenues from the energy sector. Established in 2000, the NFRK is intended to support future state budgets. As at the end of 2009, the NFRK's funds constituted Tenge 4.5 trillion (approximately US\$30.3 billion). These funds are intended to be available in the future, should they be needed, to meet budgetary operational expenditures, including debt servicing.

Reflecting its relatively tight fiscal policies, in 2000 Kazakhstan was the first former Soviet republic to repay all of its debt to the International Monetary Fund, seven years ahead of schedule. In March

2002, the US Department of Commerce recognised Kazakhstan as a market economy under relevant US trade law. This was due to substantive market economy reforms in the areas of currency convertibility, wage rate determination, openness to foreign investment and government control over the means of production and allocation of resources.

In September 2002, Kazakhstan became one of the first countries in the former Soviet Union to receive an investment-grade credit rating from a major international credit rating agency, when Moody's rated Kazakhstan's foreign currency bonds and notes at Baa2/Stable. Recently, Standard & Poor's rated Kazakhstan's sovereign foreign currency rating as BBB-/Stable. As at the beginning of 2010, Kazakhstan's gross foreign debt was approximately US\$111.73 billion.

Reforms aimed at moving Kazakhstan further toward a full market economy continue. Kazakhstan has undertaken one of the more successful pension reform programmes amongst its peer "transition economies". The Agency for Regulation and Supervision of Financial Markets and Financial Organisations of Kazakhstan, which regulates the Kazakhstan financial markets, is implementing EU-harmonised banking regulations (for example Basel-2). Privatisation, liberalisation of capital controls and tax reforms have also made headway. The government is also moving ahead with reforms (initially in the customs service) aimed at stimulating greater public sector transparency.

2. Overview of the key laws and regulations relating to the mining sector

2.1 General

The principal legislation governing the operations of the Company's subsidiaries in Kazakhstan comprises the Law on Subsoil and Subsoil Use, the Law on Limited Liability Partnerships, the Tax Code, the Ecological Code, the Law on Competition, the Investment Law and the Law on Currency Regulation.

These and many other laws relating to licensing, customs, capital markets, insurance and banking are still developing. The newly adopted Tax and Ecological Codes and Subsoil Law are examples of such developing legislation. Kazakhstan legislation contains many inconsistencies and contradictions. Many laws are structured to provide substantial administrative discretion in their application and enforcement. In addition, laws are subject to changing and different interpretations. Furthermore, the judicial system in Kazakhstan may not be fully independent of social, economic and political forces, and court decisions can be difficult to predict and enforce.

These factors mean that even best efforts to comply with applicable law may not always result in recognized compliance. Non-compliance may have consequences disproportionate to the violation. The uncertainties, inconsistencies and contradictions in Kazakhstan laws and their interpretation and application could have a material adverse affect on the Company's subsidiaries in Kazakhstan and their operations. Furthermore, because the statutes on subsoil use do not define the course of action available to the government by reference to the gravity of a breach, a minor breach could conceivably lead to harsh consequences, such as suspension or termination of the subsoil use rights. Because of the relative infancy of the subsoil use legislation, there are few precedents that would make the consequences of a breach more predictable.

The recent worldwide trend of resource nationalism has also been embraced by Kazakhstan in recent years, as previous benefits accorded foreign investors have been whittled away in the subsoil use sector, changes have been negotiated by the government into existing subsoil use contracts and new laws granting preferences to the state, state enterprises and domestic concerns have been adopted.

2.2 Granting and termination of subsoil use rights

In Kazakhstan, all subsoil reserves belong to the state. The competent body in the mining area (since March 2010) is the Ministry of Industry and New Technologies (previously the Ministry of Energy and Mineral Resources) (the "Competent Body") and it grants exploration and production rights by means of subsoil use contracts. The terms of those contracts are agreed by the parties during a negotiation process. The government of Kazakhstan has developed a contract for use as a sample for subsoil use contracts. The terms and conditions of a model contract not already regulated by legislation may be amended by agreement of the parties.

Subsoil use rights are granted for a specified period, but they may be extended before the expiration of the contract and licence (if applicable). Subsoil use contracts may be terminated by the Competent Body if the subsoil user does not satisfy its contractual obligations, including, but not limited to, periodic payment of royalties and taxes to the government and the satisfaction of mining, environmental, safety and health requirements.

2.3 Strategic deposits

Pursuant to recent legislative amendments which purport to extend their force to previously executed subsoil use contracts, deposits that are included on a list of “strategic resources” are subject to special treatment. In particular, the Competent Body has the following new rights with respect to such “strategic resources”:

- the right to demand amendments and/or additions to the applicable subsoil use contract if the actions of the subsoil user has caused significant change in the economic interests of Kazakhstan creating a threat to its national security;
- the right to terminate the applicable subsoil use contract unilaterally, if within a certain period of time (in total not more than 12 months) the subsoil user does not agree to amend the contract if requested by the Competent Body; and
- the right to repudiate the applicable subsoil use contract unilaterally with two months’ notice. This right is in addition to the right to demand amendments and terminate as set forth above.

The list of strategic deposits of resources has been approved by the Government of Kazakhstan. The Company’s subsoil use projects in Kazakhstan currently do not fall within this list. However, the Government may amend the list of strategic deposits on a case by case basis depending on various political and economic circumstances in future.

2.4 State’s pre-emptive right, waiver and the consent of the Competent Body

The Subsoil Law provides Kazakhstan with a pre-emptive right to acquire subsoil use rights and equity interests (shares) in any entity holding subsoil use rights and in any entity which may directly or indirectly make the decisions for a subsoil user or exert influence on the decision making of a subsoil user, if the main activity of such entity is related to subsoil use in Kazakhstan, when such entity wishes to transfer such rights or interests (shares). The pre-emptive right allows the state to purchase any such subsoil use rights or equity interests (shares) being offered for transfer on terms no less favorable than those offered to other purchasers. The Competent Body has the right to unilaterally terminate a subsoil user contract if a transaction takes place in breach of the pre-emptive right, which applies both to transactions done in Kazakhstan and overseas.

In addition, under the Subsoil Law, any transfer of subsoil use rights to any third party, in whole or in part, may be made only with the prior consent of the Competent Body. A transfer of subsoil use rights may occur in a number of different manners, including by way of assignment, in whole or in part, of subsoil use rights under a subsoil contract; the disposition of shares in a subsoil user; a contribution to the charter capital of a newly establishing legal entity; a transfer of subsoil use rights as part of a transfer of a property complex; the alienation of subsoil use rights under bankruptcy proceedings in the event of a subsoil user’s bankruptcy; and a pledge of subsoil use rights. The Subsoil Law expressly establishes that the consent applies to transfers of shares in ultimate shareholders of a subsoil user.

2.5 Antimonopoly consent

Prior consent of the Agency of the Republic of Kazakhstan for Competition Protection is required for an acquisition by a person (or group of persons) of voting shares (participation interests, unit shares) in the charter capital of a legal entity, whereby such person (or group of persons) gains the right to control more than 25 per cent. of such shares if such person (or group of persons) prior to the purchase did not hold shares of that market entity, or held 25 per cent. or less of the voting shares in the charter capital of such entity. The said consent is applicable if the combined book value of assets or goods turnover of the target entity and the acquirer meets a certain threshold (currently approximately \$19.2 million) or where one of the parties to the transaction holds a dominant position in a certain market. The consent is required in respect of a transaction involving entities outside Kazakhstan where such transaction: (i) either directly or indirectly affects fixed or intangible assets, shares (participation interests), property or non-property rights in relation to Kazakh legal entities; or (ii) restricts competition in Kazakhstan. The antimonopoly body interprets the relevant provisions of the law broadly so as to apply to transfers of shares in foreign entities when the above said thresholds are met.

2.6 Local content rules

Since 2002, the Government of Kazakhstan has introduced a policy aimed at replacing imports, and using greater involvement, support and further stimulation of local producers. This policy has been

further developed in 2009 to 2010 when the governmental authorities elaborated the Subsoil Law and other related laws directed to increasing local content in the purchase of goods, work and services by state bodies, national companies and subsoil users. These legislative amendments introduced new criteria such as percentage of salary of local employees on the payroll for calculation of local content. In addition, a centralized system of goods, works and services used in subsoil use operations is required to be established and maintained.

These legislative amendments do not have retroactive effect and appear to apply to new subsoil use contracts granted after 2009. However, the Competent Body may encourage holders of subsoil use rights to agree to amendments to their subsoil use contracts aimed at incorporating new local content requirements, similar to the approach the Competent Body adopted when it forced many subsoil users to sign amendments to subsoil use contracts after adoption of the new Tax Code.

2.7 Currency regulation

On 4 July 2009, amendments to the Law On Currency Regulation were adopted. These amendments are aimed at preventing possible threats to the economic security and stability of the Kazakh financial system. The President of Kazakhstan was granted the right to establish, by way of decree, a special currency regime which may include: (i) depositing a certain portion of foreign currency interest free in a resident Kazakhstan bank or the National Bank of Kazakhstan; (ii) obtaining special permission of the National Bank of Kazakhstan for currency transactions; and (iii) restricting foreign currency transfers overseas.

In general, the impact of the special currency regime is that, if imposed, it may potentially result in preventing Kazakh companies from being able to pay dividends to their shareholders abroad or repatriating profits in foreign currency in full or in part. In addition, extra administrative procedures could be imposed and Kazakh companies could be required to hold a part of their foreign currency in local banks.

Further, the currency of Kazakhstan, the Kazakh Tenge, is not freely convertible and the exchange rate at which the Tenge can be exchanged for U.S. Dollars is set by the Government of Kazakhstan from time to time. In February of 2009, the National Bank of Kazakhstan announced that it would cease to maintain the Tenge within the previous exchange rate of 117 to 123 Tenge to the U.S. Dollar and suggested that the rate be set to between 145 and 155 Tenge. Such currency fluctuations may result in unrealized foreign exchange gains or losses materially affecting financial results of entities operating in Kazakhstan.

2.8 Environmental compliance

Kazakhstan has adopted environmental regulations requiring industrial companies to undertake programmes to reduce, control or eliminate various types of pollution and to protect natural resources. Subsoil users must actively monitor specific air emission levels, ambient air quality, the quality of nearby surface water, the level of contaminants in soil and the creation of solid waste. Subsoil users must also submit an annual report on pollution levels to the state environmental authorities. In addition, the environmental authorities may conduct monitoring of subsoil use activities.

Kazakhstan ratified the Kyoto Protocol in March 2009. The Kyoto Protocol is intended to limit or capture emissions of greenhouse gases such as carbon dioxide and methane. Compliance with new environmental health and safety requirements that may be enacted to ensure compliance with the Kyoto Protocol may require subsoil users to incur capital expenditures, and new legislation in Kazakhstan to implement this may present additional regulatory burdens to subsoil users.

2.9 New Law on Subsoil and Subsoil Use

On 24 June 2010 the Parliament has adopted a new subsoil use law with effect from 7 July 2010. In many respects this law has not substantially changed earlier subsoil use law but clarified various provisions. However, it has introduced various major changes which include, *inter alia*:

- abolition of the stabilization regime for all subsoil users, except for those operating under production sharing agreements and subsoil use contracts approved by the President of Kazakhstan;
- separation of production and exploration subsoil use contracts. There is a risk that currently existing combined subsoil use contracts would have to be changed to implement this separation;

- limitation of the exploration to six years without a possibility for extension. As a result, the Competent Body may refuse to grant further extensions of exploration periods under already existing subsoil use contracts even if those expressly provide for such extension;
- the possibility to submit disputes with the state under the subsoil use contracts to national courts only with potential exclusion of international commercial arbitration as an alternative venue for resolution of such disputes;
- introduction of the following exceptions to the state pre-emptive right to purchase the alienable interest (shares) in a legal entity holding the subsoil use right, as well as in a legal entity which may directly and/or indirectly determine and/or exert influence on decisions made by the subsoil user:
 - (i) when transactions involve securities or the derivatives of such securities or securities convertible into shares belonging to a subsoil user or to a legal entity which may directly and/or indirectly determine and/or exert influence on decisions made by a subsoil user which are traded on organized securities markets (secondary markets), such as on stock exchanges;
 - (ii) when transactions involve the transfer of the subsoil use right or the shareholding of the subsoil user between legal entities which are not less than 99 per cent. affiliated entities;
 - (iii) when transactions involve shares belonging to a subsoil user or a legal entity which may directly and/or indirectly determine and/or exert influence on decisions made by a subsoil user if as a result of such transaction the acquirer acquires less than 0.1 per cent. of shares in such legal entities. However, the initial placement of shares in a subsoil user would still be subject to obtaining a waiver of the state pre-emptive right; and
- introduction of a procedure, which was previously absent, for the adoption of a decision regarding a waiver from the state pre-emptive right, as well as a non-exhaustive list of documents required for submission to the Competent Body in this regard.

3. Taxation of subsoil users

The taxation system in Kazakhstan is at an early stage of development. The interpretation and application of tax laws and regulations are evolving, which significantly increases the risks with respect to subsoil use operations and investment in Kazakhstan in comparison with more developed tax systems.

In general, subsoil users operate under the tax provisions set out in the Tax Code and the subsoil use contracts. Subsoil use contracts establish procedures for the calculation and payment of the following taxes: excess profits tax; special subsoil use payments (bonuses, royalties, and occasionally payments relating to production sharing); and generally applicable business taxes such as corporate income tax and value added tax. Prior to their conclusion, all subsoil use contracts are subject to compulsory tax review. The purpose of the review is to confirm that the contractual tax regime is consistent with the tax law in force when the contract is signed. Tax reviews are usually conducted on a contract-by-contract basis, taking into account the specific conditions of the subsoil user. Tax regimes confirmed as a result of tax reviews become part of subsoil use contracts.

A new Tax Code came into force on 1 January 2009. Among other things, the new Tax Code reduced the corporate income tax rate from 30 per cent. to 20 per cent., amended the basis for determining excess profits tax and replaced royalty charges with a mineral extraction tax. The new Tax Code also abolished the former contractual “stabilization” regime relating to the taxation of subsoil users, except for those operating under production sharing agreements and subsoil use contracts approved by the President of Kazakhstan which contain a tax stability clause.

The Law “On amendments to certain legislative acts concerning taxation” was endorsed on 16 November 2009. The most notable amendments which may have an impact on subsoil users include: (i) introducing new corporate tax rates for 2010-2012 at the same level as for 2009 (being 20 per cent.); (ii) introducing new rates of mineral extraction tax for 2010-2012 at the same level as for 2009; (iii) inclusion of the method of excess profit tax computation into the Tax Code; (iv) exclusion of subsurface users who made commercial discovery within the same area under an exploration contract from the list of signature bonus payers; and (v) introduction of a procedure for determination of quarterly payments for contracts where historical costs are set up in foreign currency.

4. Summary of key agreements – Kounrad

4.1 The Kounrad Contract

- 4.1.1 The Contract for Exploration and Development of Copper out of the Technical Mineral Generations (Heaps) of the Kounrad Mine was entered into by and between the Ministry of Energy and Mineral Resources of Kazakhstan (“MEMR”) and the National Company Social and Entrepreneurial Corporation “Saryarka” Joint Stock Company (“Saryarka”) dated 20 August 2007, as amended (the “Kounrad Contract”). The Kounrad Contract was duly approved by the necessary competent authorities and registered with MEMR under registration number 2447.
- 4.1.2 On 6 September 2007, Sary Kazna Limited Liability Partnership (“Sary Kazna”) and Saryarka entered into (i) a joint operating agreement, which has been replaced by a joint operating agreement dated 16 August 2010 (the “Kounrad JOA”) and (ii) the Agreement for Transfer of the Subsoil Use Rights (the “Transfer Agreement”). Those two agreements provide for the transfer of 60 per cent. of the subsoil use rights under the Kounrad Contract to Sary Kazna. The remaining 40 per cent. of the subsoil use rights under the Kounrad Contract remain with Saryarka.
- 4.1.3 To effect the above transfer, the Kounrad Contract was amended by Amendment No. 1 dated 15 November 2007 whereby Sary Kazna became the owner of 60 per cent. of the subsoil use rights under the Kounrad Contract. Amendment No. 1 and the Kounrad JOA appoint Sary Kazna as the operator, and stipulate that it will be solely responsible and liable for performance of all obligations of a subsoil user (as defined) under the Kounrad Contract.
- 4.1.4 The initial term of the Kounrad Contract is 27 years from the date of its registration, i.e. until 20 August 2034. This term comprises two years of exploration and 25 years of production. The exploration period under the Kounrad Contract expired on 20 August 2009. However, as a matter of law, Sary Kazna is entitled to extend the exploration period twice with each extension being up to two years.
- 4.1.5 The Kounrad Contract has been further extended by Amendment No. 3 dated 2 September 2010. Amendment No. 3 provides, *inter alia*, the following:
- (a) the exploration period is extended by two years to 20 August 2011 (the “extended exploration period”);
 - (b) the production period is reduced from 25 years to 23 years; the overall term of the Kounrad Contract remains the same, i.e. 27 years until 20 August 2034;
 - (c) Kazakh local content in the goods to be purchased by Sary Kazna for performance of subsoil use operations under the Kounrad Contract are required to be not less than 60 per cent.;
 - (d) Kazakh local content in the works and services to be purchased by Sary Kazna for performance of subsoil use operations under the Kounrad Contract are required to be not less than 95 per cent.;
 - (e) Sary Kazna is required to file a mid-term, long-term programme for the proposed acquisition of goods, works and services not later than 1 February of the year in question;
 - (f) Sary Kazna is required to submit to the Competent Body quarterly reports on its investments in the professional training of local personnel;
 - (g) Sary Kazna must provide the Competent Body with a report on local content with respect to its personnel, no later than on the 15th of a month following the reporting period;
 - (h) Sary Kazna is obliged to be registered in the state register of goods, works and services used when carrying out its subsoil use operations;
 - (i) historical expenses shall be paid in accordance with the tax laws of the Republic of Kazakhstan;
 - (j) the financial obligations of US\$1,880,720 for the extended exploration period will be distributed as follows: in the first year – US\$1,065,640, and in the second year – US\$815,080; and

- (k) Sary Kazna will be granted the exclusive right to production in the contract area under the Kounrad Contract following (i) approval of the explored reserves by the State Commission on Reserves and (ii) execution of an additional agreement to the Kounrad Contract.

Financial obligations

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

- (a) Sary Kazna is required to invest not less than US\$400,000 during the initial exploration period, comprising US\$315,000 during the first year, and US\$85,000 during the second year;
- (b) Sary Kazna is required to allocate not less than 1 per cent. of the total investment amount 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; and
- (c) Sary Kazna is required to participate in the Karaganda region's social infrastructure development by means of contributing US\$30,000 each year during the exploration period and US\$40,000 each year during the production period.

Work programme

4.1.7 The work programme for the initial two-year exploration period was approved by the Competent Body on 25 July 2007. Under this work programme, the value of investments in various exploration works for the first year was approved as US\$321,300, and US\$86,700 for the second year. However, the Kounrad Contract, which was signed after approval of the work programme, provides for slightly different amounts of yearly investments: US\$315,000 during the first year, and US\$85,000 during the second year. As a matter of Kazakh law, the provisions of the Kounrad Contract prevail.

4.1.8 The work programme for the extended exploration period was approved on 2 September 2010 by the relevant state bodies together with the amendment to the Kounrad Contract.

Tax obligations

4.1.9 Pursuant to the Kounrad Contract, Amendment No. 2 to the Kounrad Contract dated 14 April 2009 and Amendment No. 3 to the Kounrad Contract dated 2 September 2010, 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 Kounrad Contract as amended by Amendment No. 2 dated 14 April 2009 and Amendment No. 3 dated 2 September 2010 and the tax laws also 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 depending on the ratio between accumulated income and accumulated expenses, as follows:

Accumulated income to accumulated expenses ratio	Excess profits tax rate, per cent.
Up to 1.25	0
1.25 - 1.3	10
1.3 - 1.4	20
1.4 - 1.5	30
1.5 - 1.6	40
1.6 - 1.7	50
In excess of 1.7	60

- (c) A mineral extraction tax will be payable at the rate of 8 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 transferred to Saryarka (and subsequently Sary Kazna) under the Kounrad Contract.

Other material provisions of the Kounrad Contract

- 4.1.10 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 is required to be returned to the Kazakh state except for the areas where commercial discovery has been made. Following completion of the exploration period, Sary Kazna is required to arrange for the explored copper reserves to be approved by the State Committee for Reserves, GKZ (Republic of Kazakhstan).
- 4.1.11 The Kazakh 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.
- 4.1.12 Unilateral termination of the Kounrad Contract may be initiated by the Competent Body where Sary Kazna: refuses to or fails to cure the circumstances which suspend subsoil use operations; fails to properly perform its contractual obligations; fails to comply with the demands of the Competent Body within a specified time period; materially breaches its obligations under the Kounrad Contract and the work programme; or becomes bankrupt except when the subsoil use rights have been pledged to a third party. Such unilateral termination may also occur if it is impossible to cure the circumstances which caused suspension of the subsoil use operations within the time period established by the Competent Body; and for breach of regulations regarding the state pre-emptive right to acquire subsoil use rights and equity interests (shares) in Sary Kazna and in any entity which may directly or indirectly make decisions for Sary Kazna or exert influence on its decision making.
- 4.1.13 Sary Kazna is required to purchase not less than 60 per cent. of goods from local producers and engage not less than 95 per cent. of its subcontractors locally for the performance of works and services under the Kounrad Contract, provided that those local goods and services conform to certain standards and other requirements. All purchases must be made through public tenders. Sary Kazna may utilise services provided by foreign companies only when such services are not available in Kazakhstan, and is required to obtain prior approval of the

authorised state agency for acquisition of any foreign goods and services. Sary Kazna is required to engage local personnel in the performance of works under the Kounrad Contract in the following proportions: high level managers – 90 per cent.; middle level managers – 100 per cent.; specialists – 95 per cent.; and qualified workers – 100 per cent..

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

Land lease under the Kounrad Contract

4.1.15 Pursuant to the Decision of the Karaganda Region Akimat No. 08/05 of 6 April 2009, Sary Kazna was granted a temporary land use right for a land plot of 1,879 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 with the Land Issues Regional Administration of Karaganda Region Akimat. The agreement has been registered with the relevant justice authorities.

4.2 The Kounrad JOA

4.2.1 The joint operating agreement between Sary Kazna and Saryarka dated 6 September 2007 was replaced by a joint operating agreement dated 16 August 2010, in connection with the Agreement on Amicable Settlement of Existing Controversies dated 29 April 2010. The Kounrad JOA is an independent agreement between Sary Kazna and Saryarka which regulates their joint commercial and financial activities related to the Kounrad Contract. The Kounrad JOA and the Kounrad Contract each regulate specific matters and they together constitute a legal framework under which Sary Kazna and Saryarka jointly operate at the Kounrad mine. Pursuant to Amendment No. 1, the Kounrad JOA, while being a distinct agreement, will be deemed an addition to the Kounrad Contract.

Commercial/financial provisions

4.2.2 The Kounrad JOA provides that until the occurrence of the hydrometallurgical plant commissioning date (31 December 2012) all cash funds for financing costs and expenditures required under the Kounrad Contract will be contributed exclusively by Sary Kazna. After that date, Sary Kazna is required to finance 60 per cent. of all such costs and expenditures, and Saryarka is required to finance 40 per cent. of all such costs and expenditures. Sary Kazna will be solely responsible for financing the social and economic development of the Karaganda region until 31 December 2012. After this date, this financing will be contributed by each party *pro rata* to their shares in the Kounrad JOA. Financing is required to be provided by each party to the Kounrad JOA on the basis of cash calls from the operator (currently Sary Kazna).

4.2.3 The Kounrad JOA obliges Sary Kazna, if instructed by Saryarka, to sell 15,000,000 (fifteen million) tonnes of sulphide ore to a third party with the sale proceeds (less certain costs) being credited to Saryarka.

4.2.4 The Kounrad JOA provides that the rate of return from the sale of minerals must not be lower than 20 per cent. of the production cost unless otherwise agreed by the parties.

4.2.5 Pursuant to the Kounrad JOA, Sary Kazna and Saryarka acknowledge that the project will be carried out by a joint venture which provides for a “financial controller” position to be approved by Saryarka. The Kounrad JOA contemplates that both parties will agree on the formation of the joint venture for execution of the project by 31 December 2010. This would require further formalisation and finalisation of all mutual rights and obligations as well as corporate governance provisions in the foundation documents of that joint venture.

Joint operating provisions

4.2.6 The Kounrad JOA provides for the establishment of an operating committee for general management and monitoring of joint activities which consists of one representative of Sary Kazna (to be appointed by CAML and who will be chairman) and one representative of Saryarka.

4.2.7 The operating committee’s functions include: (i) decisions on amending the Kounrad Contract and relinquishment; (ii) review, approval and amendment of the work programmes, budgets, minerals production programmes and liquidation programme; (iii) approval of the pricing policy for selling the produced minerals; (iv) approval of transactions with a value over

US\$300,000 or which constitute a pledge over any joint property; (v) approval of the disposal of any property with a value greater than US\$10,000 and which is no longer required to perform the subsoil use operations; and (vi) approval of documentation on the establishment of internal procedures on carrying out subsoil use operations, tender and bidding procedures, and accounting procedures in the course of joint operations.

- 4.2.8 The Kounrad JOA further provides that each party has one vote on the operating committee. If there is no unanimous approval of a matter before the operating committee, this matter will be considered to be a dispute between the parties and will be referred to negotiation and if unsuccessful, to arbitration.
- 4.2.9 The Kounrad JOA provides for the appointment of an operator who will be solely responsible and liable for the performance of all obligations of a subsoil user under the Kounrad Contract. Under the Kounrad Contract Sary Kazna has the option to be or appoint an operator. The “Balkhash Branch Office” of Sary Kazna (“Kounrad Mining Company”) has been appointed as an operator.
- 4.2.10 An operator may be replaced by a decision of the operating committee if it fails to properly perform its responsibilities under the Kounrad Contract and/or conducts subsoil use operations not in compliance with the Kounrad Contract and the Kounrad JOA. If a party to the Kounrad JOA is appointed an operator, its member may not vote at the meeting of the operating committee on the issue of replacement of the operator. In this event, the new operator may be appointed by a single vote of the other party to the Kounrad JOA.

Construction of the hydrometallurgical plant

- 4.2.11 The Kounrad JOA envisages that construction of the hydrometallurgical plant for cathode copper production be carried out by an independent legal entity which is Kounrad Copper Company LLP, a Kazakhstan joint venture between CAML Kazakhstan B.V. (60 per cent., which was transferred from Sary Kazna on 6 October 2008) and Saryarka (40 per cent.). On 1 October 2008 a copper production pilot facility was completed, and is owned, by Sary Kazna, and Kounrad Copper Company LLP is involved in operating the facility. Pursuant to the Kounrad JOA the construction of the hydrometallurgical plant was required to be financed by a US\$3,000,000 payment made by Sary Kazna. Sary Kazna has made the necessary payments under the Kounrad JOA. The Kounrad JOA as amended provides that the hydrometallurgical plant has a fixed deadline for commissioning of 31 December 2012.

Miscellaneous provisions

- 4.2.12 The Kounrad JOA stipulates that if a party thereto commits (or fails to commit) an action which may cause termination of the Kounrad Contract by the Competent Body, or a party fails to provide financing under the Kounrad JOA, such party will be deemed in default. The party in default will have two months to cure the default. If the default is not cured, the party in default may not receive its share of income from the sale of minerals under the Kounrad Contract, and such income will be received by the other party which is not in default. If the default continues for more than four months, the parties must consider amending or terminating the Kounrad JOA. If terminated, the non-defaulting party will have an exclusive right to obtain the remaining part of the subsoil use rights under the Kounrad Contract from a party in default.
- 4.2.13 The Transfer Agreement provides that if Sary Kazna fails to perform under the Kounrad JOA and this failure may cause termination of the Kounrad Contract by the Competent Body, or Sary Kazna fails to provide financing under the Kounrad JOA, Saryarka may petition the court to terminate the Transfer Agreement and return the subsoil use rights under the Kounrad Contract to Saryarka.
- 4.2.14 Either party may sell or otherwise dispose of its share in the Kounrad JOA. However, the disposing party is required to notify the other party 60 days in advance of the proposed disposal, and such other party will have a contractual pre-emptive right to purchase the relevant share. Certain provisions of the Kounrad JOA result in Saryarka’s contractual pre-emption applying to “indirect transfers”. An “indirect transfer” is defined as a share transaction which “exclusive purpose” is to transfer “all or part of” the participating interest in the Kounrad Contract.

4.3 Warranties in respect of the Kounrad JOA

- 4.3.1 Within 15 days of the effective date of the joint operating agreement dated 6 September 2007 CAML was required to provide a warranty for performance by Sary Kazna of all its obligations under the Kounrad JOA.
- 4.3.2 Pursuant to an undated warranty issued by CAML to Saryarka, CAML undertook to provide Saryarka with an option to acquire CAML's shares in exchange for a 40 per cent. interest in the Kounrad Contract at the then current price of those shares until 6 September 2012. CAML has covenanted to grant this option in the future when Saryarka wishes to exchange the interest in the Kounrad Contract for CAML's shares. In order for the option to be granted, the parties will have to agree on the value of Saryarka's interest in the Kounrad Contract to be exchanged for the shares, the mechanism of transfer of the interest to CAML in exchange for shares, the number of CAML's shares to be acquired by Saryarka, and other terms and conditions pursuant to which the option will be performed.

4.4 Licences and permits

The following licences have been obtained and are valid and have not been suspended, cancelled, annulled or revoked:

- (a) State licence Series GL No. 002300 to conduct mining operations was issued by MEMR on 19 September 2008, has no fixed term and may be revoked by the competent body only if Sary Kazna commits certain breaches prescribed in Kazakh law;
- (b) State licences Series GSL Nos. 01947, 07035 and 07036 for certain construction activities were issued by the Almaty Department of State Architectural and Construction Control on 3 April 2007. These licences will expire on 3 April 2011 but Sary Kazna may apply for a renewal;
- (c) State licence Series Ya No. 060021 for the purchase, storage and use of toxic chemical substances was issued by the Committee of Industry and Science Development of the Ministry of Industry and Trade on 15 September 2006, has no fixed term and may be revoked by the competent body only if Sary Kazna commits certain breaches prescribed in Kazakh law; and
- (d) State licences Series R No. 000110/08 and No. 000995 for handling chemical reagents were issued by the Committee on Combating Drugs and Drug Trafficking of the Ministry of International Affairs on 3 October 2008. This licence is valid until 16 October 2011 but Sary Kazna may apply for a renewal.

4.5 Environmental matters

- 4.5.1 An emission permit, Series M-08 No. 0022768, was issued by the Nyra-Sarisy Ecology Department of the Ministry of Environmental Protection on 11 December 2008. This emission permit is valid until 31 December 2011, and permits the emissions of certain pollutants (sulphuric acid and non-organic dust SiO₂) into the air. This permit does not provide for any waste disposal into water or soil.
- 4.5.2 Sary Kazna has employed Ecolimit Center Company pursuant to an agreement dated 24 October 2007 to monitor the environment at the Kounrad Contract area and evaluate the long term ecological effect of the subsoil use activity.

5. Summary of key agreements – Tochtar

5.1 The Tochtar Contract

- 5.1.1 The Contract for Development of Gold in the Tochtar Mine was entered into by and between MEMR and Monshakty Gold LLP dated 12 August 2004, as amended (the "Tochtar Contract"). The Tochtar Contract was duly approved by the necessary competent authorities and registered by MEMR under registration number 1487. The term of the Tochtar Contract is 16 years from the date of its registration, i.e. until 12 August 2020.
- 5.1.2 Participating interests in the Tochtar Contract have been transferred according to the following amendment agreements:
- (a) On 12 January 2006, Monshakty Gold LLP and MEMR entered into Amendment No. 1 to the Tochtar Contract in order to identify Tastemir LLP as the contractor under the Tochtar Contract. Amendment No. 1 to the Tochtar Contract was registered with

MEMR under number 1934 on 12 January 2006. The state waived its pre-emption right and MEMR's consent to the transfer was issued under No. 14-02-9935 on 2 December 2005;

- (b) On 20 February 2006, Tastemir LLP and Sary Kazna entered into Agreement No. 200206 to agree that Sary Kazna would make investments in production operations under the Tochtar Contract. For this purpose the parties agreed to establish a joint venture in the form of a limited liability partnership named Tochtar Mining Company Limited Liability Partnership ("Tochtar") where Tastemir LLP and other participants would hold in aggregate 35 per cent. and Sary Kazna would hold 65 per cent. of the participating interest accordingly.

On 21 July 2006, Tastemir LLP and MEMR entered into Amendment No. 2 to the Tochtar Contract in order to identify Tochtar as the contractor under the Tochtar Contract. The Amendment No. 2 was duly signed by Tastemir LLP, Tochtar and MEMR and registered with MEMR under number 2112 on 21 July 2006. The state waived its pre-emptive right and MEMR's consent to the transfer was issued under No. 14 01 5878 on 11 July 2006.

On 11 March 2009, Tochtar and MEMR entered into Amendment No. 3 according to which, among other provisions, Tochtar is required to pay taxes and other obligatory payments to the budget in accordance with the laws in force as at the time such tax obligations arise;

- (c) On 12 January 2007, Mr. Ye. Balashov and Mr. Ye. Kabyldenov sold their respective 5 per cent. participating interests in Tochtar to Sary Kazna.
- (d) On 21 January 2009, Sary Kazna sold its 75 per cent. interest in Tochtar to CAML Kazakhstan Holding LLP under a sale and purchase agreement.

On 12 February 2009, Tochtar obtained the state's waiver of its pre-emption right to acquire, and MEMR's consent under No. 14-05-1161 to sell, 75 per cent. of its 100 per cent. participating interest to CAML Kazakhstan Holding LLP;

- (e) CAML Kazakhstan Holding LLP purchased the remaining 25 per cent. interest in Tochtar under a sale and purchase agreement dated 27 October 2009 with Tastemir LLP (10 per cent.), Mr Ye. Balashov (5 per cent.) and Mr. Ye. Kabyldenov (10 per cent.)

On 15 February 2010, Tochtar obtained the state's waiver of its pre-emption right to acquire, and MEMR's consent under No. 14-05-1280 to sell, 25 per cent. of Tochtar's participating interest to CAML Kazakhstan Holding LLP.

Although CAML is the registered owner of a 100 per cent. interest in the shares of Tochtar Mining Company LLP, its economic interest in the asset is considered by the Directors to be 75 per cent. CAML has an understanding with third parties that on any onward sale of Tochtar, the third parties will be entitled to 25 per cent. of the consideration once the funding provided by CAML to Tochtar Mining Company LLP has been repaid. As CAML has not yet made payment for a 25 per cent. interest acquired from the third parties, in law the third parties may therefore claim back their 25 per cent. interest in the asset.

- 5.1.3 According to a letter from MEMR dated 30 December 2009, due to approval of the amendments to the working programme, the Tochtar Contract must also have been amended by 25 April 2010.

The Tochtar Contract is to be amended and Amendment No. 4 is currently being considered by the competent state authorities, Tochtar expects the amendment to be signed in due course.

Financial Obligations

- 5.1.4 The main financial obligations under the Tochtar Contract include the following:

- (a) Tochtar is required to spend not less than 1 per cent. of the total amount of its investment on professional training of local personnel involved in the works under the Tochtar Contract. In the event the amounts to be spent exceed the actual demands for the professional training of local personnel, Tochtar is required to use the remaining amount to finance the priority objectives of the secondary education system of Kazakhstan; and

- (b) Tochtar is required to invest US\$150,000 in social development during the term of the Tochtar Contract. Investments must be made each year in equal proportions.
- 5.1.5 In accordance with the Agreement on Acquisition of Information entered into by and between the Geological and Subsoil Use Committee of MEMR and Monshakty Gold LLP on 6 April 2004, the amount of historical costs charged for state geological information provided to Monshakty Gold LLP (and subsequently Tochtar) under the Tochtar Contract equals US\$7,478,997. Historical costs are required to be paid annually in equal parts during 2011 to 2019.
- 5.1.6 If at any time a foreign party becomes a participant of Monshakty Gold LLP (subsequently Tochtar), an additional amount of US\$373,650 of the historical costs are required to be paid.

Work programme

- 5.1.7 Pursuant to Amendment No. 3 the work programme under the Tochtar Contract has been amended. Amendments Nos. 1 and 2 to the work programme have not been concluded. Amendment No. 3 to the work programme has been executed due to an increase of produced gold ore in the amount of 120,000 tonnes for 2007-2008 and 130,000 tonnes for 2009. The Tochtar Contract is to be amended in respect of the transfer obligation of Tochtar for 2009 and 2010. Amendment No. 4 is currently under consideration by the competent state authorities.

Tax obligations

- 5.1.8 Pursuant to the Tochtar Contract and Amendment No. 3 to the Tochtar Agreement, Tochtar 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 Tochtar Contract and the tax laws also provide for 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 based 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 will be paid on a scale depending on the ratio between accumulated income and accumulated expenses, as follows:

Accumulated income to accumulated expenses ratio	Excess profits tax rate, %
Up to 1.25	0
1.25 – 1.3	10
1.3 – 1.4	20
1.4 – 1.5	30
1.5 – 1.6	40
1.6 – 1.7	50
In excess of 1.7	60

- (c) A mineral extraction tax is payable at the rate of 6 per cent. of the market value of gold 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.

Other material provisions of the Tochtar Contract

- 5.1.9 The Tochtar Contract relates to the production of the mineral gold and requires Tochtar to use effective methods and technology in gold production operations. Tochtar is required to arrange for the explored gold reserves to be approved by the State Committee for Reserves.

- 5.1.10 The Kazakh State has a pre-emption right to acquire gold from Tochtar. The terms, volume and price of the acquired gold will be determined by a separate agreement between the parties. Tochtar may not assign its rights and obligations under the Tochtar Contract to a third party without the prior approval of the competent state body.
- 5.1.11 Unilateral termination of the Tochtar Contract may be initiated by the Competent Body where Tochtar: refuses or fails to cure the circumstances which caused the suspension of subsoil use operations within a period of time sufficient for their repair; fails to properly perform contractual obligations; materially breaches its obligations under the Tochtar Contract and the work programme; or becomes bankrupt except when the subsoil use rights under the Tochtar Contract have been pledged to a third party. Such unilateral termination may also occur if it is impossible to cure the circumstances which caused suspension of the subsoil use operations; and for breach of regulations regarding the state pre-emptive right to acquire subsoil use rights and equity interests (shares) in Tochtar and in any entity which may directly or indirectly make the decisions for Tochtar or exert influence on its decision making.
- 5.1.12 Tochtar is required to purchase not less than 50 per cent. of goods from local producers and engage not less than 94 per cent. of its subcontractors locally for the performance of works and services under the Tochtar Contract, provided that those local goods and services conform to the existing standards and other requirements. All purchases are required to be made through public tenders. Tochtar may utilise services provided by foreign companies only when such services are not available in Kazakhstan, and will obtain the prior approval of the authorised state agency for acquisition of foreign goods and services. Tochtar is required to engage local personnel in the performance of works under the Tochtar Contract in the following proportions: high level managers – 90 per cent., middle level managers – 90 per cent., specialists – 100 per cent., and qualified workers – 100 per cent.
- 5.1.13 Tochtar is required to evaluate the long term ecological effect of its subsoil use activity.

Land lease under the Tochtar Contract

- 5.1.14 Pursuant to the Decision of the Kostanai Oblast Akimat No. 171 of 17 March 2008, Tochtar was granted a temporary land use right for two land plots with a total area of 267.5 hectares for a fee until 12 August 2020. The purpose of leasing the 256.2 hectares land plot is the production of gold and the construction of the facilities in the industrial complex. The respective Land Plot Lease Agreement No. 62-2 was executed on 19 March 2008. The agreement is effective from the date of its registration until 12 August 2020. On 29 May 2008, the agreement was registered with the respective justice authorities.
- 5.1.15 The purpose of leasing the remaining 11.3 hectares of land is the reconstruction and operation of a mine-waters guard pond. The respective Land Plot Lease Agreement No. 62-3 was executed on 19 March 2008. The agreement is effective from the date of its registration until 12 August 2020. On 29 May 2008, the agreement was registered with the respective justice authorities.

Material operational assets

- 5.1.16 Tochtar has developed certain infrastructure at the Tochtar mine, including heap leach facilities, storehouse of virulent poisons, analysis laboratory, check point gate, shift camp, and electrical line with substation.

5.2 Gold Supply Agreements

Pursuant to certain agreements between Tochtar and Metalor Technologies S.A. for supply of Dore Gold (the “Gold Supply Agreements”), the estimated volume of gold to be supplied by Tochtar varies from 250 kg, (containing not less than 200 kg of fine gold), to 360 kg, (containing not less than 180 kg of fine gold). The total value of such volumes of gold according to the Gold Supply Agreements varies from US\$3,000,000 to US\$6,000,000.

5.3 Licences and permits

- 5.3.1 The following licences have been obtained and are valid and have not been suspended, cancelled, annulled or revoked. The licences have no fixed term and may be revoked by the competent body if Tochtar commits certain breaches prescribed by Kazakh law:

- (a) State licence Series GL No. 002153 to conduct mining operations was issued by MEMR on 11 August 2008;
 - (b) State licence Series Ya No. 080016 for the purchase, storage, use and destruction of toxic chemical substances was issued by the Committee of Industry of the Ministry of Industry and Trade on 26 September 2008;
 - (c) State licence Series FL No. 000053 for security activity including the protection of the health and life of the employees, own property, including in transportation on the territory of the Kostanai Region, was issued by the Department of Internal Affairs of the Kostanai Region on 18 April 2007. The licence prohibits the activity of providing a security service to a third party; and
 - (d) State licence Series TRP No. 000978 was issued by the Kostanai Region Department of the Ministry of Transport and Communications of Kazakhstan on 6 February 2008 for the transportation of dangerous cargo by road.
- 5.3.2 Registration has been made with the Kostanai Region Customs Department under number 51601/10/000005 as a participant of import-export activities for customs purposes. This registration has no fixed term and allows Tochtar to import/export goods into and from Kazakhstan.

5.4 Environmental protection matters

- 5.4.1 An emission permit, Series W No. 0054990, was issued by the Committee of Ecology Regulation and Control of the Ministry of Environmental Protection on 1 January 2010. This emission permit is valid until 31 December 2010, and allows emissions of pollutants into the air and water, and the placement and storage of waste in the soil.
- 5.4.2 A Special Water Use Permit allowing emissions of underground drain waters to the guard ponds, Series KAP\OB 108, was issued by the Tobol-Turgai Department of Committee of Water Resources of the Ministry of Agriculture on 4 September 2008. The emission permit expired on 4 September 2010.
- 5.4.3 Tochtar has obtained an emission permit for the period 2008 to 2010.

PART 4

MONGOLIA: BACKGROUND AND SUMMARY OF KEY AGREEMENTS

1. Information on Mongolia

1.1 Geography and population

Mongolia is a landlocked country bordered by Russia to the north and China to the east, south and west. With an area of more than 1.5 million square kilometres, it is the world's nineteenth largest country. Ulaanbaatar, Mongolia's capital city, is located in the north central part of the country and has Mongolia's only international airport. The local airline, MIAT, serves about 20 communities and the Trans-Mongolian Railway connects to the Trans-Siberian Railway in the north and the China rail system to the south.

The southern third of Mongolia is dominated by the Gobi Desert that continues southward into China. While part of the desert is true desert, much of it is classed as desert steppe and has sufficient grass to support scattered herds of sheep, goats, and camels. Much of the rest of the country is comprised of grasslands and the southern continuation of the Russian steppes. The northern margin of Mongolia is forested with high mountain ranges. As much of the country is open, most of the area is accessible by car. Distances are large, however, and roads are often poor or non-existent.

Mongolia is divided into 18 aimags (provinces) that are further subdivided into 310 soums (counties). There are also four independent municipalities that are sometimes classed as aimags (Darkhan-Uul, Orkhon, and Gov-Sumber), bringing the total to 21.

The climate in Mongolia is extreme continental. Temperatures reach extremes in winter (as low as -40°C) and summer (as high as 40°C). In Ulaanbaatar, July is the warmest and wettest month, with an average temperature of 17°C and an average rainfall of 76 mm, while January is the coldest and driest month, with an average temperature of -25°C and little rainfall. Rainfall and temperature throughout Mongolia are variable depending on elevation.

The population of Mongolia is reported to be approximately 2.7 million and is relatively homogenous in terms of ethnicity, language and religion. It is also a young country with more than 60 per cent. of the population below the age of 30. Approximately one third of the Mongolian population lives in the capital city of Ulaanbaatar with a large portion of the remainder living as semi-nomads throughout the country.

Mongolia has a very long history and is often associated with its most famous leader, Genghis Khan, who ruled during the 13th century. In 1921, Mongolia fell under the influence of the United Soviet States of Russia, which dominated the politics and economy of the country until 1990 when the country's transition to democracy and a free market economic system began.

1.2 Government

The Mongolian Constitution, adopted in 1992, established an elected legislature and a directly elected President. The Prime Minister is nominated by and serves on behalf of the majority party in the parliament. The Constitution enshrines the concepts of democracy, freedom of speech, and rule of law, among others.

The first multiparty elections were held in July 1990 at which the Mongolian People's Revolutionary Party (the "MPRP") became the dominant political party. The MPRP was victorious again in the 30 July 1992 elections but lost to the Democratic Coalition in the elections of 1996. The MPRP regained power in 2000. In November 2007, Mr. Sanjgaagiin Bayar, Chairman of the MPRP, was elected by Parliament as the Prime Minister.

Since 1991, Mongolia has been making a concerted effort to implement a comprehensive economic reform programme aimed at moving the country toward a free market economy. One of the primary objectives of this programme has been to encourage foreign investment to stimulate economic growth and several laws have been adopted in that regard.

1.3 Economic overview

The economy is dominated by agriculture. Mining accounts for 30 per cent. of total industrial output and provides more than 50 per cent. of the foreign earnings. Tourism is a small but significant contributor to the national economy. Mongolia's economy continues to be heavily influenced by its neighbours. For example, Mongolia purchases 80 per cent. of its petroleum products and a

substantial amount of electric power from Russia, leaving it vulnerable to price increases. China currently receives nearly 70 per cent. of Mongolia's exports.

Mongolia has enjoyed robust economic growth, averaging 9 per cent. per year during 2004-2007. However, growth slowed sharply during the second half of 2008 and GDP declined by 4.2 per cent. in the first quarter of 2009 (year on year). Falling prices for copper and other mineral exports led to a reduction of government earnings and is forcing cuts in spending. The global financial and economic crisis has slowed growth in key sectors, especially those that had been fuelled by foreign direct investment ("FDI"). However, inflation eased significantly over the year, from 33.7 per cent. (year on year) in August 2008 to 4.9 per cent. in July 2009.

There are views that the Mongolian economy has reached its low point and is expected to grow rapidly at over 8 per cent. in 2010 thanks to the launch of major mining projects and strong inflows of FDI. Estimates suggest that Mongolia's economy may grow by 30-35 per cent. year on year after the Oyu Tolgoi mine starts operation in 2013. Encouraged by the approvals granted for the Oyu Tolgoi project and the Government's strongly stated interest in speeding up other major deals, foreign investors are acquiring smaller companies with assets in Mongolia. The acquisition of resources by larger foreign companies will likely boost M&A activity, further boosting the economic expansion in Mongolia.

2. Overview of key laws and regulations relating to the mining sector

2.1 General

The Mongolian Minerals Law applies to all minerals except water, petroleum and natural gas. Under Mongolian law, all mineral resources belong to the Mongolian State. The Mongolian State grants the right to mine and explore for mineral resources located within Mongolia. Exploration and mining licences may only be issued to a Mongolian legal entity and only one party may be the registered holder of a licence.

2.2 Granting and termination of exploration licences

Pursuant to the Mongolian Minerals Law, exploration licences are granted for an initial period of three years with the option to extend for two successive additional periods of three years each, i.e., for total of 9 years.

Under the Mongolian Minerals Law an exploration licence fee is payable for each hectare included within the licence area at the following rates: US\$0.10 for the first year; US\$0.20 for the second year and US\$0.30 for the third year; US\$1.00 for each of the fourth to sixth years; and US\$1.50 for each of the seventh to ninth years of the term of the exploration licence.

Exploration licence holders are obliged to meet a minimum annual exploration expenditure requirement in each year except the first year. During the second and third year of the licence, the licence holder must spend at least US\$0.50 per hectare on exploration activities; at least US\$1.00 per hectare during the fourth, fifth and sixth years and at least US\$1.50 per hectare during the seventh, eighth and ninth years.

Exploration licence holders are also obliged to comply with an environmental protection plan that provides measures to ensure that the level of environmental pollution does not exceed accepted limits and for reclamation of the area by means of backfilling, levelling and cultivation to allow for future public use. The licence holder must deposit 50 per cent. of the environmental protection plan budget in an account with the relevant local government. If the licence holder fails to implement the plan the local governor can use the funds to implement those measures.

The Mongolian Minerals Law provides that the holder of an exploration licence has exclusive right to obtain a mining licence covering all or any portion of the exploration licence area. Mining licences are issued for a term of 30 year, extendable for successive periods of 20 years.

Under the Mongolian Minerals Law a mining licence fee of US\$15.00 is payable per hectare of the mining area. For coal and other common minerals the fee is US\$5.00 per hectare.

The Mongolian Minerals Law provides for a royalty to be paid by a mining licence holder to the Mongolian State of 5 per cent. on the value of all extracted minerals that are sold, shipped for sale or used. There is a lower rate applicable to domestically sold coal and certain common minerals.

To engage in mining activities the licence holder must obtain surface (land) rights to the relevant licenced area. If the mineral licence holder is a foreign-invested business entity (25 per cent. or more foreign ownership) it can only obtain land use rights as opposed to land possession rights which are

available to local legal entities. To obtain land use the licence holder must make an application to the relevant governor in the soum where the licence area is located, and enter into a contract with that office.

2.3 Strategic deposits

The Mongolian State may claim up to 50 per cent. of the equity of deposits of strategic importance, if state funds were used to initially identify the reserves. If private funds were used to establish the reserves, the State may jointly participate up to 34 per cent. or as otherwise agreed with the licence holder. The details with respect to the state equity share are subject to negotiation between the state and the relevant licence holder. Parliament makes the final decision as to which deposits are of strategic importance.

The concept of a “strategically important deposit” was introduced by the current Mongolian Minerals Law. A deposit of strategic importance is one which is: either (1) of a size to have a potential impact on the national security, economic and social development of the country at the national or regional levels; or (2) produces or has the potential to produce more than 5 per cent. of Mongolia’s total GDP in a given year. These are the criteria followed by Parliament to consider any deposit as a deposit of strategic importance.

The State Great Hural (“Parliament”) approved a list of strategically important deposits under Decree No.27 dated 6 February 2005. Most of these strategically important mines are wholly state-owned. None of the areas under CAML’s licences and agreements overlap with the areas of the deposits currently designated as being of strategic importance.

The Mongolian Minerals Law provides for an additional requirement that a legal entity holding a mining licence covering a deposit of strategic importance must sell no less than 10 per cent. of its shares through the Mongolian Stock Exchange.

3. Summary of key agreements by subsidiary

3.1 Zuun Mod UUL LLC (“ZMUL”)

3.1.1 Background of licence holder

ZMUL is the project company which holds gold mining and exploration licences for the Ereen-Baavgait licensed area. ZMUL is incorporated in Mongolia and located in Ulaanbaatar, Mongolia. Its primary business activity is geological exploration within the Ereen-Baavgait licensed area. ZMUL also owns a geological camp at Ereen, where all field activities are performed.

The Mongolian Minerals Council concluded in its opinion No. XX-02-03 dated 26 February 2010 that ZMUL conducted mineral exploration within the entire Ereen-Baavgait area in 2007-2009, at a total cost of MNT 3,826,034,703.50. Exploration drilling works were performed by Monenergeo LLC, Gachuurt LLC and Twin Aidle LLC from 2007 until the first half of 2008. In the second half of 2008 and in 2009 exploration drilling works were performed by Landdrill International LLC; geophysical exploration by Geosan LLC and GaiaScan Geophysics LLC; geophysical mapping by Oyu Survey LLC; and laboratory technology testing by Actlabs Asia LLC. The planned annual environmental reclamation works budget was up to MNT 350,000,000. On 4 March 2010 the Mineral Resources Authority of Mongolia (“MRAM”) accepted the results of exploration works conducted by ZMUL within the Ereen-Baavgait area between 2007 and 2009 and registered the deposits in the State Registry of mineral deposits.

3.1.2 Foundation agreement

The foundation agreement for ZMUL between CAML Mongolia B.V., Songold LLC, Monenergeo LLC, and Yerkinuly Arai dated 23 October 2008 contains a pre-emption right. If any party to the foundation agreement intends to sell or transfer all or some of its shares in ZMUL it must give a written notice of such intended sale or transfer to the other parties. The other parties will have pre-emptive right to acquire the shares offered on the terms more favourable or the same as the third parties, by responding to the notice within one month from its receipt. Failure to respond within this term will constitute consent to the sale of the shares to a third party.

3.1.3 Baavgait

(a) Licence: Baavgait 4265A gold mining licence

The Baavgait 4265A gold mining licence was originally issued on 11 April 2002 and its initial term of 30 years commenced from 11 April 2002, extendable by 20 years depending on the reserve of the mineral. Pursuant to a joint venture agreement dated 8 April 2007, the licence was transferred from Songold LLC to ZMUL on 14 August 2007. Pursuant to MRAM letter No. 6-4807, as of 14 June 2010 the licence has not been revoked, pledged or transferred, and has not been acquired for state reserves, nor is it included in strategically important deposits nor overlaps with any land used for special purposes.

(b) Licence transfer: joint venture agreement

The joint venture agreement dated 8 April 2007 in relation to licences 4625A, 8697X and 3441X between CAML, Songold LLC and Monenergeo LLC governs joint exploration and mining within the Ereen-Baavgait area, and governs the principal terms for the establishment of a joint venture company and the joint venture activities. At the execution date of the joint venture agreement, Songold LLC was the registered holder of licences 4625A, 8697X, 3441X and 2616A.

The parties to the joint venture agreement undertook to establish a joint venture company, (ZMUL), to be owned in the following proportions: CAML – 85 per cent., Songold LLC- 10 per cent.; and Monenergeo LLC – 5 per cent. Pursuant to the joint venture agreement, Songold LLC transferred to ZMUL licences 4625A, 8697X and 3441X for a consideration of US\$ 200,000, payable in instalments.

Material provisions

The main obligations of the parties to the joint venture agreement are as follows:

- (i) CAML is required to:
 - (A) carry out exploration works at its own cost and discretion;
 - (B) finance the Ereen-Baavgait project;
 - (C) submit to the Mongolian Minerals Council the results of exploration works carried out within the licensed areas and to obtain mining licences for ZMUL;
 - (D) prepare, on behalf of ZMUL, the exploration work report to be submitted to the Geology and Mining Cadastre Department of MRAM;
 - (E) make a technical and economic assessment of the exploration work within a pre-determined period, and, should the Board consider the Ereen-Baavgait project economically feasible, then CAML will undertake to carry out a feasibility study for the establishment of a mine and processing plant.
- (ii) Songold LLC is required to:
 - (A) ensure the validity and good standing of licences 4625A, 8697X and 3441X during the term of the agreement;
 - (B) cease mining works within the licensed areas and to prevent mining works by any third parties; and
 - (C) pay licence fees for licence 2616A in a timely manner.
- (iii) Monenergeo LLC is required to:
 - (A) assist in ensuring the validity of licences 4625A, 8697X and 3441X;
 - (B) carry out an analysis of geological materials in the licensed areas;
 - (C) organise the geology and mining works in the licensed areas; and
 - (D) provide professional assistance in the preparation of a technical and economic assessment for establishing the mine.

The joint venture agreement can be terminated: (i) unilaterally by CAML; (ii) on fulfilment by the parties of their respective obligations; (iii) by an agreement between the parties; and (iv) by such other grounds as provided in law. If a party fails to remedy a breach within 30 days of receipt of a written notice from the other party then the non-defaulting party will be entitled to either waive the joint venture agreement or claim damages in court.

The rights under the joint venture agreement can be assigned by any party without the consent of the other parties, though obligations may only be assigned with such consent.

(c) **Environmental matters**

The licence holder has had an environmental protection plan for 2009 reviewed by the environmental protection inspector and approved by the Governor of Mandal soum, Selenge aimag.

3.1.4 Ereen Gol

(a) **Licence: Ereen Gol 8697X gold exploration/MV – 015617 gold mining licence**

The Ereen Gol 8697X gold exploration licence was originally issued on 3 November 2004 and its initial term of three years commenced on 3 November 2004, extended by two three-year periods to 3 November 2010. Pursuant to a joint venture agreement dated 8 April 2007, the licence was transferred from Songold LLC to ZMUL on 1 August 2007. Pursuant to MRAM letter No. 6-4807, as of 14 June 2010 the licence has not been revoked, pledged or transferred, and has not been acquired for state reserves, nor is it included in strategically important deposits nor overlaps with any land used for special purposes. On 1 July 2010 gold exploration licence 8697X was converted into mining licence MV-015617. The mining licence is valid for an initial period of 30 years from 1 July 2010 and is extendable thereafter by 20 years, depending on the reserve of the mineral.

(b) **Environmental matters**

The licence holder has had an environmental protection plan for 2009 reviewed by the environmental protection inspector of Mandal soum and approved by the Governor of Mandal soum, Selenge aimag.

3.1.5 Zuun Modny Gol

(a) **Licence: Zuun Modny Gol 3441X gold exploration/MV – 015619 gold mining licence**

The Zuun Modny Gol 3441X gold exploration licence was originally issued on 27 June 2001 and its initial term of three years commenced from 27 June 2001, which was extended by three two-year periods to 27 June 2006, to 27 June 2008, and to 27 June 2010. Pursuant to a joint venture agreement dated 8 April 2007, the licence was transferred from Songold LLC to ZMUL on 7 August 2007. Pursuant to MRAM letter No. 6-4807, as of 14 June 2010 the licence has not been revoked, pledged or transferred, and has not been acquired for state reserves, nor is it included in strategically important deposits nor overlaps with any land used for special purposes. On 1 July 2010 gold exploration licence 3441X was converted into mining licence MV-015619. The mining licence is valid for an initial period of 30 years from 1 July 2010 and is extendable thereafter by 20 years, depending on the reserve of the mineral.

(b) **Environmental matters**

The licence holder has had an environmental protection plan for 2009 reviewed by the environmental inspector of Mandal soum and approved by the Governor of Mandal soum, Selenge aimag.

3.1.6 Ereen Gol

(a) **Licence: Ereen Gol 2616A gold mining licence**

The Ereen Gol 2616A gold mining licence was originally issued on 25 September 2000, and its initial term of 30 years commenced from 25 September 2000, extendable by 20 years depending on the reserve of the mineral. The licence was issued to Songold LLC on 1 January 2007 and pursuant to a licence sale and purchase agreement dated 9 December 2008 was transferred from Songold LLC to ZMUL on 10 February 2009. Pursuant to MRAM letter No. 6-4807, as of 14 June 2010 the licence has not been revoked, pledged or transferred, and has not been acquired for state reserves, nor is it included in strategically important deposits nor overlaps with any land used for special purposes.

Pursuant to the order “To Accept and Register a Deposit” from the head of MRAM No. 113 dated 17 March 2010, ZMUL undertook mineral exploration for the licence area covered by 2616A at a total cost of MNT 4,489,284,703.72 between July 2008 and November 2009. Drilling works were performed by Landdrill International LLC and the

planned reclamation works budget was US\$3,700,000. MRAM accepted the results of the exploration work conducted by ZMUL within the Ereen-Baavgait area between 2001 and 2009 and registered the deposits in the State Registry of mineral deposits.

(b) **Licence transfer: sale and purchase agreement**

Pursuant to a licence sale and purchase agreement dated 9 December 2008, licence 2616A for the Ereen area was sold by Songold LLC to ZMUL. The agreement was amended on 26 July 2010 to refer to the correct mechanism for the transfer of licences under Mongolian law. The revised agreement provides for the sale and transfer of technical information relating to licence 2616A.

(c) **Environmental matters**

The licence holder has had an environmental protection plan for 2009 reviewed by the environmental protection inspector and approved by the Governor of Mandal soum, Selenge aimag.

3.1.7 **Zuun Modny Gol-1**

(a) **Licence: Zuun Modny Gol-1 12424X gold exploration/MV-015618 gold mining licence**

The Zuun Modny Gol-1 12424X gold exploration licence was originally issued on 27 June 2001 and its initial term of three years commenced from 27 June 2001, extended by three two-year periods to 27 June 2006, to 27 June 2008, and to 27 June 2010. The licence was transferred from Songold LLC to ZMUL on 7 August 2007. Pursuant to MRAM letter No. 6-4807, as of 14 June 2010 the licence has not been revoked, pledged or transferred, and has not been acquired for state reserves, nor is it included in strategically important deposits nor overlaps with any land used for special purposes. On 1 July 2010 gold exploration licence 12424X was converted into mining licence MV-015618. The mining licence is valid for an initial period of 30 years from 1 July 2010 and is extendable thereafter by 20 years depending on the reserve of the mineral.

(b) **Environmental matters**

The licence holder has had an environmental protection plan for 2009 reviewed by the environmental inspector of Mandal soum and approved by the Governor of Mandal soum, Selenge aimag.

3.2 **Bayan Resources LLC (“BRL”)**

3.2.1 **Background of licence holder**

BRL is the project company which holds copper exploration licence 3226X for the Halzan Uul area, Hanbogd soum, Omnogovi aimag. BRL is incorporated in Mongolia and located in Ulaanbaatar, Mongolia and its primary business activity is copper exploration within the Halzan Uul area.

According to the order of the head of MRAM No. 113 “To Accept and Register a Deposit” dated 17 March 2010, it was stated that BRL conducted mineral exploration within the Halzan Uul area between July 2008 and November 2009, for a total cost of MNT 4,489,284,703.72. The order stated that drilling works were performed by Bayaram LLC, Geo Undarga LLC and Major Drilling LLC, and the planned reclamation works budget was US\$ 3,700,000. MRAM accepted the results of exploration works conducted between 2001 and 2009 within the Halzan Uul area and registered the deposits in the State Registry of mineral deposits.

3.2.2 **Halzan Uul**

(a) **Licence: Halzan Uul 3226X copper exploration licence**

The Halzan Uul 3226X copper exploration licence was originally issued on 27 April 2001 and its initial term of three years commenced on 27 April 2001, extended by four two-year periods to 27 April 2006, to 27 April 2008, to 27 April 2010, and to 27 April 2012. The licence was issued to Khos Zes LLC on 13 March 2007, transferred to BRL by decision No. 1063 of the Head of Geology and Mining Cadastre Department of MRAM dated 10 July 2008, under a joint venture agreement dated 26 May 2008. Pursuant to MRAM letter No. 6-4659, as of 8 June 2010 the licence has not been revoked, pledged or transferred, and has not been acquired for state reserves, nor is it included in strategically important deposits nor overlaps with any land used for special purposes.

Pursuant to the order “To Accept and Register a Deposit” from the head of MRAM No. 113 dated 17 March 2010, BRL undertook mineral exploration for the licence area covered by 3226A at a total cost of MNT4,489,284,703.72 between July 2008 and November 2009. Drilling works were performed by Bayaram LLC, Geo Undarga LLC and Major Drilling LLC, and the planned reclamation works budget was US\$3,700,000. MRAM accepted the results of the exploration work conducted by BRL within the Halzan Uul area between 2001 and 2009 and registered the deposits in the State Registry of mineral deposits.

(b) **Licence transfer: joint venture agreement**

CAML, Ts. Bayanmunkh (Ts. Batjargal), T. Syrymbek, G. Purevsuren, and D. Enhbaatar entered into a joint venture agreement on 26 May 2008 in respect of licence 3226X. The purpose of the agreement is to develop jointly the licensed area under exploration licence 3226X (the Alag Bayan project). The licence was previously held by Khos Zes LLC, which is owned by a sole shareholder, Ts. Bayanmunkh. The parties to the agreement were required to establish a joint venture company to be owned as follows: CAML - 70 per cent., Ts. Batjargal- 20 per cent., T. Syrymbek- 4 per cent., G. Purevsuren and D. Enhbaatar- each 3 per cent, with each party contributing capital in cash. Pursuant to the agreement, licence 3226X was transferred to BRL, the joint venture company.

Material provisions of the joint venture agreement

CAML is under an obligation to carry out the exploration of the licensed area, to manage the financing of the Alag Bayan project, and to commence mine development and the construction of a concentrator. If the Alag Bayan project is identified as commercially feasible, then CAML is required to pay US \$1,000,000 to Ts. Bayanmunkh as a guarantee to commence mining and production, after licence 3226X is transferred to BRL. This payment reflects the cost of obtaining all geological and mining information, together with the acquisition by CAML of the 70 per cent. interest in BRL.

Ts. Bayanmunkh is under an obligation to register the licence for joint venture activities, to maintain the licence as valid, and extend it where necessary, and to not enter into agreements regarding the licensed area with any third party.

T. Syrymbek, G. Purevsuren and D. Enhbaatar are under an obligation to assist in establishing good relationships with the national and local government, to review and analyse geological data, to participate in exploration and mining operations and to provide professional assistance in developing a feasibility study for the construction of a mine and concentrator plant.

The joint venture agreement provides for distribution of the revenue generated by joint activities as follows:

- (i) 75 per cent. is to be paid to CAML for its contribution that exceeds its pro rata share until such time as CAML is compensated for its disproportionate contribution; and
- (ii) dividends pro rata to the respective contributions of the parties.

The joint venture agreement contains a pre-emption right whereby any party intending to sell or transfer all or some of its shares must first offer the shares for sale to the other parties by way of written notice. The other parties will have a pre-emption right to acquire the shares offered on terms more favourable or the same as the third parties, subject to responding to the notice within 30 days from receipt of the original notice. Failure to respond within this term will constitute consent to the sale of the shares to a third party.

(c) **Pre-mining agreement**

BRL and MRAM entered into a pre-mining operations agreement No. AoPMO-2010/08 for the licensed area under licence 3226X on 23 April 2010. The agreement will expire on 1 April 2012.

There is a pre-mining period of three years on the expiration of an exploration licence term. The pre-mining period allows for the development of mining drawings, preparation of the feasibility study, construction of a mine and commencement of production after the mineral deposit is determined and its reserve is registered by the Mongolian State Registry.

BRL satisfied the conditions for entry into a pre-mining agreement, as approved by the order of the head of the MRAM No. 410 dated 9 September 2009.

Material terms of the Pre-mining Agreement

Pursuant to the pre-mining agreement, during the pre-mining period BRL has undertaken to:

- (i) perform a detailed exploration and submit the reserve for registration with the Mongolian State Registry by 1 October 2011;
- (ii) develop a feasibility study and for submission to MRAM by 1 January 2012;
- (iii) perform the metallurgical test within 60 days; and
- (iv) reach the project development capacity within 60 days.

BRL has further undertaken to:

- (i) enter into an agreement to reimburse the state budget for the expenses of state-funded prospecting and reconnaissance activities prior to developing the feasibility study;
- (ii) obtain any requisite permits for the works to be carried out during the pre-mining period;
- (iii) annually submit to MRAM a report on performance under the agreement and also report on the status of pre-mining operations, whenever requested by MRAM; and
- (iv) allow a MRAM representative full access to the relevant documents.

The rights and obligations of MRAM are as follows:

- (i) to request in writing from BRL reports on the performance of this agreement and the status of pre-mining operations;
- (ii) to respond within 30 days to any of BRL's requests made in connection with performance of this agreement; and
- (iii) to review performance of this agreement by an advance written request to BRL.

(d) **Environmental matters**

Omnogovi aimag State Specialised Inspection Office inspected the status of reclamation works performed within the Halzan Uul area under licence 3226X and in its "Opinion On Acceptance of Reclamation Works" dated 26 November 2009 concluded that BRL has drilled five holes out of the eight planned. The reclamation works in the vicinity of the drilled holes were deemed to have been performed in compliance with the standard requirements. The opinion states that as a guarantee of performance of BRL's environmental protection obligations, MNT 500,000 (which is deemed to be equal to 50 per cent. of the expenses required for environmental protection) was deposited in an account at the Hanbogd soum KHAAN Bank branch; the drilling works have been performed by Major Drilling LLC and no environmental protection violations were revealed.

3.3 Mon Resources LLC ("MRL")

3.3.1 Background of licence holder

MRL is the project company which holds licence 14992A for the Handgait molybdenum deposit. MRL is incorporated in Mongolia and located in Ulaanbaatar, Mongolia and its primary business activity is geological exploration within the Handgait area.

3.3.2 Handgait

(a) **Licence: Handgait 14992A molybdenum mining licence**

The Handgait 14992A molybdenum mining licence was originally issued to MRL on 9 July 2009 and its initial term of 30 years commenced from 9 July 2009, extendable by 20 years depending on the reserve of the mineral. Pursuant to MRAM letter No. 6-4732, as of 11 June 2010, the licence has not been revoked, pledged or transferred, and has not been acquired for state reserves, nor is it included in strategically important deposits nor overlaps with any land used for special purposes.

(b) **Licence transfer: share sale and purchase agreement**

Pursuant to a share sale and purchase agreement dated 18 May 2007 P. Batchuuun, the sole owner of shares in MRL, sold 80 per cent. of his shares to CAML for a consideration of US \$200,000. MRL was then the holder of licences 11631X, 11632X and 11633X. CAML was required to purchase the licences under a separate agreement from the former shareholders and CAML was able to sell this option upon expiration of 90 days from signature of this agreement. The change in ownership resulting from this share sale has been duly registered with Foreign Investment and Foreign Trade Agency and reflected in MRL's Foreign-invested Business Entity Certificate and State Registration Certificate.

(c) **Licence transfer: technical information sale and licence transfer agreement**

Pursuant to a licence sale and purchase agreement dated 10 May 2008 licences 11631X, 11632X and 11633X for the areas Handgait-2, Handgait-3 and Handgait-4 were sold by MRL to Shar Narst LLC for a consideration of US \$900,000. The agreement was amended on 27 August 2010 to refer to the correct mechanism for the transfer of licences under Mongolian law.

(d) **Environmental matters**

No operations were carried out in 2009 in the Handgait area. Therefore, there are no environmental matters relevant to licence 14992A.

PART 5

FURTHER INFORMATION ON THE MINING SECTOR

1. Copper

1.1 Background

Due to its ductility, malleability, alloying, resistance to corrosion, strength and conductive properties, copper has been used for over 10,000 years to produce a wide variety of products. Today copper is used in a wide range of domestic, industrial and electronic applications, and it continues to serve as a high technology material. Copper is often alloyed with other metals such as aluminium or tin (to form bronze), zinc (to form brass), or nickel (to form cupronickel), giving it different characteristics and thereby enabling its use in a wide range of specialised applications.

The Economist Intelligence Unit (“EIU”) estimates that globally, 17.6 million tonnes of refined copper was consumed in 2009, marginally less than the 18.1 million tonnes it estimates was consumed in 2008. Copper is usually shipped to fabricators as cathode, wire rod, billet, cake (slab) or ingot. Through a variety of manufacturing processes, fabricators form wire, rod, tube sheet, plate, strip, castings, powder and other shapes. These copper and copper-alloyed products are then shipped onward for final manufacturing or distribution.

Copper has a wide variety of applications and is predominantly used in the following sectors:

- Construction;
- Electrical;
- Electronics and communications;
- Transportation;
- Industrial machinery and equipment; and
- Consumer and general products.

1.2 Demand and Supply

World refined copper usage has been estimated by the EIU to have declined by 2.8 per cent. in 2009 to 17.6 million tonnes. Chinese usage is estimated to have increased by 26.5 per cent. from 2007 to 2009 with the rest of the world’s usage declining by 13.3 per cent. over the same period to 11.4 million tonnes. According to the EIU, China was by far the largest copper consumer in 2009 representing 6.1 million tonnes or 35.0 per cent. of global consumption, compared with 3.2 million tonnes (18.2 per cent.) for the European Union and 1.7 million tonnes (9.5 per cent.) for the US. When measured by the International Copper Study Group (“ICSG”) as apparent consumption, which includes stockbuilding, global copper demand increased marginally to 18.2 million tonnes in 2009, from 18.1 million tonnes in 2008.

According to the ICSG, world copper mine production in 2009 was 15.8 million tonnes, and primary extraction has increased each year since 2004. However, copper mine capacity utilisation fell to 80.8 per cent. in 2009 as miners were limited by operational constraints and temporary production cuts. In the near future, utilisation rates are expected to improve and the ICSG forecasts mine production to increase to 16.8 million tonnes in 2010 and 17.3 million tonnes in 2011.

Refined copper production in 2009 was estimated at 18.4 million tonnes and is forecast by the EIU to increase to 18.8 million tonnes and 19.3 million tonnes in 2010 and 2011, respectively.

1.3 Pricing

Refined copper is traded on the LME, the Comex division of the New York Mercantile Exchange (“Comex”) and other commodity exchanges around the world. It is also sold directly to consumers. The LME quotes prices in US\$/tonne while Comex quotes prices in US\$/lb. As of 3 September 2010, the price of copper was US\$7,633.25/tonne on the LME and US\$3.48/lb on Comex.

Figure 1. Copper price history (LME)



Source: Datastream

1.4 Market outlook

Over the past decade, base metal prices have risen considerably, largely due to the increasing demand from China, India and other major developing countries. The EIU has forecast that refined copper usage will grow by 5.8 per cent. to 18.6 million tonnes in 2010 and a further 4.2 per cent. to 19.3 million tonnes in 2011. While mine utilisation is expected to improve from 2009, financing for exploration projects has been disrupted by the financial crisis and, as copper mines take several years to bring to full production, this will serve to constrain supply in the medium term.

2. Gold

2.1 Background

Throughout history, gold has been used as a currency, a commodity and an investment. Because of its malleability, ductility, non-toxicity, non-corrosive and not least its aesthetic properties, gold has been used for thousands of years to create jewellery, ornaments and other items of beauty. Throughout the ages, gold has also been used as a currency and a hedge against inflation or other economic disruptions. It also has a variety of industrial applications, in the fields of electronics, aeronautics, medicine and dentistry. More recently, engineers have been discovering new areas of application including environmental control, nanotechnology and construction materials.

2.2 Demand and supply

Demand for gold can be divided into three main categories: jewellery, industrial or dental, and as an investment or monetary asset. The EIU has estimated that global gold consumption contracted by 11.0 per cent. to 3,386 tonnes in 2009. The rising price of gold was the primary factor for this reduction in demand, with jewellery consumption falling by 20.1 per cent. to 1,747 tonnes. India and China are the largest consumers of gold jewellery comprising 43.1 per cent. of the market in 2009. Industrial and dental demand has been estimated at 368 tonnes in 2009, which was 15.6 per cent. less than 2008. Investment demand, however, increased by 7.3 per cent. to 1,271 tonnes in 2009. The resurgence of interest in gold as an investment or a 'safe haven' asset has been caused by the unprecedented levels of monetary and fiscal stimuli that major economies have adopted in response to the global financial crisis, as well as other macroeconomic risks such as global trade imbalances and the European sovereign debt crisis.

Global gold production was 3,893 tonnes in 2009, which was a 10.8 per cent. higher than 2008. The EIU estimates that gold mine production was 2,554 tonnes in 2009, which was 6.0 per cent. higher than 2008. As gold is almost indestructible and highly recyclable, a significant proportion of annual production is from old gold scrap. In 2009, the EIU estimated that 1,549 tonnes or 39.8 per cent. of gold produced was from scrap. Scrap supply in 2009 was considerably above historical levels and

largely attributable to profit taking at elevated prices and distress selling in Europe, although scrap sales declined in the second half as global economic prospects improved.

2.3 Pricing

The majority of trading in gold is conducted in the over the counter (“OTC”) market, which trades on a 24-hour per day continual basis. The main centres of the OTC market are London, New York and Zurich, while other markets exist in Dubai and cities in the Far East. The London afternoon gold price fixing occurs when the US, European, Middle Eastern and African markets are open and tends to be the most liquid period during the day. It is therefore used as a reference gold price around the world.

In addition to the OTC market, there are a number of futures exchanges on which standardized gold contracts are traded. The largest of these are the Comex, the Chicago Board of Trade (“CBOT”) and the Tokyo Commodity Exchange (“TOCOM”). As of 3 September 2010, the near term contracts were priced at US\$1,249.2/ounce on Comex, US\$1,249.2/ounce on CBOT and ¥3,389/100g on TOCOM.

Figure 2. Gold price history (London Bullion Market)



Source: Datastream

2.4 Market outlook

The EIU and the World Gold Council have forecast a recovery in demand in 2010-11. Continuing economic recovery will drive global jewellery demand, while European investment demand is strong, particularly from German and Swiss investors. While dental applications are expected to decline with the use of better alternatives, industrial consumption is expected to stage a modest recovery as demand for electronics rises. The EIU expects gold demand to increase by 6.0 per cent. to 3,587 tonnes in 2010 and a further 8.8 per cent. to 3,901 tonnes in 2011.

Looking further ahead, Chinese consumption is expected to double through to 2020. The EIU predicts, that in addition to increasing domestic jewellery and industrial demand, China’s central bank will continue to accumulate physical gold prior to easing its currency restrictions. Since the beginning of the global financial crisis other central banks, particularly those of emerging economies such as India and Russia, have also been accumulating vast quantities of gold. With ongoing macroeconomic risks and the continuing debasement of major fiat currencies, most central banks who were net sellers of gold since 2000 have reduced or discontinued their sales programmes.

3. Molybdenum

3.1 Background

Molybdenum has one of the highest melting points, electrical and thermal conductivity of all elements, while also having a relatively low density and extremely low coefficient of thermal expansion. Given its properties, it is extremely useful for alloying with steel and cast irons. It contributes to the hardenability, toughness, weldability and resistance to corrosion of such alloys and has the ability to withstand extremely high temperatures without significantly expanding or softening.

Molybdenum's unique chemical properties allows for it to be used in a number of specialised applications such as the manufacture of aircraft parts, nuclear power plants, electrical contacts, industrial motors and filaments. Other applications of the metal include as a radioisotope for medical procedures, as a solid lubricant and high-pressure, high-temperature antiwear agent, in electrically conducting ceramic compounds, an adhesive, and as a fertiliser. Further, molybdenum chemical compounds are used for a variety of purposes including as catalysts, lubricants, corrosion inhibitors, paints and surface coatings, smoke suppressants, pigments, ceramics, nanomaterials and agricultural chemicals.

3.2 Demand and supply

According to the CPM Group, almost three quarters of molybdenum offtake is used to produce molybdenum-grade stainless and alloy steels, and alloy irons. The remaining amount is used in chemical compounds (15.1 per cent.), other molybdenum-based metals (6.6 per cent.) and superalloys (5.6 per cent.).

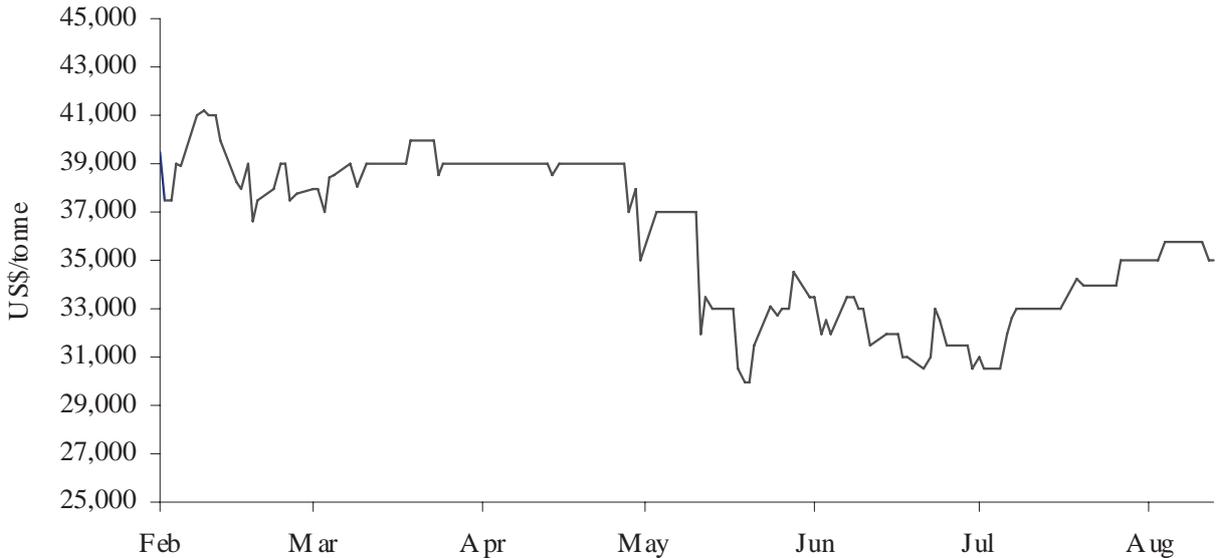
Over the past decade molybdenum demand has grown strongly, primarily fuelled by rapid industrial demand in China and other emerging economies. During the global financial crisis, demand collapsed and prices for molybdenum oxide fell to approximately US\$8/lb. Steep production cuts and a return in demand ensued driving the price back to US\$15.2/lb as of 3 September 2010.

3.3 Pricing

Molybdenum is sold in a variety of forms, the most common are molybdenum oxide and ferro molybdenum, which are used for alloying with steel and cast iron. As molybdenum is considered a minor metal it only recently commenced trading on the LME. At 3 September 2010, molybdenum oxide was US\$33,500/tonne.

Molybdenum is also sold as ore concentrate, as ammonium molybdate and as a variety of other compounds in metals markets throughout the world, as well as directly from molybdenum producers.

Figure 3. Molybdenum price history (from the start of trading on the LME on 22 February 2010)



Source: Datastream

3.4 Market outlook

As the availability of financing outside China remains an issue, the consequent underinvestment in exploration and development of molybdenum projects will constrain supply for the next few years. Given the fundamental demand and supply dynamics, prices are expected to move in an upwards trend over the next few years.

PART 6

COMPETENT PERSON'S REPORT

24 September 2010

The Directors
Central Asia Metals Plc
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KPMG Corporate Finance, a division of KPMG LLP
8 Salisbury Square
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Dear Sirs

Central Asia Metals Plc – Competent Person's Report

Background

Central Asia Metals Plc (“CAML”), KPMG Corporate Finance (“KPMG”) and Mirabaud Securities LLP (“Mirabaud”) commissioned Wardell Armstrong International Ltd (“WAI”) to prepare a Competent Person's Report (“CPR”) for inclusion in the “Admission Document”, dated 10 September 2010 in connection with the proposed admission of the ordinary shares of CAML to trading on the AIM market of the London Stock Exchange (“AIM”).

WAI hereby consents to the inclusion of this letter and the CPR in the Admission Document, with the inclusion of its name, in the form and context in which they appear in the Admission Document and we authorise the contents of the CPR for the purposes of the AIM Rules for Companies (the “AIM Rules”).

In compliance with Schedule 2 of the AIM Rules, WAI is responsible for this letter and the CPR as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this letter and the CPR is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

The principal current assets in which CAML is interested comprise the Ereen Gold and Handgait Molybdenum projects in northern Mongolia; the Alag Bayan Copper-porphry project located in south eastern Mongolia; the Kounrad Copper SX-EW leach operation in central Kazakhstan; and the Tochtar Gold Mine located in north central Kazakhstan, all of which are at various stages of exploration and development, and are discussed in detail in the CPR. WAI considers that the relevant areas have sufficient technical merit to justify proposed programmes and associated expenditures.

The Admission Document contains an appropriate summary of each of the assets, and WAI is satisfied with the integrity of the information contained in the Admission Document based on the limited validation work performed by WAI, but more importantly, reliance on the legal due diligence performed by the Group's respective lawyers in the projects' geographical locations.

WAI has not been requested to provide an Independent Valuation.

Requirement and Structure of the CPR

WAI has prepared the CPR in accordance with the requirements of the AIM Note for Mining And Oil & Gas Companies – June 2009 (the “AIM Guidance Note”) as prepared by the London Stock Exchange.

WAI has reviewed the resources and reserves as presented by CAML and shown in the CPR and, as far as possible, has compared them with the 2004 edition of the Australasian Code for Reporting of

Exploration Results, Mineral Resources and Ore Reserves (the “JORC Code”) or, where applicable, the requirements of GKZ (Republic of Kazakhstan).

The CPR has been structured on a technical discipline basis into sections typically on Geology, Mineral Resources and Ore Reserves, Mining Engineering, Mineral Processing, Infrastructure, Occupational Health and Safety, Environmental Management, and a Financial Assessment for each of the Mineral Assets held by CAML in Kazakhstan and Mongolia. Site visits have been made by WAI to the various Mineral Assets.

Verification, Validation and Reliance

The CPR is dependent upon technical, financial and legal input. The technical information as provided by CAML to, and taken in good faith by, WAI has not been independently verified by means of re-calculation, but all reserve and resource estimates have been substantiated by evidence from WAI’s site visits and observations, are supported by details of exploration results, analyses and other evidence and take account of all relevant information supplied by CAML. WAI has however conducted a review and assessment of all material technical issues likely to influence the future performance of the Mineral Assets, which included the following:

- Inspection visits to the mining operations, processing facilities, surface structures and associated infrastructure, undertaken in 2010, with:
 - discussion and enquiry following access to key on-site and corporate personnel;
 - an examination of historical information and results made available by CAML in respect of the Mineral Assets;
 - a review of CAML’s resource estimates; and
 - a review of CAML’s production forecasts and costs.
- Undertaken all necessary investigations to ensure compliance with the AIM Rules, the AIM Guidance Note, the JORC Code (where appropriate) and the requirements of GKZ (Republic of Kazakhstan) (where appropriate) in terms of the level of disclosure.

Several resource estimates in respect of Kounrad in the CPR have not been prepared in accordance with an internationally recognised standard, are based on historical data and are included for information only. No assurance can be given that any resources which CAML may report to an internationally recognised standard in the future will be in line with these estimates or that the tonnages and grades referred to will be achieved. Investors should therefore place no reliance on these estimates.

WAI has placed reliance on CAML that the following information provided by CAML to WAI is both valid and accurate for the purpose of compiling the CPR:

- All technical information;
- That the legal ownership of all mineral and surface rights has been verified and save as disclosed in the CPR that no significant legal issues exists which would affect the likely viability of a project and/or the Mineral Resources and Ore Reserves as reported herein.

Limitations, Declarations, Consent and Copyright

Limitations

CAML has confirmed to WAI that to its knowledge the information provided by CAML was true, accurate and complete and not incorrect, misleading or irrelevant in any aspect. WAI has no reason to believe that any facts have been withheld.

The achievability of production forecasts and costs are neither warranted nor guaranteed by WAI. The forecasts as presented and discussed herein have been proposed by CAML management and adjusted where appropriate by WAI and cannot be assured. They are necessarily based on economic assumptions, many of which are beyond the control of CAML. In the opinion of WAI such forecasts are reasonable and have been prepared in accordance with accepted mining engineering and evaluation principles.

Resource Estimates

Unless stated otherwise, resource estimates contained in the CPR in respect of Kounrad have not been prepared in accordance with an internationally recognised standard, are based on historical data and are included for information only. No assurance can be given that any resources which CAML may report to

an internationally recognised standard in the future will be in line with these estimates or that the tonnages and grades referred to will be achieved. Investors should therefore place no reliance on these estimates.

Declarations

WAI will receive a fee for the preparation of the CPR in accordance with normal professional consulting practice. This fee is not contingent on the outcome of the listing or value of CAML and WAI will receive no other benefit.

WAI does not have, at the date of this letter, and has not had within the previous two years, any shareholding in or other relationship with CAML or the principal current assets in which CAML is interested which comprise of the Ereen Gold and Handgait Molybdenum projects in northern Mongolia; the Alag Bayan Copper-porphyry project located in south eastern Mongolia; the Kounrad Copper SX-EW leach operation in central Kazakhstan; and the Tochtar Gold Mine located in north central Kazakhstan and consequently considers itself to be independent of CAML.

In the CPR, WAI provides assurances to the Directors of CAML that certain Technical and Economic data including production profiles, operating expenditures and capital expenditures, of the Mineral Assets as provided to WAI by CAML and reviewed and where appropriate modified by WAI are reasonable, given the information currently available.

The 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; WAI does not consider these to be material.

Furthermore, WAI is responsible for this letter and the CPR as part of the Admission Document and declares that it has taken all reasonable care to ensure that the information contained in this letter and the CPR is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Consent and Copyright

WAI consents to the issuing of this letter and the CPR in the form and content in which they are to be included in the Admission Document.

Neither the whole nor any part of this letter and the CPR nor any reference thereto may be included in any other document without the prior written consent of WAI regarding the form and context in which it appears.

Copyright of all text and other matter in this document, including the manner of presentation, is the exclusive property of WAI. It is an offence to publish this document or any part of the document under a different cover, or to reproduce and or use, without written consent, any technical procedure and or technique contained in this letter and the CPR. The intellectual property reflected in the contents resides with WAI and shall not be used for any activity that does not involve WAI, without the written consent of WAI.

Responsibility for the CPR and No Material Change

WAI accepts responsibility for the CPR for the purposes of a competent person's report under the AIM Guidance Note. The CPR is complete up to and including 10 September 2010. Having taken all reasonable care to ensure that such is the case, WAI confirms that, to the best of its knowledge, the information contained in the CPR is in accordance with the facts, contains no omission likely to affect its import, and no material change has occurred from 10 September 2010 to the date hereof that would require any amendment to the CPR.

Qualification of Consultants

WAI comprises over 50 staff, offering expertise in a wide range of resource and engineering disciplines. WAI's independence is ensured by the fact that it holds no equity in any project. This permits WAI to provide its clients with conflict-free and objective recommendations on crucial judgment issues. WAI has a demonstrated track record in undertaking independent assessments of resources and reserves, project evaluations and audits, MER's and CPR's, and independent feasibility evaluations to bankable standards on behalf of exploration and mining companies and financial institutions worldwide.

The CPR has been prepared based on a technical and economic review by a team of consultants sourced from the WAI offices in Europe over a 3 month period. These consultants are specialists in

the fields of geology, resource and reserve estimation and classification, open pit mining, rock engineering, iron ore processing, hydrogeology and hydrology, tailings management, infrastructure, environmental management and mineral economics.

The individuals listed below have provided input to the CPR and have extensive experience in the mining industry and are members in good standing of appropriate professional institutions:

- Phil Newall, MCSM, BSc, PhD, CEng, FIMMM, is Director of Minerals and Geologist with WAI and has practised his profession as a mine and exploration geologist for over 25 years' for both base and precious metals;
- Mark Owen, MCSM, BSc, MSc, CGeol, EurGeol, FGS, is a Technical Director and Geologist with WAI and has over 28 years' international experience as a mine and exploration geologist in both surface and underground mining operations;
- Barrie O' Connell PhD, B.Eng (Hons), MCSM has 8 years' of mineral processing experience ranging from laboratory and pilot plant testwork and was previously employed as a Project Metallurgist at a Lead/Zinc mine in Ireland;
- Joe Hirst, BSc, MSc, FGS; Resource Geologist, has 7 years' geological experience with 3 years consulting on resource projects; and
- Kim-Marie Clothier, BSc, MRes, AIEEM, Grad IMMM, MIEMA, is Senior Environmental Scientist with WAI, and has over 10 years' experience, mainly dealing with Environmental and Social Impact Assessments on mining projects overseas.

The CP who has supervised the production of the CPR is Dr Phil Newall who is Director of Minerals with WAI and a Geologist with over 25 years' experience in the mining industry.

Yours faithfully
for and on behalf of
Wardell Armstrong International Ltd

P Newall
Director of Minerals

wardell-armstrong.com

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



**CENTRAL ASIA METALS PLC
KPMG CORPORATE FINANCE
MIRABAUD**

**Competent Persons Report on Central Asia Metals' Assets in Kazakhstan and
Mongolia**

September 2010

your earth our world



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**CENTRAL ASIA METALS PLC
KPMG CORPORATE FINANCE
MIRABAUD**

Competent Persons Report on Central Asia Metals' Assets in Kazakhstan and Mongolia

10 September 2010

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This report has been prepared by Wardell Armstrong International with all reasonable skill, care and diligence, within the terms of the Contract with the Client. The report is confidential to the Client and Wardell Armstrong International accepts no responsibility of whatever nature to third parties to whom this report may be made known.

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EXECUTIVE SUMMARY

Wardell Armstrong International (“WAI”) was commissioned by Central Asia Metals Plc (“CAML” or “Client”) for the preparation of a Competent Person’s Report (CPR) of its assets for the purposes of fulfilling the requirements of the AIM Rules and AIM Note for Mining and Oil and Gas Companies (June 2009) for a proposed admission of ordinary shares of CAML to trading on AIM, a market operated by the London Stock Exchange plc (“AIM”).

The assets of CAML are:

- The Kounrad Copper SX-EW leach operation in central Kazakhstan;
- The Tochtar Gold Mine located in north central Kazakhstan;
- The Alag Bayan Copper-porphyry project located in south eastern Mongolia; and
- The Ereen Gold and Handgait Molybdenum projects in northern Mongolia.

Where possible, WAI has reviewed Mineral Resources in accordance with the *Australasian Code for Reporting of Mineral Resources and Ore Reserves* (the ‘JORC Code’ or ‘the Code’ 2004), which is an internationally recognised standard. The Code sets out minimum standards, recommendations and guidelines for Public Reporting of Exploration Results, Mineral Resources and Ore Reserves in Australasia. The Code 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.

WAI believes that the Republic of Kazakhstan, a member of the Commonwealth of Independent States (CIS), formerly a Soviet Republic (Kazakhstan declared its sovereignty as a Republic within the Union of Soviet Socialist Republics (USSR) in October 1990) still adheres to the GOST regulations of the Russian Federation for the reporting of mineral resources and reserves and as such the reserves quoted above are equivalent to the Russian Standard. Gosstandart of the Russia Federation (GOST) is a set of regulations (similar to ISO) which relate to all Russian industries. Resources and reserves are approved by GKZ in Moscow, the State governing body for this, which applies the GOST regulations. Therefore, if resources and reserves are approved by GKZ, they are in compliance with GOST.

Where resources have not been estimated in accordance with an internationally recognised standard, such as the JORC Code (2004) or the Russian Standard and are based on historical data they are included for information only.

Kazakhstan Assets

Kounrad

Copper ore was mined at Kounrad from 1936, originally by Balkhashtsvetmed and more recently by Kazakhmys PLC who still own the mine and the liabilities associated with restoration of the site. Over the decades of production detailed mining and processing records have been maintained relating to the classification and grades of the various waste dumps.

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). The subsequent Joint Operating Agreement (JOA) between the two companies saw the incorporation of Kounrad Copper Company (KCC) which is the company through which the construction and operation of a commercial SX-EW plant will be tasked. KCC is currently finalising the design for a 10,000tpa copper cathode facility and will also be responsible for the operation of the full scale production plant. Sary Kazna developed the basic design for the plant construction, based on the earlier data from the engineering companies Bateman, MECC, PakPas, Unipromed, Terramatrix, Hydrogeo and KarGIIZ, as well as their own updated data on the dumps obtained from a pilot scale SX-EW plant operated at site since mid-2008.

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, to the eastern and western margins of the pit. Test work 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 1970’s.

Based on extensive sampling and test programmes performed by Balkashmed and other groups, and actual recoveries experienced in the current SX-EW operations, the copper recovery from oxide material is estimated in the region of 50%.

The dumps can be divided into four categories of which the three main ore-bearing waste types are oxide, sulphide and mixed/waste materials. The oxide waste is dumped entirely on the eastern margin of the open pit mine, which CAML propose to treat first. All of the sulphide, and the bulk of the mixed/waste dumps, are located in the western area and will be subjected to leach testing in 2010/11 to verify copper recoveries and acid consumptions.

Four dumps (namely 6, 7 and 9-10) located on the eastern side of the open pit are estimated to contain gross reserves of 49.2Mt of C₂ category oxide ore, approved in January 2002 by GKZ (Republic of Kazakhstan), with an average grade of 0.16% total copper and with a leach recovery of approximately 50%.

In addition to the approved oxide, estimates have been made for sulphide and mixed/waste dumps located in the west of the property; these were estimated internally by Balkashmed and as yet have not been approved by GKZ (Republic of Kazakhstan).

CAML is of the opinion that there is potentially 576.3Mt of sulphide and mixed/waste dump material available containing 655.5kt of copper (gross).

These estimates have not been prepared according to an internationally recognised reporting standard such as the JORC Code (2004) or the Russian Standard and are based on historical data; hence they are included for information only.

The western sulphide dumps are at present undergoing active sampling and reserve re-estimation by Sary Kazna. WAI believes that the approach that has been adopted to evaluate these dumps is appropriate, given the nature of the material. Further evaluation of the western dumps will be conducted during 2010 by means of excavating trenches and pits from the dump surface, removing bulk samples, preparing samples followed by assaying at an approved laboratory, all in accordance with GKZ (Republic of Kazakhstan) protocols.

In August 2008 CAML commissioned a pilot scale SX-EW 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 is located at oxide waste dump 6, with test leaching cells of area 1000m² being irrigated at any one time and over the period to early September 2009 had recovered 46.8% of the estimated contained copper (from 3 cells of ore); with a figure of 50.2% reached by 21 July 2010 (from 4 cells of ore). Copper in cathode recovered by the pilot scale SX-EW plant by the end of August 2010 was 320t.

Laboratory test work on samples taken from a sulphide dump drilling programme in 2009 has indicated that a significant amount of natural oxidation has occurred converting primary to secondary sulphides, resulting in potential leach recoveries approaching 50%. However, in their economic assessments CAML have utilised a lower number of 40% for these materials.

In November 2009 CAML commissioned the Beijing General Research Institute of Mining and Metallurgy (BGRIMM) to undertake a feasibility study on a 10,000tpa copper SX-EW plant which was completed in March 2010 and WAI has been provided with a full copy of the document for review.

Following a review of information provided by CAML from its own operation and from previous test work and using their experience in the design of several SX-EW plants in China, BGRIMM has developed a detailed leaching schedule and designed a plant capable of treating a range of flow rates and solution grades to produce 10,000tpa of copper cathodes at a minimum 99.99% quality. The plant design has taken the extremes of climate into consideration, especially the operability through the winter period.

BGRIMM has adopted recovery levels of 50%, 45% and 40% respectively for the three ore types (oxide, mixed and sulphide) resulting in the expected recovery of almost 324,000t of copper (gross) over the project life. The eastern dump wastes should recover approximately 121,000t during a 12 year period, with the western dumps producing the balance of 203,000t.

The total annual direct operating cost for the production of 10,000t of cathode copper is US\$8.293M or US\$0.83/kg Cu produced (US\$38c/lb). Accounting for depreciation, annual costs to extend the leachate collection trenches and office overheads (outside of Balkhash) the overall processing cost rises

to US\$13.16M or US\$1.32/kg Cu produced (US\$60c/lb). WAI believes that the operating cost is realistic at US\$1.32/kg Cu produced.

The total capital expenditure required to construct the 10,000tpa copper SX-EW facility is estimated as US\$46.9M. WAI has reviewed the capital cost breakdown and finds it to be realistic. The BGRIMM Feasibility Study states that the total Project NPV (10% discount) is US\$242.5M (post tax), based on the assumptions above and a US\$3.00/lb sale price.

WAI examined the hydrogeology of the area with respect to leaching the dumps. The permeability of the leach piles is considered to be higher than those of the underlying alluvial sediments and host rock and, historically, no problems are understood to have been encountered with regard to the infiltration of pregnant solution through the waste rock, therefore WAI believes there is no reason for this situation to change.

WAI is satisfied that 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; however these are not as yet structured into a Community Development Plan, although this is reported to be a medium term aim.

A dedicated Environmental Manager will commence work in August 2010, and all environmental monitoring requirements will be managed through this position. Currently, there are no formal environmental policies, environmental training or Environmental Management Systems (EMS) in place at the operations. Hence environmental issues are managed with regard to compliance, rather than in a more proactive manner.

WAI notes that the current groundwater monitoring plan is not sufficient to separate current pollution incidents from historic contamination, since there are no control points unaffected by dynamic natural leaching processes at the site. To remedy this, WAI recommends that monitoring points need to be established across the whole site, and that hydrogeological modelling needs to take account of the presence of a cone of depression, in the form of the Kounrad open pit, when predicting groundwater flow, and hence direction of leaching. A closure plan should be developed, and it is reported that this is planned by the company.

Tochtar

The Tochtar deposit is located in a belt of gold mineralisation up to 20km long and 4-6km wide, the Tobol regional fault and the Vostochny fault marking the western and eastern boundaries respectively. The deposit's high-grade gold mineralisation continues for 3.5km along strike and varies in width from 80 to 400m.

A Mineral Resource estimate, audited by WAI, provides a comparison between ordinary kriging and IDW³ estimation methodologies. The IDW³ estimation yielded some 942.5kt grading 2.61g/t Au in *Measured* category; 503.6kt grading 2.54g/t Au in *Indicated* category and 5,747.2kt grading 3.14g/t Au in *Inferred*. The combined Mineral Resources totalling 7.4Mt @ 2.94g/t Au. Of this, only some 270,000t @ 2.1g/t Au is oxide mineralisation, the current target of shallow mining operations. These estimates are reported in accordance with the guidelines of the JORC Code (2004).

However, new discoveries of additional mineralised feather structures in the open pits have offered the possibility of increased resources. Furthermore, considerable volumes of oxide (and semi-oxide) mineralised stockpiles/waste dumps also exist, although these await further study.

In October 2006, CAML started a small-scale Heap Leaching Operation designed for treatment of Tochtar oxide ores. The ore was trucked a short distance to the Heap Leaching Site and placed in one of the eight clay-lined pad areas 50 x 150m. The ore was stacked to a height of 3.5-4.0m and leached with 0.03% cyanide solution, which was applied through a network of sprays.

These limited mining operations during 2006-2009 produced a total of 230,664t of ore at an average grade of 1.21g/t Au. This material was then subjected to heap leaching to produce 156.67kg (5,037oz) of gold at an overall recovery of 56.23%.

No mining was undertaken in 2009.

Comprehensive metallurgical studies were carried out from 1976-1990 by the Tula Branch of the All-Union Research Institute of Exploration (TsNIGRI). In view of the oxide ore composition, the main

method of gold and silver recovery is considered by cyanide leaching. Gravity concentration methods are considered inefficient.

Based on the phase analysis of gold in the sulphide ore, the bulk of gold (70-90%) is in close association with pyrite and arsenopyrite. Flotation is the main concentration method for this ore type. The test results were used to develop a two-stage flotation process flow sheet with a resultant bulk concentrate.

In 2007-2008, further processes were investigated by Tochtar Mining Company LLP and Sary Kazna LLP, and included test work completed by VNIItsvetmet (Ust Kamenogorsk) and Bateman Engineering (South Africa) who tested their technology on the flotation concentrate at the Research Institute of Non-Ferrous Metals, also in Ust Kamenogorsk.

The Tochtar flotation concentrate was also tested in the laboratory of Celtic Resources Holdings Ltd. at the Suzdal Gold Mine in Kazakhstan. Their process is based on BIOX[®] oxidation. Based on the test results, Celtic Resources confirmed that the flotation concentrate is amenable to processing using this technology.

Tests on the applicability of the Bateman technology were carried out on the Tochtar flotation concentrates by the Research Institute of Non-Ferrous Metals in 2008. The test results showed that the gold recovery by cyanide leaching of flotation concentrate without preliminary oxidation treatment did not exceed 10%, even after fine grinding of the concentrate (-0.010mm). Preliminary alkaline oxidation using the Bateman technology increased the gold recovery rate due to partial oxidation of sulphide minerals and the maximum gold recovery was 64-66%.

With regard to environmental performance, WAI believes the project appears to be being developed in line with national requirements, but further works will be required to achieve national compliance.

Mongolian Assets

Alag Bayan

The Alag Bayan property is held under exploration licence No 3226X and 70% owned by Bayan Resources LLC, a subsidiary company of CAML Mongolia BV and is located in Khan Bogd soum of Umnugobi aimag. The licence covers a total area of 39.41km² (3,941ha).

Surface outcrop of copper mineralisation exists in the central portion of the licence area and was investigated by a series of exploration programmes, its continuation at depth has been revealed and economic studies, based on the open pit mining of a small scale deposit, have been performed.

Such areas, characterised by their relatively high geophysical IP anomalies, were found in the immediate vicinity of a shallow intrusive body in the licence area, so that sulphide mineralisation may occur in association with this geological environment.

Based on the results of previous geological and geophysical (induced polarisation and magnetic) surveys and trench sampling undertaken throughout the licence area, follow-up diamond drilling was conducted to elucidate the further potential of the area and identify the geological settings and anomalies of interest. The initial stages of this geological investigation have identified a near surface copper target resource.

CAML's exploration programme commenced in 2008, targeting near surface copper mineralisation, and has demonstrated an occurrence of a potentially extractable ore body down to 130m below the surface. Additional work included an ore processing technological study; a site hydrogeological survey, a scoping level economic evaluation of the deposit, and submission of a final Mineral Resource report to the experts' group of the Mongolian Minerals Council for consideration and approval. The Mineral Resource report was successfully signed and approved under the resolution No 113 of the Head of the Mineral Resources Authority of Mongolia on 27 February 2010.

During the 2008 – 2009 exploration programme, relevant core sampling, handling and laboratory testing were performed adequately and in compliance with appropriate quality assurance and quality control procedures. In addition, any supplementary and necessary geodetic surveys related to the exploration, site hydrogeological and geotechnical conditions, geotechnical study for the ore processing plant and the waste rock and tailing storage facility areas, and topographic mapping scaled at 1:5000, 1:2000 and 1:1000 were performed according to local standards.

A Mineral Resource estimate for the near surface copper mineralisation (at a 0.1% COG using classical Soviet resource estimation cross sectional methodology) was submitted (a requirement in order to extend the exploration licence by a further two years) and approved by the Mineral Resource Agency of Mongolia on 27 February 2010.

The limited programme of near surface exploration carried out to date by CAML at Alag Bayan was done in order to secure an extension of its exploration licence. For this purpose the Mineral Resources were also prepared in accordance with the requirements of the Mongolian Mineral Resource Agency of Mongolia. Therefore, although copper Mineral Resources equivalent to the Soviet C₂ and C₁ categories have been approved for Alag Bayan, they have not been included here as they have not been prepared in accordance with an AIM approved standard. The calculated Mineral Resources at Alag Bayan are not considered material but are significant in demonstrating the near surface presence of mineralisation in the Alag Bayan licence area and in supporting the decision to explore further.

CAML was aware that in addition to this surficial material delineated during the 2008 season the licence area had the potential to host deeper seated porphyry style targets that required further attention. Geophysical surveys were conducted by Bayan Resources LLC in 2008 and 2009, both comprising an IP survey. The 2008 survey conducted by contractor “Geomaster Engineering” LLS concentrated on the area centred on the 2008 drilling and the surficial target. An innovative new 3 dimensional IP survey in 2009, conducted by contractor “Govi Ex Mongolia” LLC, searched for deep seated copper porphyry style mineralisation.

WAI has reviewed the results of the latest surveys and particularly the work of Govi Ex Mongolia and considers that the target anomalies, albeit deep seated, identified are attractive given the analogy to the Oyu Tolgoi gold-rich porphyry deposit which lies approximately 100km southwest and within a similar structural and geological setting to that of Alag Bayan. CAML completed some 6,300m of deep drilling in 2009 to test the targets identified in the GoviEx survey but failed to reach the target zones successfully. WAI considers that the targets merit further more detailed geophysical work and follow-up drilling.

In return for its services CAML has given Govi Ex Mongolia an option to acquire 19.99% of the Alag Bayan asset at a fixed cost of US\$650,000 for a period of 2 years from the date its report was delivered (August 2009) or, if longer, until CAML has spent no less than £5m in exploration costs on the Alag Bayan area.

Handgait

CAML holds 80% of the Handgait project through its local subsidiary Mon Resources LLC. The exploration licence covers an area of 17.02km² in northern Mongolia, abutting the Russian border. The licence area hosts a significant molybdenum resource which is undergoing extensive exploration in the form of soil geochemistry, detailed geophysics, and importantly a substantial core drilling programme to delineate preliminary resources. The main areas of interest are Central Handgait, Sogoot, Tolgoi and Bulagtai.

An application for conversion of the exploration licence to a Mining licence was submitted on 15 December 2008 to the Mongolian State Minerals Commission (MC), together with CAML’s Report entitled “Handgait Molybdenum Deposit: Exploration Programme Results for the Period 2007-2008”.

Following MC procedures and regulations, the Mining Licence application for Central Handgait has been reviewed by several appointed experts and CAML was issued with the Mining Licence No.14992M on 9 July 2009, covering an area of 1790.75ha for an initial period of 30 years, with the possibility of two 20 years extension periods.

CAML as the Handgait mining licence holder is obliged to complete a Feasibility Study on the project by the beginning of 2011. CAML proposes that this work will be done using both ‘in-house’ expertise and an external contractor at a cost of US\$100k, an amount which is usual for a local standard study.

A number of styles of molybdenum mineralisation are seen at Handgait related to fine-medium crystalline Jurassic mineralised granites. Overall, the Handgait property illustrates a classic Climax-type genetic model in that the mineralisation is seen at various levels. Magmatic, disseminated type mineralisation is seen in the Central Handgait area representing the lower part of the system, with

more hydrothermal vein-type molybdenum mineralisation at Sogoot and Bulagtai further up the system, and the explosive breccias at Bulagtai with associated tungsten mineralisation on the Russian border, representing the top of the system. Coupled with this is skarn-molybdenum mineralisation (both endo and exo) located in the Central Handgait area.

Previous geochemical surveys in the Handgait area demonstrated that soil sampling has an excellent response to underlying molybdenum mineralisation. Soil geochemical anomalies at Central Handgait, Bulagtai, Sogoot and Tolgoi, range in diameter from 100-200m to 500-1200m, reflecting molybdenum-rich mineralisation close to the surface.

Exploration geochemistry has shown that a molybdenum-in-soil anomaly in a Siberian-type forested area, such as Handgait, is likely to be about twice the size of the mineralisation zone beneath it. Based on drilling results, the length of mineralised lenses at Handgait varies from 150 to 400m which corresponds to soil anomalies varying from 300 to 800m.

Geophysical exploration has been highly successful in delineating the various intrusive bodies present in the area with magnetics clearly highlighting magnetite rich granites. Moreover, IP chargeability values from 6 to 11mV/V are seen to result from the presence of sulphides within the molybdenum-bearing granites and thus have proved to be a vital primary tool in defining broad areas of potential mineralisation.

Following this geophysical and geochemical work, an extensive drilling programme was planned with a principal goal to define resources for the Central Handgait deposit, and to define preliminary estimates for the Sogoot, Tolgoi and Bulagtai areas. Drill holes were targeted on molybdenum-in-soil anomalies of more than 10ppm and by chargeability anomalies with intensities between 6-11mV/V.

The drilling revealed that mineralisation is associated with the gradient zone of the polarisation anomaly. A further examination has shown that molybdenum mineralisation is typically not correlated with the centre of an IP anomaly which is explained by the predominance of pyrite in the central part of IP anomalies with molybdenite concentrated around the peripheries.

This strong link between the IP gradient data coupled with the overall magnetic responses has allowed CAML to delineate target maps for prospective molybdenum mineralisation with the key factor being the delineation of mineralisation shells defined by a chargeability range of 6-9mV/V.

The drilling programme (comprising a total of 78 boreholes and 12,241m to date) has endeavoured to test the main areas of the system on a fairly wide spacing, as well as concentrating on Central Handgait which has the highest density of drilling. Hence at Central Handgait (east and west zones) a Mineral Resource estimate prepared by Kazakhstan Mineral Corporation in January 2009, using Micromine[®] mining software, has identified a Mineral Resource at a 0.025% Mo cut-off of 18.2Mt at a grade of 0.058% Mo in the combined *Measured + Indicated* categories and 46.5Mt at a grade of 0.054% Mo in the *Inferred* category (all reported in accordance with JORC Code (2004) guidelines).

In addition, a preliminary Mineral Resource estimate was prepared by Kazakhstan Mineral Corporation in January 2009 for the Bulagtai and Sogoot areas, which have been less well explored and used the November 2008 database which contains 28 drill holes. The estimate, at a 0.025% Mo cut-off, and reported in accordance with the JORC Code (2004) guidelines, comprises 14Mt at a grade 0.047% Mo in the *Inferred* category. The *Inferred* resources estimated for Bulagtai and Sogoot are generally lower grade than those seen at Central Handgait.

CAML has estimated a global potential resource for the whole area based on a combination of the drilling results, geochemistry and geophysics of some 320,000t of contained molybdenum. Although some of this resource is somewhat speculative, WAI believes it does provide a feel for the overall size of the property. However, WAI believes, a further significant drilling programme which needs to be properly targeted, will be required to realise the full potential of this large resource target.

No mining studies have been undertaken to-date, but as a general statement, the depth and potential size of the resource, coupled with the local topography lend themselves well to an open pit(s) operation.

Metallurgically, preliminary test work on selected ore types at a range of grades indicates a relatively simplistic comminution – flotation flow sheet yielding overall recoveries >85% Mo to produce a ±50% Mo concentrate.

With regard to the environment, CAML appears to be in compliance for the exploration works undertaken to-date.

Overall, in WAI's opinion the Handgait property represents a very attractive target for average-grade (based on current international molybdenum projects being developed or in production) bulk tonnage molybdenum mineralisation with the potential to delineate areas of higher grade (>0.1% Mo) as well as tungsten (scheelite) and gold which have as yet not been systematically investigated.

Thus, continued drilling is required to test the validity of the model with respect to deeper magmatic mineralisation beneath Sogoot, the importance of Bulagtai for both Mo and W, and the spatial distribution of the important skarn mineralisation.

Ereen

In May 2007, CAML acquired 85% of the Ereen Project *via* its operating company Zuun Mod UUL LLC and received all necessary licence documentation to explore the property. Zuun Mod UUL is a local Mongolian entity owned 85% by CAML Mongolia BV. The exploration programme commenced in August 2007 and consisted of the following: 1) geophysical survey, 2) soil geochemical survey (both used to target drill holes), 3) reconnaissance drilling, and 4) resource definition grid drilling on 80x80m spacing.

Due to the forested character of the area and minimal outcrop, a strong reliance on "see through" exploration techniques was made, such as "gold-in-soil" geochemical sampling, which helped to identify shallow mineralisation, and IP geophysics, which helped to outline chargeability anomalies that contain sulphides, mostly arsenopyrite and pyrite. From these works, a drilling programme was started in October 2007 and included 62 diamond core holes.

Work to date has delineated a mesothermal quartz vein system with volcanic-hosted disseminated mineralisation associated with quartz-sericite-carbonate and intensive silicification alteration zones. A broad area of mineralisation has been defined with approximate dimensions of 750x650m, which remains open laterally and down dip.

The results of this work and regional studies have determined a number of geological factors responsible for the control of gold mineralisation:

- The regional-scale northeasterly trending Sujigtei fault defines the position of the large Gatsuurt deposit and determines a northeastern orientation of the Ereen ore-controlling structural elements, conjugate to the Sujigtei fault;
- East-west, north-south and north-western striking faults of different magnitudes help to localise mineralisation; hydrothermally altered rhyolite is the major host rock for mesothermal gold veins and volcanic-hosted mineralisation;
- Due to the large amount of hydrothermal alteration, Ereen mineralisation generates a district-scale magnetic low;
- Multi-stage alteration zones are located within the chargeability anomaly, and
- Two major quartz veins are spatially related to the gold-bearing alteration zones.

Furthermore, the axis of the main Ereen IP anomaly (north-northwest) is duplicated by both the trend and plunge of the delineated mineralisation.

A Mineral Resource estimate was completed by Kazakhstan Mineral Company in October 2008. This work showed that given the relatively limited data available at that time, it was not possible to derive a geostatistical (kriging) estimate for Ereen, though the commonly used IDW² method proved acceptable.

The existing density of the exploration grid (pattern) determined that the majority of the resource was at *Inferred* status (more than 98%). As an example, using a 1g/t Au cut-off, an *Inferred* resource of 9.7Mt @1.73g/t Au was estimated, with a further 57kt (gross) @ 1.43g/t Au in *Measured + Indicated* categories. All resource categories are reported in accordance with JORC Code (2004) guidelines.

This demonstrated that the project had significant potential to host an open pit resource with grades likely to be around 2.0g/t Au. WAI recommends that further infill drilling on a closer spacing is undertaken in order to improve the confidence in the *Inferred* Mineral Resources, which may

potentially allow these to be updated to *Indicated* category under the guidelines of the JORC Code (2004).

CAML completed a short programme of drilling in 2009, which consisted of 4 additional holes at Ereen totalling 1,249.55m and 5 holes at Baavgait (a similar target which lies some 2km to the west of Ereen) totalling 542.85m. This additional drilling was required to enable an application to be made to the Mongolian authorities for conversion of the exploration licences into mining licences which was approved on 30 June 2010.

The short drilling programme at Ereen did not intersect mineralisation that has materially altered the Mineral Resource estimate which was completed by Kazakhstan Mineral Corporation in 2008 and, therefore, WAI is satisfied that their statement remains current.

INTRODUCTION

Terms of Reference

Wardell Armstrong International (WAI) has been commissioned by Central Asia Metals Plc (CAML) to prepare a Competent Persons Report (CPR) for the purposes of an application for admission to the AIM market of the London Stock Exchange. WAI has undertaken a review of the following assets in order to assess the resource potential of the licences and review the status of exploration works undertaken to date:

- The Kounrad copper waste dump operation, situated approximately 15km north of the town of Balkhash in south-central Kazakhstan, and the Tochtar gold mine and dump reclamation operation in the Jettigara District of the Kostanai Oblast in Northern Kazakhstan; and
- The Alag Bayan copper, Ereen gold and Handgait advanced exploration stage molybdenum projects, situated in southern, central and northern Mongolia respectively.

It should be noted that the Tochtar and Ereen projects are currently being held for resale.

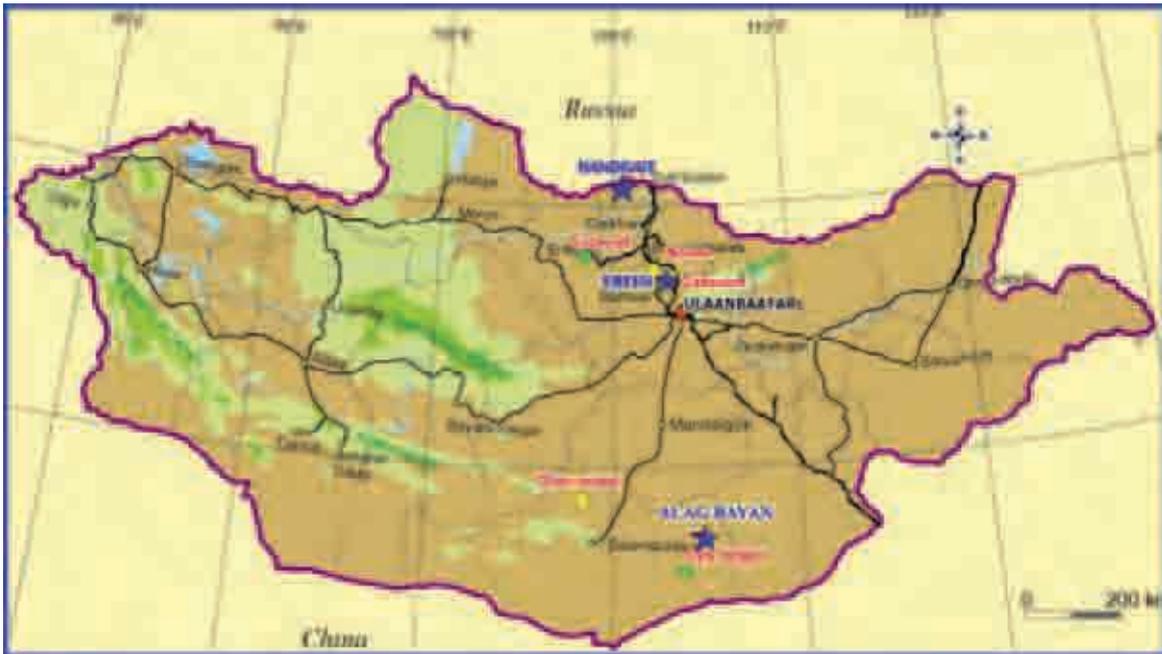
Where possible, WAI has reviewed Mineral Resources in accordance with the *Australasian Code for Reporting of Mineral Resources and Ore Reserves* (the 'JORC Code' or 'the Code' 2004) which sets out minimum standards, recommendations and guidelines for Public Reporting of exploration results, Mineral Resources and Ore Reserves in Australasia. It 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.

WAI believes that the Republic of Kazakhstan, a member of the Commonwealth of Independent States (CIS), formerly a Soviet Republic (Kazakhstan declared its sovereignty as a Republic within the Union of Soviet Socialist Republics (USSR) in October 1990) still adheres to the GOST regulations of the Russian Federation for the reporting of mineral resources and reserves and as such the reserves quoted above are equivalent to the Russian Standard. Gosstandart of the Russia Federation (GOST) is a set of regulations (similar to ISO) which relate to all Russian industries. Resources and reserves are approved by GKZ in Moscow, the State governing body for this, which applies the GOST regulations. Therefore, if resources and reserves are approved by GKZ, they are in compliance with GOST.

Where Mineral Resources have not been estimated in accordance with an internationally recognised standard (such as the JORC Code (2004) or the Russian Standard) and are based on historical data they are included for information only.



Locations of Kounrad and Tochtar Kazakhstan



Location of Central Asia Metals Assets in Mongolia

Site Visits

To undertake this commission, WAI personnel undertook site visits to various CAML assets in Kazakhstan and Mongolia as follows:

(Kazakhstan)

In addition to Dr Newall, the following personnel were involved in the Kazakhstan visits in October 2006:

T Daffern BEng (Mining), MBA, CENG, FIIMM, MAusIMM, MCIM, is a Mining Engineer with approximately 23 years international experience in both surface and underground mining operations,

P King BSc (Eng) Mineral Technology (Hons), has 23 years minerals processing experience ranging from laboratory test work and pilot plant operations through to plant commissioning, operations and trouble-shooting.

Nick Shirley Bsc (Hons) MSc has 13 years international experience in surface and groundwater site investigations, computer modelling and hydrological water balances.

Kim-Marie Clothier has 5 years experience as an Environmental Scientist, dealing with Environmental and Social Impact Assessments on mining projects overseas.

In addition to **Kim-Marie Clothier** the following consultants undertook a further visit to the properties from 13th – 17th April, 2010:

Barrie O'Connell, PhD, B.Eng (Hons), MCSM has 8 years of mineral processing experience ranging from laboratory and pilot plant test work and was previously employed as a Project Metallurgist at a Lead/Zinc mine in Ireland.

Joe Hirst, BSc, MSc, FGS; Resource Geologist has 7 years geological experience with 3 years consulting on resource projects.

(Mongolia)

Phil Newall, BSc (ARSM) PhD (ACSM) FIMMM CEng, a Director and Senior Consulting Geologist with WAI visited the Ereen and Handgait properties in July 2007 and again in May 2008 to inspect all aspects of the geology, mineralisation, mining, metallurgy, environmental and infrastructure. In addition, meetings were held with key personnel at the site.

Mark Owen, BSc (Hons), MSc, MCSM, CGeol, EurGeol, FGS, Technical Director and geologist with WAI, visited the Ereen and Alag Bayan projects, during the period 21 – 25 of April 2010 and inspected some of the aspects of the exploration activities undertaken on each licence area, including the results from geological mapping, geophysical and geochemical surveys and diamond drilling and discussed many aspects of the project with CAML technical staff, including:

Dr Alexei Sokolov, who is CAML Exploration Manager for all projects in Mongolia. He has nearly 30 years of experience gained whilst working on various projects in around the world. Formerly VP Exploration of Freedom Gold (USA) and later exploration Manger of Avocet Mining's Zeravshan project in Tajikistan. He has extensive experience in exploration technology and has a PhD from the institute of Geology of Ore Deposits (Russian Federation).

Burenbadrakh Tugjchamba, company Chief Geologist in Mongolia, has nearly 10 years experience as a geologist and is current project manager at Ereen. Previously he was Senior Geologist of "Mine Info" geological company.

Odkhuu Bulgantamir, company Senior Geologist in Mongolia, has 5 years experience gained whilst working on various project around Mongolia. Previously he was geologist on the Ereen gold project, but now is on-site project manager at Alag Bayan

Study Strategy

The basic strategy for this Competent Person's Report has been to examine and report on the existing information available on CAML's properties in Mongolia and Kazakhstan, after completion of site visits to inspect and audit all aspects of the geology, mineralisation, resources/reserves, mining, metallurgy, environmental and infrastructure present at each site as well as current exploration practices, including former and proposed exploration programmes, the results of laboratory analysis and test work, methods and procedures used in recording information and interpretation of results. During the visits, further information was gathered on equipment, costs, potential mining methods, permitting, and environmental issues.

Locally based and publicly available documentation was viewed by WAI and in addition, WAI held meetings with the key personnel at each of the operations.

Company Background

Central Asia Metals Limited (CAML) is a mining, exploration and development company focused on base and precious metals in Central Asia. The Group has majority stakes in projects in Kazakhstan and Mongolia.

The Board and Management team have extensive mining and geological expertise and experience throughout The company has offices in London, Almaty and Ulaan Bataar.

Current Projects in Kazakhstan

Kounrad

CAML has a 60% interest in the sub-soil rights in Kounrad, through its operating subsidiary Sary Kazna LLP.

The Kounrad project encompasses a number of low grade waste dumps/stockpiles which were produced during the working of the large open pit copper mine and are estimated to contain approximately 49.2Mt of GKZ (Republic of Kazakhstan) approved oxide ore with an average grade of 0.16% total copper and leach recovery of approximately 50%.

In addition to the oxide reserves, estimates have been made for sulphide and mixed/waste dumps on the property; these were estimated internally by Balkashmed and have not yet been approved by GKZ (Republic of Kazakhstan).

CAML is of the opinion that there is potentially 576.3Mt of sulphide and mixed/waste dump material available containing 655.5kt of copper (gross).

These estimates have not been prepared according to an internationally recognised reporting standard such as the JORC Code (2004) or the Russian Standard and are based on historical data; hence they are included for information only.

Tochtar

CAML has a 75% interest in the sub-soil rights at Tochtar, through its subsidiaries CAML Kazakhstan BV and CAML Kazakhstan Holding LLP. The Tochtar deposit's high-grade gold mineralisation continues for 3.5km along strike and varies in width from 80 to 400m. The deposit is located in a belt of gold mineralisation up to 20km long and 4-6km wide.

Mineral Resource estimates audited by WAI yielded some 7.4Mt @ 2.94 – 2.98g/t Au, of which only some 270,000t @ 2.1g/t Au is oxide mineralisation, the current target of shallow mining operations. The resource estimate is in accordance with JORC (2004) Code guidelines.

Current Projects in Mongolia

Alag Bayan

CAML has a 70% interest in Alag Bayan, which is an early stage exploration project focussed on outlining a potentially significant copper/gold porphyry target, which is located near to the world class Oyu Toloï copper-gold porphyry discovery which is now planned for production.

Handgait

In 2007 CAML acquired an 80% interest in Handgait from Monresources and commenced an extensive molybdenum exploration programme on the property, including geological, geophysical and drilling projects.

Ereen

CAML has an 85% interest in Ereen, which is an advanced stage gold project located in northern Mongolia, where previously Chinese workers exploited narrow, high grade gold veins. Geophysical investigations and core drilling have demonstrated the occurrence of metasomatic gold mineralisation associated with the veins and CAML are targeting a 1Moz gold resource.

Kazakhstan

Kazakhstan is situated in Central Asia and is the second largest among the CIS states with a surface area of 2,724,900km². The country has a border with China of 1,460km, Kyrgyzstan 980km, Turkmenistan 380km, Uzbekistan 2,300km and the Russian Federation 6,467km. Steppes occupy some 26% of the territory of Kazakhstan, deserts 44% and semi-deserts 14% with forests occupying the remainder.

The climate of the country is sharply continental. Average temperature in January varies between -19°C and -4°C, whilst average July temperature fluctuates between 19°C and 26°C. The lowest temperature in winter may occasionally reach -45°C with the highest one in summer well in excess of 30°C.

Administratively Kazakhstan is comprised of 14 regions with a population of some 16.2 million (2010 census) (01.01.2001) with a population density as high as 5.94 people per km². The capital city is Astana (since December 10, 1997) whose population is approximately 600,000. Kazakh is the official language, although in State institutions and local administration bodies, Russian is also an official language.

Kazakhstan is extremely well endowed with minerals and is the world leader in terms of chromium, vanadium, bismuth and fluorine reserves. In resources of iron, chromite, lead, zinc, tungsten, molybdenum, phosphorite, copper, potassium and cadmium, the country is a major world producer.

Coal reserves in Kazakhstan are approximately 160Bt from 155 deposits from 10 major coalfields of bituminous and brown coal, whilst the country also possesses enormous iron ore resources (containing 50-60% of pure iron).

Kazakhstan is also the second richest country in the world (after Russia) with regard to phosphorite reserves, whilst the phosphorite deposits at Zhanatas and Karatau, in terms of thickness and quality, are world class. Furthermore, Kazakhstan is a major producer of aluminium and also hosts significant copper resources, many of which are relatively undeveloped.

Finally, nearly 160 deposits of oil and gas have been discovered with resources roughly equivalent to the present day resources of the whole of Western Europe. These oil and gas fields contain about 30

billion barrels of oil and 700,000,000t of gas condensate. The Tenghiz field alone ranks as one of the largest deposits of the world.

Thus, the developed deposits form an excellent basis for the development of hard-rock mining, coal-mining, metallurgy, oil-and-gas and chemical industries. In addition, the exploration potential for many of these commodities remains good.

Mongolia

Mongolia lies between Russia and China in Northern Asia and occupies an area of approximately 1,564,116km². A census in July 2007 determined a population of 3M people, most of whom live in the principal towns and cities, though a significant number still pursue a traditional nomadic lifestyle.

Mongolia won its independence from China in 1921 with Soviet backing. A communist regime was implemented in 1924. Following a peaceful democratic revolution, the ex-communist Mongolian People's Revolutionary Party (MPRP) won elections in 1990 and 1992; this was defeated by the Democratic Union Coalition (DUC) in the 1996 parliamentary election. Parliamentary elections returned the MPRP to power in 2000 and 2004, and since 2006, the MPRP has led a coalition with some minor parties and independent MPs.

Economic activity in Mongolia has traditionally been based on herding and agriculture. Mongolia has extensive mineral deposits including copper, coal, gold, molybdenum, tin, and tungsten, which account for a large part of industrial production and foreign direct investment (FDI).

Soviet assistance, at its height one-third of GDP, disappeared between 1990 and 1991 at the time of the dismantling of the USSR. The following decade saw Mongolia endure both deep recession due to political inaction and natural disasters, as well as economic growth because of reform-embracing, free-market economics and extensive privatisation of the formerly state-run economy.

Severe winters and summer droughts in 2000-02 resulted in massive loss of livestock and zero or negative GDP growth. This was compounded by falling prices for Mongolia's primary sector exports and widespread opposition to privatisation. Growth was 10.6% in 2004, 5.5% in 2005, 7.5% in 2006, and 9% in 2007 largely due to high copper prices and new gold production. Mongolia is experiencing its highest inflation rate in over a decade as consumer prices rose 14% in 2007, because of increased fuel and food costs.

Mongolia's economy continues to be heavily influenced by its neighbours. Mongolia purchases 80% of its petroleum products and a substantial amount of electric power from Russia, leaving it vulnerable to price fluctuations. China receives nearly 70% of Mongolia's exports. Remittances from Mongolians working abroad both legally and illegally are sizable and money laundering is a growing concern. Mongolia settled its US\$11 billion debt with Russia at the end of 2003 on favourable terms. Mongolia, which joined the World Trade Organization (WTO) in 1997, seeks to expand its participation and integration into Asian regional economic and trade regimes.

Summary of Assets

Summary of Assets						
Asset	Holder	Interest (%)	Status	Licence Expiry Date	Licence Area (ha)	Comments
Kazakhstan						
Kounrad						
Sub Soil Contract #2447	Sary Kazna LLP	60	Exploration and Processing	20 August 2034	2,350	Development Existing Heap Leach Pilot Plant Operation
Tochtar						
Sub Soil Contract #1487	Tochtar Mining Company LLP	75 (A)	Mining	12 August 2020	284	Mining and Heap Leach Operation Held on care and maintenance
Mongolia						
Alag Bayan						
3226X	Bayan Resources LLC	70 (B)	Exploration	March 2012	3,941	Exploration
Handgait						
14992M	Mon Resources LLC	80	Mining	9 July 2039	1,790.75	Advanced Exploration
Ereen						
6-5086	Zuun Mod UUL LLC	85	Mining	30 June 2040	1,184.08	Partly replacing exploration licence No.3441x(E) to the north, west and south of the Baavgait deposit.
2616A (M)			Mining	25 Sept 2030	50	Located within the Ereen quartz vein deposit.
4265A (M)			Mining	11 April 2032	50	Located within the Baavgait gold deposit area.
6-5088			Mining	30 June 2040	665	Located to the east, north and south of the Ereen deposit.
6-5087			Mining	30 June 2040	1,058	Located between Baavgait and Ereen.

- Notes: A. Although CAML is the registered owner of a 100 per cent. interest in the shares of Tochtar Mining Company LLP, its economic interest in the asset is considered by the Directors to be 75 per cent. CAML has an understanding with third parties that on any onward sale of Tochtar, the third parties will be entitled to 25 per cent. of the consideration once the funding provided by CAML to Tochtar Mining Company LLP has been repaid. As CAML has not yet made payment for a 25 per cent. interest acquired from the third parties, in law the third parties may therefore claim back their 25 per cent. interest in the asset.
- B. GoviEx Mongolia LLC has an option to acquire a 19.99 per cent. interest in the Alag Bayan asset.

Summary of Reserves and Resources

Kazakhstan

Kounrad

In 2002 the State Reserve Committee (GKZ – Republic of Kazakhstan) approved C₂ category reserves for oxide dumps Nos. 6, 7 and 9-10, which consists of 49.2Mt containing 77.7kt of in-situ copper, which will form the principal feed for the SX-EW.

Gosstandart of the Russia Federation (GOST) is a set of regulations (similar to ISO) which relate to all Russian industries. Resources and reserves are approved by GKZ in Moscow, the State governing body for this, which applies the GOST regulations. Therefore, if resources and reserves are approved by GKZ, they are in compliance with GOST. WAI believes that the Republic of Kazakhstan, a member of the Commonwealth of Independent States (CIS), formerly a Soviet Republic (Kazakhstan declared its sovereignty as a Republic within the Union of Soviet Socialist Republics (USSR) in October 1990) still adheres to the GOST regulations of the Russian Federation for the reporting of mineral resources and reserves and as such the reserves quoted above are equivalent to the Russian Standard.

WAI is of the opinion that reserves approved by the State Reserve Committee (GKZ – Republic of Kazakhstan) are equivalent to those of the Russian Standard for reporting of resources and reserves.

The reserve estimate is shown in the table below. This approved status means that once the project is given permission to proceed; these dumps can be exploited immediately without any restriction and are sufficient to support the project for its first four years of operation.

Kounrad Oxide Reserves (CAML 2010) (Approved by GKZ – Republic of Kazakhstan on 01 January 2002) (Equivalent to the Russian Standard for the reporting of Mineral Resources and Reserves)					
Category					
Copper	Tonnage (Mt)	Grade (% Cu)	Contained Metal (kt)	Contained Metal (kt) Net Attributable 60%	Operator
Ore/Mineral reserves per asset – Kounrad					Sary Kazna LLP
State Approved (C ₂)	49.2	0.16	77.7	46.62	

Source: Wardell Armstrong International

Note: Approved by GKZ-Republic of Kazakhstan, equivalent to the Russian Standard
 All attributable resource grades are the same as total resource grade
 Inaccuracies may be due to rounding

In addition, estimates have been made for sulphide and mixed/waste dumps on the property; these were estimated internally by Balkashmed and are given in the table below and have not yet been approved by GKZ (Republic of Kazakhstan).

Consequently, CAML is of the opinion that there is potentially 576.3Mt of sulphide and mixed/waste dump material available for exploitation containing 655.5kt of copper (gross).

These estimates have not been prepared according to an internationally recognised reporting standard such as the JORC Code (2004) or the Russian Standard and are based on historical data; hence they are included for information only.

WAI believes that a considerable amount of waste dump material is present at Kounrad that offers the potential to provide a source of recoverable copper, subject to the necessary confirmatory assaying and metallurgical test work being conducted. However, until the appropriate level of sampling and metallurgical test work has been undertaken, the size and nature of these reserves remains unquantifiable.

Inventory of Kounrad Sulphide and Mixed/Waste Dumps (CAML 2010)						
Data Source	Dump No	Ore Type	Tonnage (Mt)	Grade (% Cu)	Contained Cu (t)	Contained Cu (t) Net Attributable 60%
<i>Eastern Dumps</i>						
Balkashmed 2006	2	Mixed/Waste	48.5	0.10	48,466	29,080
Balkashmed 2006	5	Mixed/Waste	44.2	0.10	44,241	26,540
Balkashmed 2006	North Cluster	Mixed/Waste	106.0	0.10	105,949	63,570
<i>Western Dumps</i>						
Balkashmed 2006	1 (part)	Sulphide	19.9	0.24	48,466	29,080
Balkashmed 2006	21	Sulphide	22.6	0.27	60,678	36,410
Balkashmed 2006	21A	Sulphide	5.2	0.25	12,906	7,740
Balkashmed 2006	1A	Sulphide	5.3	0.19	10,148	6,090
Balkashmed 2006	13	Mixed/Waste	13.6	0.10	13,656	8,190
Balkashmed 2006	20	Mixed/Waste	22.1	0.10	22,100	13,260
Balkashmed 2006	15-16	Mixed/Waste	257.6	0.10	257,572	154,540
Balkashmed 2006	22	Mixed/Waste	28.0	0.10	27,997	16,800
Balkashmed 2006	1 (south)	Mixed/Waste	3.3	0.10	3,305	1,980
	Total			576.3	655,484	393,280

Note: These estimates have not been prepared according to an internationally recognised reporting standard such as the JORC Code (2004) or the Russian Standard and are based on historical data; hence they are included for information only.
Inaccuracies may be due to rounding

The company will undertake a rolling programme of transfer of material to a recognised resource standard (JORC) and will have all of the presently estimated sulphide resources quantified by end of 2011. Thereafter, CAML will transfer other material with the aim to complete the task of having all presently estimated dump material classified to an acceptable international standard by the end of the first quarter of 2013.

Given sufficient resources (funding, manpower and equipment) and favourable results, WAI considers that the estimated timeframe outlined by CAML for this element of the work should be achievable.

Tochtar

Estimates of the total Tochtar Mineral Resources using ordinary kriging as audited by WAI, by category, at a natural cut-off grade of 0.5g/t Au, and without top cuts applied, amount to 21,788kg, or 700,500oz of Au metal, and are reported in accordance with the JORC Code (2004) guidelines. The Mineral Resources are given in the table below.

Tochtar Mineral Resource Estimate by Ordinary Kriging (0.5g/t Au Cut-off Grade – without top cut) (WAI Audited 2008) (Estimate in accordance with the guidelines of the JORC Code (2004))					
Category					
Gold	Tonnage (t)	Grade (g/t Au)	Contained Metal (kg)	Contained Metal (kg) Net Attributable 75%	Operator
Mineral Resources per asset – Tochtar					Tochtar Mining Company LLP
<i>Measured</i>	942,510	2.61	2,458	1,845	
<i>Indicated</i>	503,655	2.54	1,279	960	
<i>Inferred</i>	5,747,197	3.14	18,069	13,550	
Total	7,193,362	3.03	21,788	16,354	

Source: Wardell Armstrong International

Note: All attributable resource grades are the same as total resource grade
 Inaccuracies may be due to rounding

Mongolia

Alag Bayan

An in-situ Mineral Resource estimate (at a 0.1% Cu CoG) was submitted and approved by the Mineral Resource Agency of Mongolia on 27 February 2010 for near surface copper mineralisation.

Handgait

The Mineral Resources for Bulagtai and Sogoot were compiled at a 0.01% Mo cut-off grade, all are reported in accordance with the JORC Code (2004). The Mineral Resources for Sogoot and Bulagtai are given in the table below.

Bulagtai-Sogoot Mineral Resource Estimate (Kazakhstan Mineral Corporation January 2009) (Prepared in accordance with the guidelines of the JORC Code (2004)) (at a 0.01% Mo cut-off grade)					
Category					
Molybdenum	Tonnage (Mt)	Grade (% Mo)	Contained Metal (t)	Contained Metal (t) Net Attributable 80%	Operator
Mineral Resources per asset – Handgait					
SOGOOT					Mon Resources LLC
<i>Inferred</i>	26.054	0.024	6,151	4,921	
BULAGTAI					
<i>Inferred</i>	19.37	0.030	5,716	4,573	

Source: Wardell Armstrong International

Note: All attributable resource grades are the same as total resource grade
 Inaccuracies may be due to rounding

The Central (West and East sectors) Handgait Mineral Resources based on a 0.025% Mo cut-off are summarised in the table below. These Mineral Resources are given in the table below.

Central Handgait Mineral Resource Estimate (East + West) Kazakhstan Mineral Corporation January 2009 (Prepared in accordance with the guidelines of the JORC Code (2004)) (at a 0.025% Mo cut-off grade)					
Category					
Molybdenum	Tonnage (t)	Grade (% Mo)	Contained Metal (t)	Contained Metal (t) Net Attributable 80%	Operator
Mineral Resources per asset – Handgait					
EAST + WEST HANDGAIT					Mon Resources LLC
<i>Measured</i>	3,138,740	0.064	2,009	1,610	
<i>Indicated</i>	15,079,390	0.057	8,595	6,880	
<i>Inferred</i>	46,540,770	0.054	25,130	20,100	
Total	64,758,900	0.055	35,736	28,590	

Source: Wardell Armstrong International

Note: All attributable resource grades are the same as total resource grade
 Inaccuracies may be due to rounding

Central Handgait in the short term offers the best opportunity to delineate ores with these grades, but further drilling is required to quantify this zone

Ereen

Using a 1g/t Au cut-off, Kazakhstan Mineral Company in 2008 estimated an *Inferred* Mineral Resource of 9.7Mt @1.73g/t Au , with a further 57kt @ 1.43g/t Au in *Measured + Indicated*, all reported in accordance with the JORC Code (2004). Those Mineral Resources are given in the table below.

Ereen Mineral Resource Estimate (Kazakhstan Mineral Corporation, 2008) (Prepared in accordance with the guidelines of the JORC Code (2004)) (Cut-off Grade 1g/t Au)					
Category					
Gold	Tonnes (t)	Grade (g/t Au)	Contained Metal (kg)	Contained Metal (kg) Net Attributable 85%	Operator
Mineral Resources per asset – Ereen					Zuun Mod UUL LLC
<i>Measured</i>	5,852	1.443	8.4	7.1	
<i>Indicated</i>	42,973	1.408	60.5	51.4	
<i>Inferred</i>	8,284,610	1.730	14,332	12,174	
Total	8,333,430		14,400	12,240	

Note: All attributable resource grades are the same as total resource grade
 Inaccuracies may be due to rounding

Proposed Exploration Programmes (2010-2011)

Kazakhstan Assets

Kounrad

CAML propose to undertake further exploration of the sulphide waste dumps during 2010-2011 in order to improve the confidence in the Mineral Resource estimate with an anticipated expenditure of US\$1.22M.

WAI considers that is an appropriate amount to investigate these waste dumps.

Mongolian Assets

The proposed exploration programme for the Mongolian Assets during 2010-2011 is provided in the table below.

Mongolian Assets - Proposed Exploration Expenditure (2010-2011)

ASSET	EXPLORATION & EVALUATION EXPENDITURE
Alag Bayan	US\$2.3M - US\$4.9M
Handgait	US\$0.5M - US\$0.6M
Ereen	US\$0.2M - US\$0.8M
Total	US\$3.0M - US\$6.3M

Note: Actual exploration and evaluation expenditure for each of the Mongolian assets will depend on actual capital expenses incurred for the construction of the Kounrad commercial SX-EW plant

WAI has reviewed the above proposed exploration programme and budget and considers that it is set at an appropriate level to cover the required works.

A KAZAKHSTAN ASSETS

1 KOUNRAD

1.1 Introduction

Copper ore has been mined at Kounrad from 1936, originally by Balkashmed and more recently by Kazakhmys PLC who still own the mine and the liabilities associated with restoration of the site. 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 Kounrad project encompasses a number of low grade waste dumps/stockpiles which were produced during the working of the large open pit copper mine and are estimated to contain approximately 49Mt of proven oxide ore with an average grade of 0.16% total copper and leach recovery of approximately 50%. In addition, there is approximately 53Mt of identified sulphide ore in stockpiles with a grade of 0.25% total copper. Additionally, there is approximately 524Mt of material characterised as mixed material which has not yet been evaluated in terms of metallurgical response.

In 2006 CAML began the technical evaluation of a dump leach project at the Kounrad site, via its 100% owned Kazakhstan Company Sary Kazna LLP. On 20 August 2007 they were awarded the Sub-Soil contract for the exploration and extraction of copper from the dumps (Sub-Soil Contract Number 2447). A Joint Operating Agreement (JOA) was signed in September 2007 giving CAML a 60% ownership of the project with the remaining 40% being owned by the Kazakhstan Government through JSC Saryarka, a local Social Entrepreneurial Company (SEC).

The Sub-Soil Contract is valid for 27 years from the date of signature and is extendable by agreement between both parties. The Contract defines a specific Land Allotment area which incorporates all of the waste dump materials but specifically excludes the abandoned open pit mine, which remains the property of Kazakhmys plc.

In 2008 CAML commissioned a Solvent Extraction and Electro-winning (SX-EW) demonstration plant, with an initial design capacity of 6t cathode copper per month, to commence test trials of producing copper from the dumps. The purpose of this facility was to confirm the metallurgical suitability of the waste dumps to the acid leaching and SX-EW technology, as well as to verify on a significant sample scale (circa 300,000t of material) the basic design criteria for a commercial facility.

In March 2010 the Beijing General Research Institute of Mining and Metallurgy (BGRIMM) completed a Feasibility study for the production of 10,000tpa of cathode copper using SX-EW technology. Based on this study, it is CAML's intention is to build a commercial plant to this specification.

1.1.1 Property Description and Location

The Kounrad pit and waste dumps are located approximately 15km north of the town of Balkhash, Karaganda Province, which in turn is some 380km from Karaganda to the north, in south-central Kazakhstan (Figure 1.1). The nearest habitation is the local village of Kounrad, with a population of approximately 2,000.



Figure 1.1: Location of Kounrad Mine, Balkhash Region

Kazakhstan is situated in Central Asia and is the second largest among the CIS states with a surface area of 2,724,900km². The country has a border with China of 1,460km, Kyrgyzstan 980km, Turkmenistan 380km, Uzbekistan 2,300km and the Russian Federation 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 16.2 million (2010 census) with a population density of less than 6 people per km². The capital city is Astana (transferred from Almaty on December 10, 1997) whose population is approximately 600,000. Kazakh is the official language, although in State institutions and local administration bodies, Russian is also an official language.

Kazakhstan is extremely well endowed with minerals and is the world leader in terms of chromium, vanadium, bismuth and fluorine reserves. In resources of iron, chromite, lead, zinc, tungsten, molybdenum, phosphorite, copper, potassium and cadmium, the country is a major world producer.

Coal reserves in Kazakhstan are approximately 160Bt from 155 deposits from 10 major coalfields of bituminous and brown coal, whilst the country also possesses enormous iron ore resources (containing 50-60% of pure iron).

Kazakhstan is also the second richest country in the world (after Russia) with regard to phosphorite reserves, whilst the phosphorite deposits at Zhanatas and Karatau, in terms of thickness and quality, are world class. Furthermore, Kazakhstan is a major producer of aluminium and also hosts significant copper resources, many of which are relatively undeveloped.

Almost 160 deposits of oil and gas have been discovered with resources roughly equivalent to the present day resources of the whole of Western Europe. These oil and gas fields contain about 30B

barrels of oil and 700mt of gas condensate. The Tenghiz field alone ranks as one of the largest deposits of the world.

1.1.2 Mineral Rights and Permitting

The sub soil contract #2447 exploration and processing licence which covers an area of 23.5 km² (2350ha) is 60% held by Sary Kazna LLP and is valid until 20 August 2034.

The co-ordinates for the exploration and processing licence are presented in Table 1.1 below.

Table 1.1: Processing & Exploration Licence Co-ordinates		
<i>No.</i>	<i>Corner Co-ordinates</i>	
	<i>Northern latitude</i>	<i>Eastern longitude</i>
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"

The co-ordinates of the exclusion zone which contains the Kounrad open pit deposit covers an area of 0.53km² (53ha) is given in Table 1.2 below.

Table 1.2: Co-ordinates of the Kounrad Deposit Exclusion Zone		
<i>No.</i>	<i>Corner Co-ordinates</i>	
	<i>Northern latitude</i>	<i>Eastern longitude</i>
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"

1.1.3 Accessibility, Geography, Climate, Local Resources and Infrastructure

1.1.3.1 Accessibility

The town 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, and on to other destinations within the FSU.

1.1.3.2 Geography and 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 1.1).

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).

1.1.3.3 Local Resources and Infrastructure

Mining commenced at Kounrad in 1936 and 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.

As a result of this prolonged industrial period the region is well served with infrastructure and an experienced mining population. Potable water is available at the Kounrad township while process water is available from several sources including Lake Balkhash.

Power supply to the project will be via an OHL system rated at 35kV which is then stepped down to 10kV at the main facility sub-station; all of which is to be provided by CAML and its local engineering sub-contractors.

1.2 History and Previous Work

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 viz. 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, created in 1993 by JSC Balkashmed (Kazakhstan) and Resource Development (USA) to continue hydrometallurgical operations, engaged Bateman Engineering to complete an engineering design for a hydrometallurgical (SX-EW) plant; Montana Resources to verify and update 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, who had financed the project, was privatised and the construction was interrupted due to the lack of finance and soon after 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 were 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). The subsequent Joint Operating Agreement (JOA) between the two companies saw the incorporation of Kounrad Copper Company (KCC) which is the company through which the construction and operation of the commercial SX-EW plant will be tasked. KCC is currently finalising the design for a 10,000tpa copper cathode facility and will also be responsible for the operation of the full scale production plant. Sary Kazna developed the basic design for the plant construction, based on the earlier data from the engineering companies Bateman, MECC, PakPas, Unipromed, Terramatrix, Hydrogeo and KarGIIZ, as well as their own updated data on the dumps obtained from a pilot scale SX-EW plant operated at site since mid-2008.

1.3 Waste Dump Characteristics

The eastern Kounrad waste dumps have been estimated by CAML to contain approximately 49.2Mt of oxide ore with an average grade of 0.16% total copper. Based on extensive sampling and test programmes performed by Balkashmed and others, the indicated recoveries experienced in the previous leaching/cementation operations and the existing SX/EW plant are in the region of 50%. Copper recoveries from individual dumps have been estimated by CAML to vary from 50% to 74% with a weighted average of 63.3%.

It is highly likely that some oxide ores in the dumps have been overlain with low grade waste and as such have not been included in the resource estimate as they cannot be quantified at this time (if any).

In addition to the oxides, reserve estimates have been made for sulphide and mixed/waste dumps on the property; these were estimated internally by Balkashmed and as such, have not been approved by GKZ (Republic of Kazakhstan).

CAML is of the opinion that there is potentially 576.3Mt of sulphide and mixed/waste dump material available containing 655.5kt of copper (gross).

These estimates have not been prepared according to an internationally recognised reporting standard such as the JORC Code (2004) or the Russian Standard and are based on historical data; hence they are included for information only.

Copper ores to sustain the proposed leaching, solvent extraction, and electro-winning operations are contained in several low grade waste dumps situated immediately east of the Kounrad mine open pit. Oxide dumps Numbers 6, 7 and 9-10 have been identified for leaching (Figure 1.2). Photo 1.1 shows an aerial view of operations.

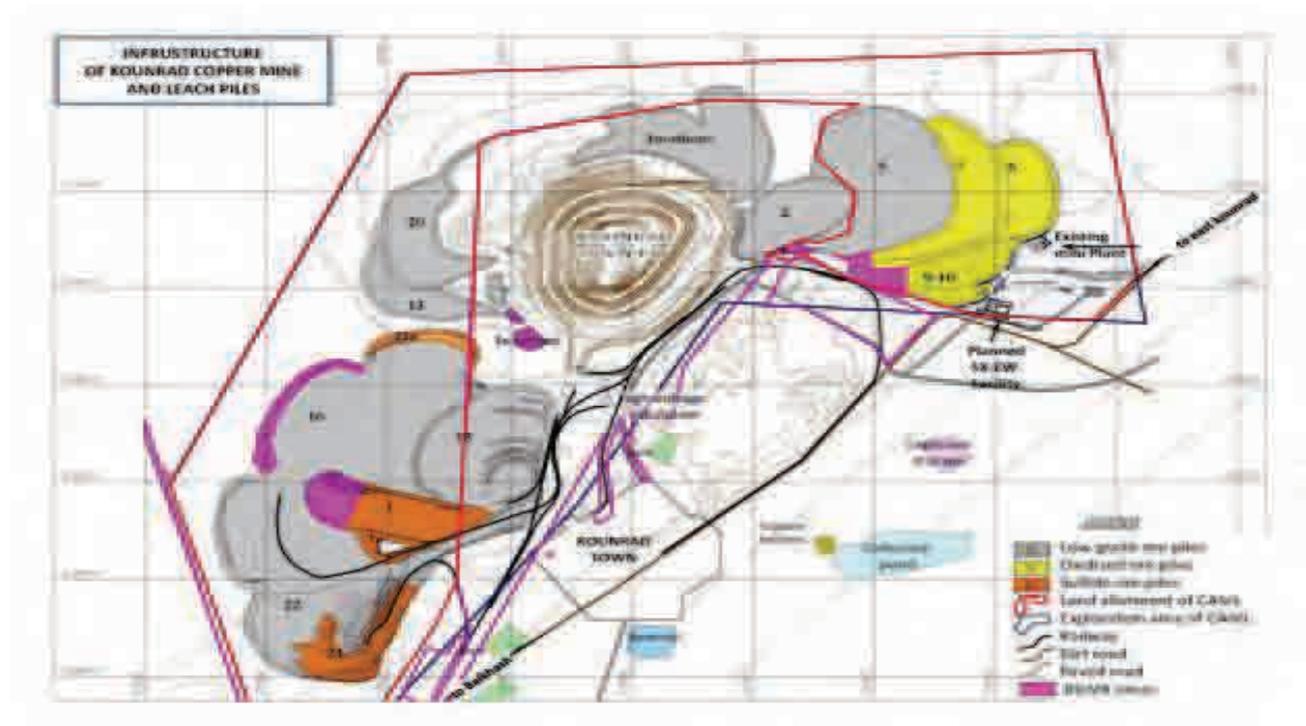


Figure 1.2: Schematic Layout of Kounrad Site



Photo 1.1: Aerial View (Oblique) of Kounrad Operations

Waste rock was segregated as the mine developed according to copper content and the percentage of contained copper reporting as acid soluble copper. Ore and 'waste' containing greater than 20% acid soluble copper were classified as oxide. Ore and 'waste' with 10-20% acid soluble copper was classified as 'mixed', and ore and 'waste' with less than 10% acid soluble copper was designated as sulphide. Any material with less than 0.15% total copper was designated barren waste.

Mining at Kounrad began in the mid 1930's; cut-off grades having declined over the years from 0.50% in 1961 to 0.20% in 1989, and continued at this figure until closure in 2008. The cut-off grades before 1961 are not known, but were at least 0.50%, and possibly higher.

In general, the dumps consist of run of mine material, side dumped by rail haulage and spread with a shovel, whilst in recent years some material has been hauled and end dumped with 40t off road trucks extending dump No. 5 and stockpiling oxide ore in dump No. 3.

During the expansion of dump 5, some of the material in dump 7 was covered, but this has not been included in the resource estimate and ideally should be quantified because it was dumped during the time that the cut-off grade was higher. The same situation has occurred with dump 6 being partially overlain by dump 7.

Notably, the portions of dumps 6 and 7 that are covered are located in an area that will permit the recovery of the contained copper and may represent a significant addition to the copper resources.

1.4 Current Mineral Resources (2010)

1.4.1 Background

The Kounrad copper deposit is a porphyry containing chalcopyrite as the primary copper sulphide mineral of economic interest. A wide suite of copper mineralisation including oxides, secondary sulphides as well as primary (sulphide) ore types are found in the deposit and have been very well documented over the years.

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 Balkashmed company located 15km south in Balkhash city. Waste and uneconomically treatable materials were dumped at designated areas adjacent to the open pit.

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 this 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 as shown in Figure 1.3 below.



Figure 1.3: Layout of Kounrad Waste Dumps

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 .

1.4.2 Current Reserve Estimates

1.4.2.1 Oxides

The archives of Balkashmed, the State-owned operator prior to the creation of Kazakhmys plc, contain the results of hundreds of thousands of assays covering the entire period of the waste dump accumulations. Utilising this data several estimates of the quantities of residual copper contained in these materials have been calculated by several organisations over a time span of two decades. Despite certain differences between them the overall global estimates of contained residual copper metal show good correlation.

In January 2002 the State Reserve Committee (GKZ Republic of Kazakhstan) approved the C_2 reserve basis for oxide dumps 6, 7, 9 and 10, which consists of 49.2Mt containing 77,721t of in-situ copper (gross). The reserves are shown in Table 1.3 below.

WAI has reviewed the methods by which the reserves for these dumps have been estimated and are satisfied that they follow the guidelines and protocols of the State Reserve Committee (GKZ Republic of Kazakhstan) and as such are robust.

WAI is of the opinion that reserves approved by the State Reserve Committee (GKZ – Republic of Kazakhstan) are equivalent to those of the Russian Standard for reporting of resources and reserves.

Gosstandart of the Russia Federation (GOST) is a set of regulations (similar to ISO) which relate to all Russian industries. Resources and reserves are approved by GKZ in Moscow, the State governing body for this, which applies the GOST regulations. Therefore, if resources and reserves are approved by GKZ, they are in compliance with GOST. WAI believes that the Republic of Kazakhstan, a member of the Commonwealth of Independent States (CIS), formerly a Soviet Republic (Kazakhstan declared its sovereignty as a republic within the Union of Soviet Socialist Republics (USSR) in October 1990) still adheres to the GOST regulations of the Russian Federation for the reporting of mineral resources and reserves and as such the reserves quoted above are equivalent to the Russian Standard.

This approved status means that once the project is given permission to proceed; these dumps can be exploited immediately without any restriction and are sufficient to support the project for its first four years of operation.

The oxide dumps, also known as the Eastern dumps (Dumps 6, 7, 9, & 10) were explored using historical cut-off-grade (COG) analysis supported by an extensive exploration programme. Historical sampling data, comprising approximately 45 deep trenches, were cut and bulk sampled across the dumps, supported by bulk sample trial pits along the accessible bases of the dumps to try to achieve a representative sample to ascertain the average grade.

Specific gravity tests were conducted on the material and averaged between 2.06 and 2.16t/m³. Historical estimates have used the upper value of 2.16t/m³ for the tonnage calculations.

WAI have reviewed the documents and reports relating to the acquisition of data and how the data were interpreted, together with the methodology by which the data was used in the reserve estimation and are satisfied that these are robust.

<i>Data Source</i>	<i>Dump No</i>	<i>Ore Type</i>	<i>Tonnage (Mt)</i>	<i>Grade (% Cu)</i>	<i>Hectares (ha)</i>	<i>Contained Cu (t)</i>	<i>Height (m)</i>
<i>Eastern Dumps</i>					<i>BGMK</i>		<i>BGMK</i>
State Approved (C₂)	#6	Oxide	11.4	0.13	33.1	15,001	22
State Approved (C₂)	#7	Oxide	27.5	0.16	63.1	42,918	28
State Approved (C₂)	#9-10	Oxide	10.3	0.19	53.5	19,802	12
Total			49.2			77,721	

Inaccuracies may be due to rounding.

1.4.2.2 Sulphides

In addition to the oxides, historical estimates have been made for sulphide and mixed/waste dumps on the property; these were estimated internally by Balkashmed and are given in Table 1.4 below. These were internal estimates and have not been approved by GKZ (Republic of Kazakhstan).

CAML is of the opinion that there is potentially 576.3Mt of sulphide and mixed/waste dump material available containing 655.5kt of copper (gross).

These estimates have not been prepared according to an internationally recognised reporting standard such as the JORC Code (2004) or the Russian Standard and are based on historical data; hence they are included for information only.

In addition to the oxides, WAI believes that a considerable amount of sulphide and mixed waste dump material is present at Kounrad that offers the potential to provide a source of recoverable copper; however this is still subject to the appropriate sampling, confirmatory assaying and metallurgical test work being conducted.

Table 1.4: Inventory of Kounrad Sulphide and Mixed/Waste Dumps (CAML 2010)							
<i>Data Source</i>	<i>Dump No</i>	<i>Ore Type</i>	<i>Tonnage (Mt)</i>	<i>Grade (% Cu)</i>	<i>Hectares (ha)</i>	<i>Contained Cu (t)</i>	<i>Height (m)</i>
<i>Eastern Dumps</i>							
<i>BGMK</i>							
Balkashmed 2006	#2	Mixed/Waste	48.5	0.10	100.2	48,466	22.6
Balkashmed 2006	#5	Mixed/Waste	44.2	0.10	141.8	44,241	14.4
Balkashmed 2006	North Cluster	Mixed/Waste	106.0	0.10	102.1	105,949	47.9
<i>Western Dumps</i>							
Balkashmed 2006	#1 (part)	Sulphide	19.9	0.24	44.8	48,466	25
Balkashmed 2006	#21	Sulphide	22.6	0.27	47.2	60,678	22
Balkashmed 2006	#21A	Sulphide	5.2	0.25	8	12,906	30
Balkashmed 2006	#1A	Sulphide	5.3	0.19	59.6	10,148	4
Balkashmed 2006	#13	Mixed/Waste	13.6	0.10	39.8	13,656	15.8
Balkashmed 2006	#20	Mixed/Waste	22.1	0.10	56.1	22,100	18.2
Balkashmed 2006	#15-16	Mixed/Waste	257.6	0.10	575	257,572	21.7
Balkashmed 2006	#22	Mixed/Waste	28.0	0.10	48.8	27,997	26.5
Balkashmed 2006	#1 (south)	Mixed/Waste	3.3	0.10	8.9	3,305	32.6
	Total		576.3			655,484	

Note: These estimates have not been prepared according to an internationally recognised reporting standard such as the JORC Code (2004) or the Russian Standard and are based on historical data; hence they are included for information only
 Inaccuracies may be due to rounding

The company will undertake a rolling programme of transfer of material to a recognised resource standard (JORC) and will have all of the presently estimated sulphide resources quantified by end of 2011. Thereafter, CAML will transfer other material with the aim to complete the task of having all presently estimated dump material classified to an acceptable international standard by the end of the first quarter of 2013.

Given sufficient resources (funding, manpower and equipment) and favourable results, WAI considers that the estimated timeframe outlined by CAML for this element of work should be achievable.

1.5 Dump Sampling Programmes (2007-2010)

1.5.1 Introduction

The layout of the waste dumps at the abandoned Kounrad copper open pit mine are shown in Figure 1.4 below. On the eastern flank of the pit oxide and mixed waste type materials were dumped, the oxide portion of which are already categorised as “Approved C₂ category” by GKZ (RK) and are scheduled for the first phase of exploitation using acid leach and SX-EW processing technology.



Figure 1.4: Location of the Numbered Waste Dumps at Kounrad

The materials dumped to the western side of the open pit are all categorised as sulphide and mixed waste. At this time whilst very significant amounts of historical sampling data from the period of mine operations exist, from which reserve estimates can be calculated, these materials have not been given formal GKZ (RK) approval. Undertaking appropriate exploration studies of these dumps, in order to obtain GKZ (RK) approval, is 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 planned and has been executed during 2010.

1.5.2 Exploration Work Programme 2007

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.

1.5.3 Exploration Work Programme 2008-09

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 1.5 and Figure 1.6 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 to undertake this programme was made in August 2009 and granted until 2011, subject to signing.

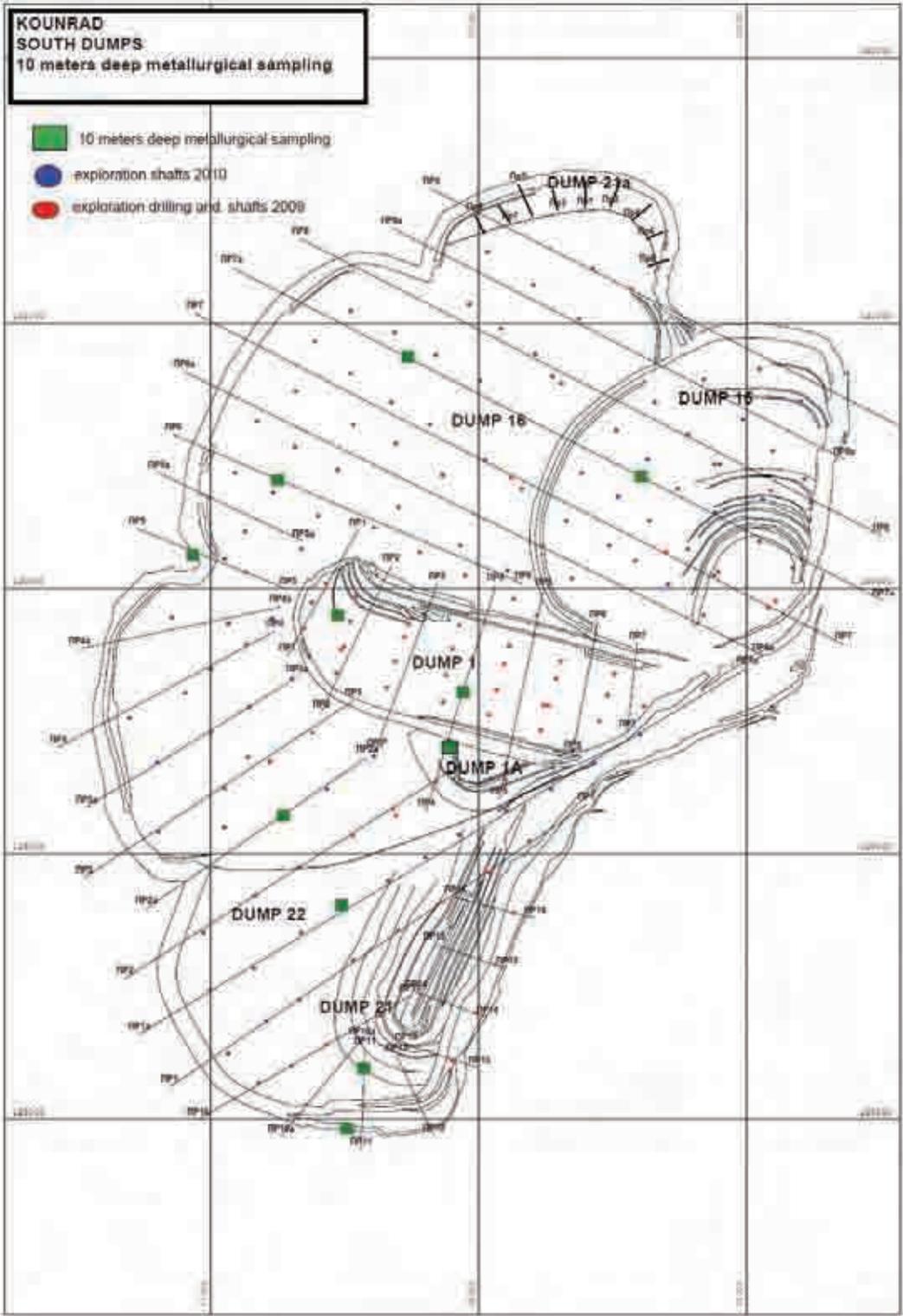


Figure 1.5: Location of Samples taken in 2009-2010 and Metallurgical Samples 2010
(For the South Dumps)

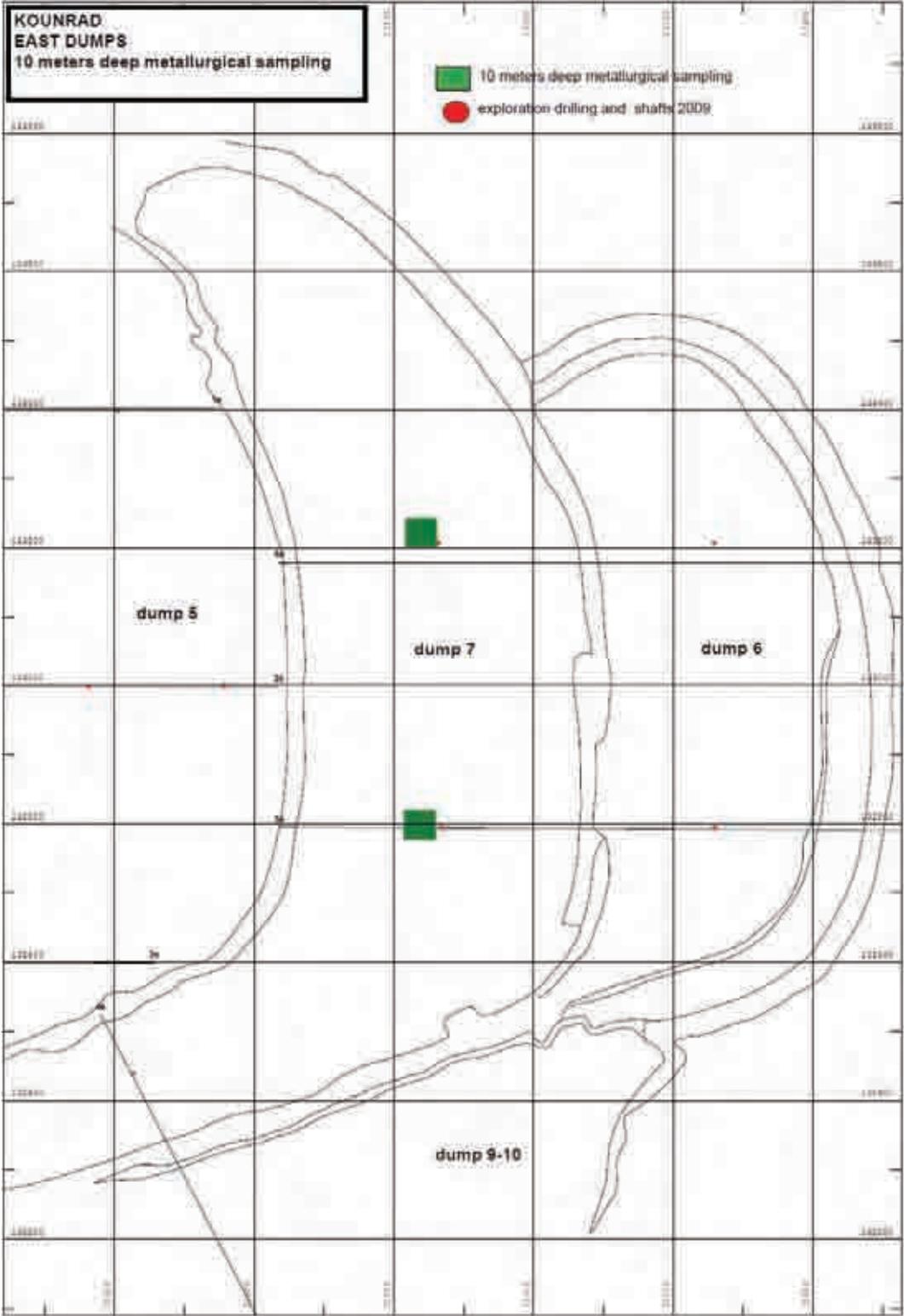


Figure 1.6: Location of Samples taken in 2009 and Metallurgical Samples 2010
(For the East Dumps)

The programme of work commenced in spring 2009 with an original plan to drill 172 holes from surface to dump base. However, due to difficulties with this technique and poor core recoveries (only 45-50%) only 85 holes, of 110mm diameter, 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 of depth. Due to poor core recovery and hole collapse, no hole made its target depth, with the maximum depth achieved being 30.0m.

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 1.5 below.

Table 1.5: Results of Drilling (2009)				
<i>Dump No.</i>	<i>Ore Type</i>	<i>Historical Grade % Cu</i>	<i>Sampled Grade % Cu</i>	<i>% Correlation</i>
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 would be expected in these ore types, suggesting that a degree of natural oxidation over time has occurred, together with a migration of copper 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 1.6 below.

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.

Table 1.6: Results of Bottle Roll Tests on Dump Material (VNIItsvetmet 2009)

<i>Dump No.</i>	<i>Ore Type</i>	<i>Expected Recovery %</i>	<i>Actual Cu Recovery, %</i>
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

1.5.4 Exploration Work Programme 2010

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. An extension to the licence to undertake this programme was granted until 2011 subject to signing.

For 2010, a programme of sampling 137 excavated 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 comprises of 1,500m³ 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 in accordance with the agreed programme. Utilising a back-hoe excavator, pits approximately 2.5m² 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 ready 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, in a similar manner to that described above, and bagged for analysis.

Material within the dumps consisted of massive-light-grey quartzite, often highly weathered/oxidised with iron-oxidation, intensely fractured with hematite-limonite pyrite veinlets and random epidote; and by 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, chalcopyrite (partly replaced by hematite and pyrite) are typical ore minerals found on the oxide dumps.

A total of 317 samples were 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 mode of analysis for copper follows that as employed in the 2009 programme, providing total copper, acid soluble copper and cyanide soluble copper (secondary copper).

1.5.5 2010 Metallurgical Sampling

In addition to the sampling programme to provide data for reserve estimation, a metallurgical programme started at the 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.

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 recent 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 late June 2010. The location of the samples is shown in Table 1.7 below.

Table 1.7: Description of Metallurgical Samples taken in 2010			
<i>Dump No.</i>	<i>Sample Location</i>	<i>Number of Samples</i>	<i>Depth of Dump (m)</i>
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

1.6 Mineral Processing and Metallurgical Test Work

1.6.1 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 around the site.

CAML propose to dissolve and recover the copper from these dumps using in-situ acid leaching technology. It is proposed that the copper solutions exiting the dumps will be processed using a conventional solvent extraction and electro-winning (SX-EW) process flow sheet for the production of 99.99% quality cathode copper.

The oxide waste dumps are located entirely on the eastern margin of the open pit mine and, in the current project scenario, will be treated first. All of the sulphide waste and the bulk of the mixed waste are located in the western area and CAML proposes to subject these to laboratory scale testing during 2010 to verify the recoverable copper and reagent consumptions. It is likely that field testing of the sulphides would occur, perhaps in 2011, and be transported to the existing mini plant.

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 is located at the No. 6 oxide waste dump, with test leaching cells of area 1000m² each being irrigated at any one time, and over the period to early September 2009, 46.8% of the estimated contained copper was recovered (from 3 cells of ore). With leaching continuing, recovery reached 50.2% by 21 July 2010 (from 4 cells of ore).

In March 2010 the Beijing General Research Institute of Mining and Metallurgy (BGRIMM) completed a Feasibility study for the production of 10,000tpa of cathode copper using SX-EW technology.

1.6.2 Historical Test Work

Metallurgical testing of the waste dumps has been a subject of investigation since the early 1960's when the property was entirely state owned. Following laboratory test work, 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 dissolution 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.

Test Work Undertaken Prior to CAML's Ownership

Studies for the application of acid leaching to recover copper from the Kounrad mine waste dumps first started in the 1960's and can be divided into three periods of examination, as summarised in the following sections.

VNIIsvetmet

During the 1960's column leach tests at varying scales of capacity were conducted by the Eastern Scientific Research Institute of Non-Ferrous Metals (VNIIsvetmet) based in Ust-Kamenogorsk. Their work resulted in the waste dumps of Kounrad being recognised as a prime target for hydrometallurgical copper production.

Unipromed Column Test Work (1970 – 1987)

A programme of column test work was undertaken by the Unipromed Institute. During the evaluation programme, great care was placed on the sampling accuracy. A total of 2,296 samples were collected from Dump Nos.6-7, Dump Nos.9-10, and Dump No.21 for the purpose of mineralogical and chemical analysis.

A total of 140t of sample was taken from each location, giving a total of 420t. This material was cone and quartered to produce four times one tonne sub-samples (one from each location). The test columns 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 1.8 below.

Table 1.8: Unipromed Test Results			
		<i>Dump</i>	
	<i>21</i>	<i>9-10</i>	<i>6-7</i>
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

The acid consumptions were very low compared with similar heap leach processes and this was attributed to the mineralogy of the samples i.e. low carbonate content.

It was noted that copper was still being leached at the end of the test periods. It was predicted that final recoveries for Dump No.21 and Dumps Nos.6-7 could both be as high as 56% if leaching had continued for 570 days. WAI did not review the test results in detail but is not aware of any percolation issues during the tests.

Balkhashtsvetmed Production Association's Production Trial (1987 – 1982)

To confirm the results of the column test work, a production trial was initiated on Dump Nos.9-10. This trial lasted some six years and involved the leaching of 2.53Mt of material. The total weight of copper produced was 1,512t.

Leaching took place over 180 day periods, with no spraying of the heaps in the winter season. The final recovery estimates ranged from 53% to 82%, depending on the estimated tonnages and the predicted grade of material under leach. The trial recovery figure range was therefore in good agreement with the column test result of 68.4% although the leach time was significantly longer.

The production logs did not report any problems with leach solution turbidity or percolation rates. No cases of side or heap “blow-outs” were reported.

The solution application rates used were difficult to determine as solution was not applied continuously. Solutions were applied for 18 hours each day and shut off for 6 hours.

Acid consumption is often a major operating cost in the heap leaching of copper oxide ores. Over the six years of operating the acid consumption was 5kg per kg of copper produced, confirming the low figures achieved in the laboratory tests. It was believed that some of the acid was consumed by the scrap iron used to recover the copper from solution. As it is proposed to recover copper from solution using SX-EW, the consumption of acid using this technique would be expected to be even lower.

Geoanalitika Production and Research Centre

Subsequent investigations over the period 2003-2007 were aimed at more specific evaluation of the copper resources through collection of samples by drilling and trenching, with samples being tested at the laboratory of Geoanalitika Production and Research Centre in Karaganda.

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). The samples were collected from depths of between 2 and 3m on a similar grid pattern, and indicated that a significant degree of natural oxidation had occurred.

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.

A change in the nature of copper mineralisation was observed, with increased amounts of chalcocite and covellite being present. This is illustrated by samples from Dump Nos. 9 and 10, which in 1984 contained copper oxides at 25% levels, yet by 2007 these had increased to 62%. Similar trends were found in Dump No.6 where the levels had increased from 45% to 65%.

1.6.2.1 Test Work Undertaken by CAML

During early 2008 an exploration programme, approved by CenterKaznedra Regional Authority, was conducted with the drilling of 172 boreholes to a maximum depth of 30m to obtain samples for further laboratory testing. Holes were drilled in both the eastern oxide waste dump material and the western sulphide waste dumps. It should be noted that drilling of such dumps of 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 (BRT) and small-diameter column leach tests (CLT). A summary of the results is given in Table 1.9 and Table 1.10.

Table 1.9: Test Results (VNIItsvetmet) on Material from Oxide Dumps Nos.6, 9-10			
<i>Dump No</i>	<i>Size, mm</i>	<i>Days Run</i>	<i>Recovery, %</i>
<i>Bottle Roll Tests</i>			
9-10	-20	20	39
9-10	-10	20	45
6	-20	20	44
6	-10	20	50
<i>Column Leach Tests</i>			
9-10	-50	20	42.3
9-10	-20	20	50.2
6	-50	20	24.3
6	-20	20	28.8

Table 1.10: Test Results (VNIItsvetmet) on Material from Sulphide and Mixed Dump	
<i>Dump No</i>	<i>Average Recovery, %</i>
1	56.8
1a	66.5
5	57.2
15	50.8
16	63.5
21	51.8
22	57.0

*Bottle Roll Tests undertaken on material crushed to -2mm

The oxide test results are of limited use in determining final copper recovery as the test duration was only 20 days. From the column tests, the recovery of copper from Dump No.6 gave an average recovery of 26.6% which is comparable to the column test results obtained by Unipromed.

Similarly, the tests undertaken on the sulphide material are also 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.

The column test work undertaken by VNIItsvetmet and Unipromed suggested that the recovery of copper from Dump No.6 was relatively low (below 35.5%). However, the CAML pilot plant trials undertaken on Dump No.6 indicated that the copper recovery is approximately 50%. Consequently, WAI suggests that the samples taken as part of the column leach test work might not have been representative. Evidence suggests that copper has migrated towards the base of the dumps which could easily result in a non representative metallurgical sample being taken. Resource estimation shows that Dump No.6 assays 0.13% Cu while the head grade of the sample used in the VNIItsvetmet test work was 0.07% Cu. Alternatively, the volume under leach in the pilot trial may have been over estimated and additional copper may be recovered from areas outside the theoretical cell volume.

The average laboratory test copper recovery achieved from the sulphide waste material has proved highly encouraging at between 50% and 60%. Initial predictions were that 30% copper recovery might be expected due the presence of non leachable sulphide mineralisation. However, CAML believe that these results indicate that significant natural oxidation has occurred within the dumps over the decades, with some natural leaching and loss of copper.

The acid consumptions from the column tests for Dump Nos.9-10 was on average 3.25kg acid per tonne of ore or 4.66kg acid per kg of copper. For Dump 6 the acid consumption was on average 3.65kg acid per tonne of ore or 19.3kg acid per kg of copper. The copper grade of material from Dump No.6 was much lower at 0.07% Cu in comparison to Dump Nos.9-10 (0.15% Cu); hence the acid consumption per kg of copper produced was significantly higher.

WAI considers that the acid consumptions, expressed as kg of acid per kg of copper, are likely to be relatively higher when treating dumps with lower copper head grades. The acid consumption figure, given as kg of acid per kg of copper for Dump No.6, could be non representative as the head grade of the sample tested was significantly lower (0.07% Cu) in comparison to the resource estimate (0.13% Cu).

1.6.3 Pilot Plant Trial (CAML)

In August 2008, a pilot Solvent Extraction – Electro-winning (SX-EW) plant was installed and commissioned at No.6 Oxide waste dump. The plant was manufactured by SX-Kinetics Inc (Canada) with an initial design production capacity of 200kg of cathode copper per day. The plant has subsequently been adapted to produce 600kg of cathode copper a day. The pilot plant trial was seen in operation during WAI’s visit (April 2010). The pilot plant facility is shown in Photo 1.2.

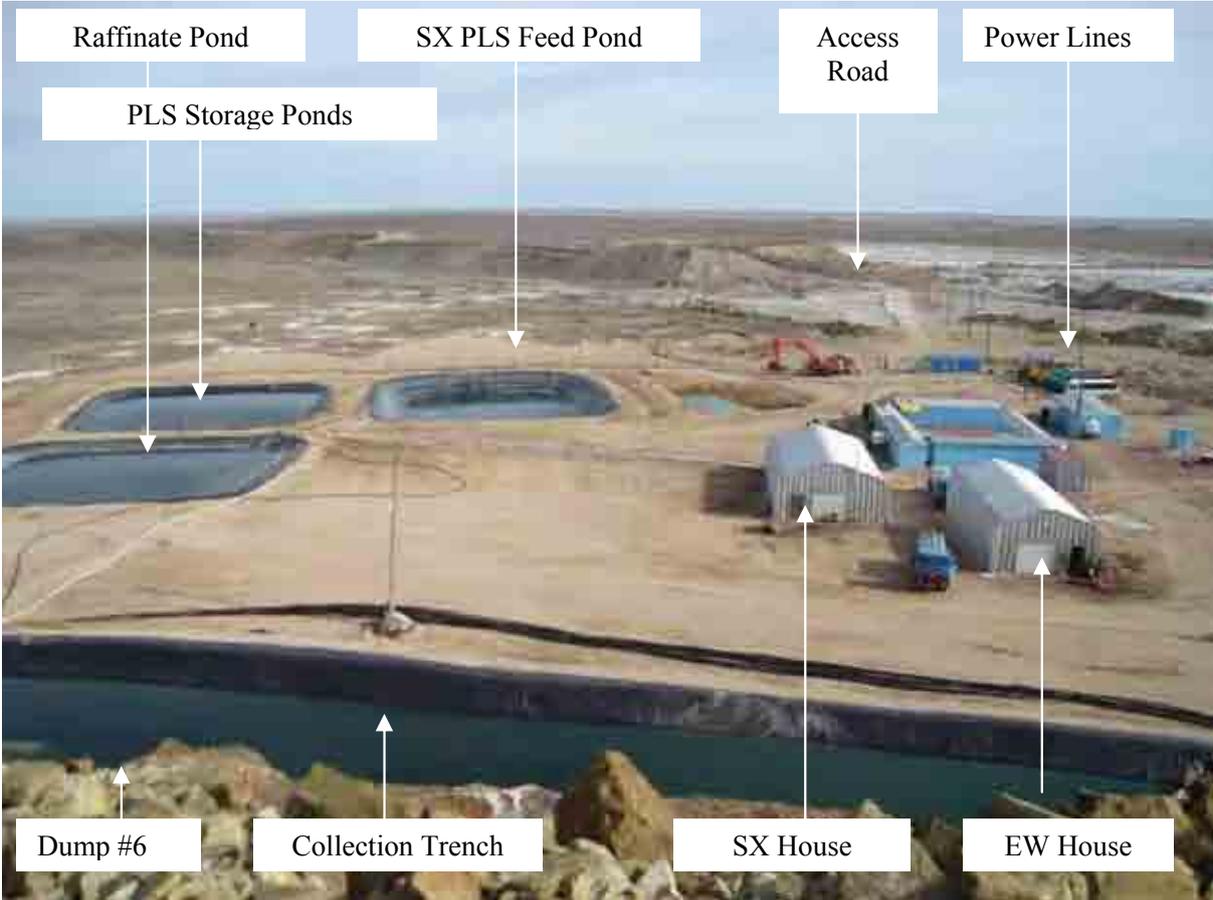


Photo 1.2: Processing Plant

1.6.3.1 Description of Plant

The acidic leaching solution, at a pH of about 1.2, is pumped either from the raffinate pond or directly from the SX section to the dump leach distribution system, which consists of a dripper irrigation system. The dripper system is shown in Photo 1.3 and the dump is shown as Photo 1.4.



Photo 1.3: Irrigation System Located on Dump No. 6



Photo 1.4: View of Dump Leaching Operation

During winter months the drippers are covered by a plastic sheet in order to reduce the potential of the solutions from freezing. The acid leach solutions percolate through the dump, dissolving copper minerals resulting in the formation of copper bearing solutions termed the Pregnant Leach Solution (PLS).

As the PLS leaves the base of the heap at the natural ground contact, it is intercepted and channelled into a continuous HDPE lined trench that prevents the loss of collected solutions into the groundwater. From this trench the collected solutions are first pumped to an intermediate settlement pond, to allow the fine particles to settle, prior to flowing into the main PLS storage pond. From this pond the PLS solution is drawn at a steady rate through the SX plant.

The PLS normally contains between 3 and 6g/l copper with a pH in the range of 1.5 to 1.7. The PLS is pumped via feed pumps to a system of Mixer-Settlers, where between 70 to 90% of the copper is extracted into an organic phase using LIX-984N solvent. The stripped PLS solution (raffinate) undergoes a second separation stage in the raffinate coalescer for recovery of the organic phase. Having passed to the raffinate pond, the pH can be adjusted as required by the addition of sulphuric acid prior to being reapplied to the dump.

For efficient separation of the two phases it is considered important to maintain the temperature above 5°C and during the winter months heating of the PLS is required.

The copper-loaded organic phase is then pumped to the loaded organic tank prior to the stripping stages, where copper is re-extracted from the organic solution into a rich aqueous electrolytic solution with copper concentrations of 30 – 50g/l. The stripped organic solution is recycled to the stripping unit to repeat the process.

The copper-rich aqueous electrolyte is then pumped through the electro-winning cells at a temperature of around 35°C and copper is plated onto stainless steel cathodes and the spent (lean) electrolyte flows back to the mixers-settlers. There are a total of ten electro-winning cells, expanded from the

initial installation of four cells. The cells are powered through a rectifier with the current and voltage output varying from 0 to 2500A and 0-15VDC.

To reduce the generation of acid mist which is common to all such facilities, all of the EW cells are equipped with plastic covers connected to a ventilation system. In order to improve the plating process and reduce corrosion of anodes small amounts of cobalt sulphate and guar gum are added to the electrolyte. The copper cathodes are removed manually each day as required.

WAI considers that the pilot plant appeared to be in good working order and the facility managed to a satisfactory technical standard.

1.6.3.2 Pilot Plant Tests Results

CAML has selected four trial areas or “Cells” within oxide dump No. 6 for the pilot trial. Each cell typically has a surface area of about 1,000m².

Copper Recovery from Cells 1, 2 and 3

Leaching of the dump began in August 2008 and in September 2009 the copper recovery was determined for Cells 1, 2 and 3. Determining copper recovery required a number of assumptions to be made regarding the volume under leach. It was assumed that a proportion of the solution percolating through the heap would penetrate laterally into the neighbouring ore thereby leaching copper outside the designated cell boundary. To account for this, CAML adjusted the boundary of cell so that the boundary ran at an angle of 30° from vertical, spanning outwards towards the base of the dump (therefore the volume of material being leached did not resemble a cube but rather a trapezoid). The grade of the copper within the heap was derived based on the assays used for the State approved reserve estimations.

The amount of copper within Cells 1, 2 and 3 was estimated to be 213.723t while the amount copper extracted (based on cathode copper produced and pond and trench inventories) was 99.948t. The calculated copper recovery was therefore 46.8% over the period October 2008 to September 2009. The recovery was also determined for Cell 3 only for the period of 21 April to 8 September 2009. Three methods were used:

- A recovery of 70.2% was determined and was based on the total amount of cathode copper produced from all three cells (Cells 1, 2 and 3) and then dividing between each cell pro-rata to the volume of solution pumped over the cell;
- A recovery of 57.8% was determined based on the copper assays around the EW circuit; and
- A recovery of 53.7% was determined based on the actual physical cathode mass produced.

CAML suggested that it was reasonable to assume that recovery for Cell 3 falls in the region of 50% to 60% over 180 days of irrigation. CAML have now confirmed a recovery of 50.2% by 21 July 2010, hence WAI believes this to be an appropriate figure.

Solution Hold-up

A solution hold-up of 0.42%v/w was estimated for Cell 3, indicating free drainage within the heap. The free drainage was attributed to the particle size of the material in the dump. Estimates were also undertaken on Cell 4 which also gave similar results.

Leach Kinetics

The leach kinetics of cells 1, 2 and 3 were difficult to determine due to various issues such as the lack of specific cell data prior to 9 June (such as solution inventories). A number of assumptions were applied to best estimate copper recovery from the daily production and data sheet records held by the site; and a copper recovery was estimated at 50% after 140 days of leaching.

Irrigation of Cell 4 began in September 2009 and was terminated on 6 November 2009. The objective was to evaluate leach recovery rate over a 60 day period (thus enabling confirmation of the calculated recovery rate estimates derived from Cell 3). During the 60 days leach period a recovery of 22.7% was determined which correlated well with data from Cell 3. The recovery rate of Cell 4 was high within the first 20 days of leaching after which the rate slowed dramatically. It was then decided to increase the irrigation rate from 5.5m³/hr to 11m³/hr which significantly increased the recovery rate.

Acid Consumption

CAML have been unable to derive separate acid consumptions for each cell using the available process data but have developed a collective acid consumption for Cells 1 to 4 since the start of the project to 21 October 2009. The acid consumption was estimated to be 0.21 kg per kilogram of copper leached. This figure is considered low and may be due to any acid consuming minerals having been leached out naturally since the dumps were formed.

CAML have used an acid consumption of 0.4kg of acid per kilogram of copper produced for the feasibility study which is twice the levels that the field trials have indicated to date. These figures are lower than the values obtained in the early laboratory leach tests. This is to be expected as the column leaching tests were not in closed circuit with SX/EW and therefore the acid generated during electro-winning was not recycled.

Recovery

The leach recoveries for individual cells up to mid April 2010 are shown in Table 1.11. From that date the cycling of the irrigation pattern per cell has been more frequent, in order to flush through the copper, that updating per individual cell to mid July is not considered worthwhile.

Table 1.11: Leach Recoveries (as of 15 April 2010)				
<i>Cell</i>	<i>Days Leaching</i>	<i>kg Cu in cell</i>	<i>kg Cu Leached</i>	<i>% Recovery</i>
Cells 1&2	327	184,559	69,170	37.5
Cell 3	140	99,278	58,128	58.6
Cell 4	59	107,625	24,341	22.6

The recoveries are based on the production of cathode copper and solution inventories. Cells 1 and 2 have been subjected to the longest period of trial copper recovery but with low irrigation rates and it is important to note that Cell 1 was only irrigated for a period of 60 days and with the PLS being recycled back to the heap with no further acid addition.

At the time of the April site visit CAML were irrigating Cell 3 and intended leaching that cell to completion. After leaching Cell 3, then Cells 1, 2 and 4 would be leached to completion over the period through to July 2010.

Evidence from Cell 3 indicates that the recovery of copper from Dump 6 is approaching 50%, assuming that the assumptions regarding the volumes under leach are correct. WAI suggests that on completion of the leaching cycles that recoveries are reconciled by sampling the heap and determining the residual copper grade within the heap.

Copper Production

During the period of pilot plant operations to end July 2010 over 300t of cathode copper was produced, at a quality that averaged 99.99% Cu, which is a saleable product. A typical analysis of the cathodes illustrating the levels of various impurities (ppm) is shown in Table 1.12 below.

Table 1.12: Analysis of Cathode Copper Product (ppm)			
<i>Element</i>	<i>Value</i>	<i>Element</i>	<i>Value</i>
Cu (%)	99.99	Sb	2.3
Pb	4.6	Cr	0.6
Fe	3.4	Mn	0.5
Si	<2	Cd	0.5
Sn	1	P	0.5
Ni	3	Bi	<1.5
Zn	2	Se	0.6
Co	<0.6	S	15
As	<1.8		

WAI considers that the pilot plant trial has demonstrated the feasibility of producing saleable cathode copper and the technical ability of CAML. The product produced is of saleable quality.

1.7 Test Work Conclusions

The pilot plant trial being undertaken by CAML is well managed and undertaken to a high professional standard. The pilot tests have enabled substantial quantities of copper to be produced over an extended period to gain confidence in the marketability of the high grade copper product. In determining the copper heap leach recoveries and kinetics, the company has made reasonable assumptions regarding the volume of material under leach and has attempted to obtain an accurate metallurgical balance for both copper and acid by allowing for the copper and acid in the water input. There is, however, the risk of inaccuracies in the method of accounting, particularly as a significant proportion of the copper that is recovered in the plant has originated from outside the cell volume. CAML's approach to addressing the difficult technical task of predicting copper leach recoveries and acid consumptions is reasonable.

1.8 Proposed Processing Plant

BGRIMM have developed a detailed leaching schedule and designed a plant capable of treating a range of flow rates and solution grades to produce 10,000tpa of copper cathodes at a minimum 99.99% quality.

The design philosophy developed by BGRIMM is based upon the field data generated from the pilot scale SX-EW plant that has been running successfully and without interruption at the Kounrad site since August 2008.

The plant design has taken the extremes of climate into consideration, especially the operability through the winter period.

1.8.1.1 Flow Sheet

The process design is based upon the leaching of the Kounrad dumps with sulphuric acid solution at pH 1.2 to dissolve the copper mineralisation. The PLS will be 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 will be treated by the solvent extraction and electro-winning, as used in the pilot plant.

BGRIMM have selected to install three extraction Mixer-Settlers in the Kounrad flow sheet, which will provide maximum flexibility for the treatment of a wide range of PLS flow rates and grades. The final design has yet to be agreed but it is envisaged that each settler will have an area of 260m², with approximate dimensions of 13m by 20m and constructed with appropriate off-takes and valves to allow the solution flows to be modified as required with respect to the volume of PLS passing through the circuit.

When the volume of PLS is below or near 400m³/h only two extraction stages will run in a series combination.

When the volume of PLS is above 400m³/h but below or near 1000m³/h, three extraction stages will be running two in series and the third in parallel, When the volume of PLS is in excess of 1000m³/h then all of the three extraction stages will be running parallel, with all three stages in organic continuous mode. Note that in all flow sheet scenarios the organic and aqueous solutions flow counter currently to each other.

In addition to designing the extraction settlers with a conservative flux density for cold weather operations, the design also allows for the incoming PLS in winter to pass through a heat exchanger system raising its temperature to 5°C degrees. However, on the basis that the Erdmin SX plant in Mongolia operates in a very similar (or colder) climate to Kounrad, then BGRIMM are of the opinion that a heating system will likely not be required but has included such a system as a safety measure.

The SX design parameters have been reviewed by a consulting metallurgist from Cognis Corporation, a manufacturer of organic reagents for the base metal hydrometallurgy industry. The outcomes from this analysis in the form of a series of IsoCalc[®] TM computer simulations has confirmed that the circuit configuration selected is of sufficient flexibility to achieve the throughputs and SX circuit extraction efficiency projected in the Study.

1.8.1.2 Metallurgical Performance

BGRIMM have adopted recovery levels of 50%, 45% and 40% respectively for the three ore types (oxide, mixed and sulphide) resulting in the expected recovery of almost 324,000t of copper over the project life. The eastern waste dumps should recover approximately 121,000t during a 12 year period, with the western dumps producing the balance of 203,000t assuming CAML receives GKZ approval.

BGRIMM have 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 BGRIMM have used 49.5%, 44.5% and 39.5% recovery for the oxide, mixed and sulphide dumps respectively.

1.8.1.3 Proposed Production Schedule

The eastern oxide dumps have been targeted for the first phase of copper production for the project. The first 12 years of the project production schedule relates to the treatment of the materials stockpiled in the eastern oxide/mixed waste dumps, with the exploitation of the western dumps completed by pumping raffinate and PLS from the solution catchment system back to the SX-EW plant for copper removal. BGRIMM note that there is the option to build a standalone second SX-EW facility for this portion of the resources (the second facility is not considered in the feasibility study).

1.8.1.4 Operating Costs

BGRIMM have completed a detailed build-up of the expected operating costs on an annual basis for the first 12 years of the project life. The costs are based on the production of 10,000tpa of cathode copper per year.

A summary of the operating costs is shown in Table 1.13.

Table 1.13: Summary of Operating Cost (BGRIMM 2010)	
<i>Item</i>	<i>Total Cost (US\$)</i>
Labour	1,606,823
Power	1,728,739
Coal	625,260
Water	97,736
Reagents	1,805,060
Maintenance	350,314
Sales and Cathode transport	1,100,100
Balkhash Office Overheads	803,298
Contingency (@2.5%)	175,431
Total	8,292,660

The total annual cost for the production of 10,000kg of cathode copper is US\$8.293M or US\$0.83 per kilogram of copper produced. Accounting for depreciation, annual costs to extend the trenches and office overheads (outside of Balkhash) the overall processing cost is US\$13.16M or US\$1.32 per kilogram of copper produced.

WAI believes that the operating cost is realistic at US\$1.32 per kilogram of copper produced.

Labour

The estimated total compliment of direct site management and operating labour is 143. 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 total annual cost for labour is US\$1.6M and includes management at the Kounrad and Balkhash sites.

Power, Coal and Water

The estimated costs of power, coal and water is shown in Table 1.14.

Table 1.14: Summary of Power, Coal and Water Costs (BGRIMM 2010)			
<i>Item</i>	<i>Consumption</i>	<i>Unit Cost (US\$)</i>	<i>Estimated Annual Cost (US\$)</i>
Power (kWhr)	30,870,331	0.056	1,728,739
Coal (t)	10,421	60.00	625,260
Water (m ³)	698,112	0.140	97,736
Total			2,451,734

The expected annual energy consumption for an output of 10,000tpa of copper cathode production has been calculated as 30.87MkWh. The current price paid for power by CAML is KZT 8.4 (US\$0.056) per kWh including VAT. On this basis, the total power cost is US\$1.73M at full capacity.

Provision has been made for heating the incoming PLS during the winter months to a temperature of 5°C. BGRIMM have calculated the tonnage of coal required to achieve this and have used a conservative unit price of US\$60/t of coal delivered to the site. The annual cost of this would be US\$0.625M although BGRIMM claim that there is potential that this figure could be reduced.

BGRIMM have calculated the amount of industrial and potable water requirements required for the project, and utilising cost data per m³ provided by CAML, they have estimated the annual charges to be in the region of US\$0.98M per year.

Reagents

The cost of reagents used has been based upon their projected consumption rate and the unit price delivered to site, inclusive of freight, duty and VAT. The summary of reagent costs is shown in the Table 1.15.

<i>Item</i>	<i>kg/t Cu</i>	<i>Consumption (t)</i>	<i>Unit Cost (US\$/t)</i>	<i>Estimated Annual Cost (US\$)</i>
LIX984N	5.00	50.00	14,800	740,000
Sulphuric Acid	420.00	4,200.00	160	672,000
Kerosene	20.00	200.00	1,342	268,400
Cobalt Sulphate	0.26	2.60	12,000	31,200
Guar Gum	0.10	1.00	7,500	7,500
Minor Reagents				85,960
TOTAL				1,805,060

The estimated total cost of all the necessary reagents is US\$1.8M with the bulk of this being incurred in sulphuric acid and LIX (c. 78%).

Maintenance

The maintenance costs associated with a SX-EW plant are significantly lower than with a typical wet minerals processing operation due to the fact that the main duties are simply the pumping of solutions rather than the crushing and milling of abrasive materials. Based on BGRIMM's experience, an allowance of 3% of the equipment costs per annum has been made which totals c US\$0.35M.

Sales and Cathode Transportation

An allowance of 2% of gross copper sales revenue has been included for the costs associated with the selling and shipment of the final cathode copper product. The estimated total annual costs are US\$1.1M.

1.8.2 Capital Costs

The total capital expenditure required to construct the 10,000tpa copper SX-EW facility is estimated as US\$46.9M as summarised in Table 1.16.

Table 1.16: Capital Cost (BGRIMM 2010)	
<i>Item</i>	<i>(US\$)</i>
Construction of SX-EW Plant	
Engineering Design & Procurement	1,870,065
Earthworks & Concrete	8,000,366
Equipment	12,013,216
Logistics & Duty (incl VAT , Freight)	3,395,070
Installation	3,837,996
Site Infrastructure Costs	
Power Supply	1,775,100
Railway Extension	1,200,427
Water Supply	1,000,000
Ancillary Costs	600,000
Build up to Production	
Commissioning & Spares	605,334
First Fills of Reagents	2,264,116
Management & Contingency	
CAML Management Costs	4,023,118
Working Capital	1,467,051
Contingency for 3 month delay	557,530
Contingency for cost over-runs	4,258,645
Estimated Capital Expenditure	46,868,033

WAI has reviewed the capital cost estimate and finds it to be realistic and in keeping with other operations of a similar scale.

1.8.3 Project Economics

Based on the above assumptions and a US\$3.00/lb selling price, the BGRIMM Feasibility study states that the total Project NPV (10% discount) is US\$242.50M (post tax). WAI believes this figure to be reasonable.

The financial returns on the project are clearly sensitive to a number of economic parameters, namely the selling price of copper and the ability to control the operating costs both in terms of the assumed quantities of materials for the stated copper production and their price on the market.

WAI believes that a prudent approach has been taken in the Feasibility study, allowing some potential for upside, particularly on the copper price over the life of the project.

Given that the differential between the selling price and the estimated operating costs is fairly large, a very detailed analysis has not been performed at this stage of the Feasibility study.

Table 1.17 below highlights the impact on the project NPV of differing copper prices ranging from US\$2.00/lb (US\$4,400/t) to US\$4.00/lb (US\$8,800/t). It can be seen that for every US\$0.50 increase per lb in selling price of copper, the project NPV increases by approximately US\$60M with approximately US\$37M accruing to CAML.

Table 1.17: Cu Price Impact				
<i>Copper Price per lb</i>	<i>Project NPV at 10%</i>		<i>CAML Share</i>	
	<i>35 Year LOM</i>	<i>12 Year LOM</i>	<i>35 Year LOM</i>	<i>12 Year LOM</i>
	<i>US\$M</i>	<i>US\$M</i>	<i>US\$M</i>	<i>US\$M</i>
US\$2.00	118.95	59.83	76.99	39.25
US\$2.50	180.45	99.72	114.42	63.72
US\$3.00	242.50	139.87	151.97	88.13
US\$4.00	365.45	219.30	226.11	136.16

It has been estimated that the break even selling price of the copper for the project based on a life of mine of 12 years is US\$2,800/t and US\$2,300/t based on a production life of mine of 33 years.

1.8.4 Services Supply

Power supply to the project will be via an OHL system rated at 35kV which is then stepped down to 10kV at the main facility sub-station; all of which is to be provided by CAML and its local engineering sub-contractors.

The urban potable water supply system in Kounrad township, about 2km from the site, has a sufficient supply capability to provide for all the site's requirements. This water supply meets all relevant Kazakhstan drinking-water quality standards. It is planned to transport the required volume of water from the existing collection and filling point in the township by water trucks. These trucks will discharge water into a potable 30m³ tank, from which it will be distributed by pipeline around the facility.

There are three water sources available that combined can provide the required make-up quantities of process water. The sources of water are:

- The most attractive water source would be the now-abandoned Kounrad open pit, which continually accumulates inflowing groundwater and any precipitation in the form of rainwater or snowfall at its base. However, it is understood that Kazakhmys have recently denied CAML access to this source;
- The second source is an abandoned underground complex of shafts associated with a former molybdenum mine, located 8km to the east of the proposed SX facility; and
- The third option considered by CAML is the water from the vast resources of Lake Balkhash, 18km to the south of the property, where a pump station exists that was used until 2005. A new 15km pipe line would be required.

CAML are considering taking water from this pump station by the following two methods:

- By the time of the project construction commencing, CAML shall own two 20m³ mobile water tankers that can collect water and transport it to the site as needed. It is estimated that working a 24-hour day shift these tankers could deliver at least 500m³ per day; and
- However, should a larger amount of water be required, CAML has already undertaken several studies to evaluate the cost of reinstating the 15km pipeline through to Kounrad, and the capital costs to achieve this are expected to be in the region of US\$1M.

The BGRIMM design study includes a detailed assessment of the coal fired hot water/steam generation and heat exchange systems, the pipe distribution network, coal handling and flue dust/coal

ash disposal and ventilation. Coal with a particle size of -30mm can be delivered to the plant by road truck and either tipped directly into the coal feeder or into the coal storage area which will have a storage capacity of up to 15 days.

It is proposed that the reagents, excluding sulphuric acid, will be transported by road. Copper cathode and sulphuric acid will be transported by rail.

From the plant main entrance a short distance of spur road will be installed, connecting it to the main local road to Kounrad and Balkhash. A rail spur of about 950m will be built from the main line adjacent to the plant site, and will form a dedicated rail siding for the loading and off-loading of reagents and copper cathodes.

1.9 Hydrology/Hydrogeology

Leaching of stockpiles has been ongoing since the late 1970's. A detailed hydrogeological study was initiated in the early 1980's with the first report presented in 1983. Since then, two follow-up reports have been prepared outlining the subsequent work and findings. The purpose of these studies was to evaluate ground water conditions (physical and water quality) around and downstream of the site. The reports covered two areas, the north dumps and east dumps, and information from the latter was used for this review report.

Avenues of solution migration from the site are via ground water and surface run-off during periods of high flows, (e.g. snow melt in frozen ground). Ground water migration is continuous and appears to be the most significant contributor to the contamination of down-gradient waters.

Previous studies at the site have included:

- Institute Karaganda GIZ (1977-1988): Drilling and testing of 60 holes and exploratory test pits; geotechnical evaluation of rocks underlying leach piles; geophysical studies; drilling of 18 shallow boreholes with subsequent testing of underground water; hydro-geological tests; water level measurements and quality analysis of water;
- R&D Institute Unipromed from 1988 to 1993: Drilled 129 wells with subsequent testing of underground water within a depth range from 3 to 40m, geophysical studies, hydrological tests, water level measurements, and sampling and quality analysis of water, trace element assays, laboratory analyses of topsoil, including analyses for attenuation capacities; and
- Kazakhstan Institute of Geology, Almaty from 1991 to 1992: Conducted water level measurements, sampling and analysing of underground water from 44 monitoring wells for estimation of the level of contamination and for development of recommendations on improvement of underground water conditions.

1.9.1 Hydrogeological Conditions

The Project site was subject to additional specialised hydrological studies carried out in May 1994 and included drilling of fifteen additional monitoring wells with a depth range from 10 to 30m, with surface and underground water sampling, hydrological tests and regular measurements of groundwater levels, as well as water quality analyses.

Ground water in the project area occurs within the hydraulically connected unconfined water bearing units which consist of alluvial sediments underlain by weathered and partially weathered bedrock. The competent unweathered bedrock that underlies these units is considered to be less transmissive than the overlying weathered units. The thickness of the water bearing strata ranges from 10 to 40m.

The weathered zone can be divided into an upper and lower layer with the upper layer being the more permeable. The average permeability value is controlled by the degree of weathering in the bedrock. The lower unit has an average permeability value of about 0.03m/day according to Bateman (1993).

Kazglavstroyproyekt's (1998) summarised the ranges and average values of hydraulic conductivity from the hydrogeological investigations as typical for different soil types and water-bearing bedrock strata in the Project area. This summary is presented in Table 1.18.

Table 1.18: Typical Hydrogeological Conductivity Values (m/d)		
<i>Type of material</i>	<i>Values</i>	<i>Hydraulic conductivity (m/day)</i>
Soils		
Colluvial silt	Range:	0.01-1.44
	Average value:	0.62
Sandy soil	Range:	0.63 – 3.88
	Average value:	2.44
Fine-grained alluvial layer	Range:	0.03 – 2.56
	Average value:	0.9
Coarse-grained alluvial layer	Range:	0.67 – 15.4
	Average value:	8.29
Material in leachpiles	Range:	1.8-720.0
	Average value:	191.16
Bedrock		
Weathered and fractured	Range:	0.5-11.5
	Average value:	6.0
Weathered and dense	Typical value:	0.85
Moderately fractured	Typical value:	0.066

As can be seen from Table 1.18, it would appear that the hydraulic conductivity of the various units decreases with depth. The moderately fractured bedrock is calculated as having typical permeability of approximately 2 orders of magnitude lower than the more permeable weathered and fractured bedrock.

Most ground water flow occurs in the top 2m (average) of broken alluvial material and soil. Below this, transmission is by capillary action and is very slow.

The depth to groundwater is affected by precipitation and leaching activities in the area (highest levels/shallowest depths in spring when runoff is high and leaching operations are under way).

Hydrogeological studies report that in the vicinity of dump 9-10, groundwater flows towards the southeast. The hydraulic gradient appears consistent across the site and not controlled by depth, type of sediments or near surface bedrock units. The flow is considered to be approximately 2% in a south-easterly direction. No significant fault or fracture systems have been identified on site that would act as preferential pathways for the discharge of contaminants or PLS off site. Groundwater levels are generally within 5m of ground level.

A hydrogeological study was also undertaken in 2009-10 by Ecolimit, to assess the influence of the open pit to the N-W of the current leaching operations, to assess its potential to change groundwater dynamics. The open pit's sphere of negative influence was calculated to be approximately 800m-1km from the pit rim, and is therefore at a distance not to negatively influence current leaching operations based on an S-E flow.

1.9.2 Water Quality Analysis

Water quality data shows that some groundwater contamination occurs as a result of the dump leaching operations. As part of these studies, a large number of monitoring boreholes have been installed, although it is unclear from the data reviewed to date from which strata the samples are taken. Baseline water quality data also indicate that historic contamination has occurred at the site due to previous industrial activities and natural leaching processes. Water quality is discussed in more detail in the environmental section of this report.

A schematic diagram of the water testing boreholes shows the holes to be solid cased into the weathered bedrock and founded in un-weathered bedrock, with a filter system at depth to allow influx of filtered water. Since the groundwater flow primarily feeds from surface run off and within the top 2m horizon, these test points may not accurately represent the primary flow or the primary contamination pathways.

Ecolimit have also been independently testing groundwater and surface waters for contaminants, focussing on the near surface waters.

1.9.3 Proposed PLS Collection System

The proposed PLS collection system according to CAML includes a collector trench, a number of pump wells with settling sumps and a series of monitoring wells, designed to confine the possibility of groundwater contamination and conveyance of contaminants downstream of the Project area.

Potential conveyance of contaminants by groundwater was described in the report of Hydro-Geo Consultants, Inc. for 1993, containing calculations of flow rates in and under the collector trench and a contaminants conveyance model, and concludes, that even in the worst case, groundwater contamination with copper could only reach as far as 475 m down slope of the collector trench and only after seven years from the beginning of active leaching operations.

Any contamination will be controlled by means of installation of a number of pump wells (9 or 10) down slope of the collector trench. These wells will be 15 to 30m deep and will pump out water in the course of active leaching operations to extract minor amounts of leaching solution or contaminated groundwater, which bypassed the collector trench.

Monitoring wells, installed in a line down slope of the pumping wells, will be used to monitor groundwater quality and record all substantial changes of its parameters. Any possible contamination, caused by the proposed leaching operations, is reported to be determined by regular monitoring at these wells.

CAML states that in the event that of significant seepage of PLS beneath the trench, then allowance would be made to install a localised cut-off wall, consisting of a grout/cement curtain or similar, completed into the competent bedrock.

1.9.3.1 Results of Trial Leaching

It was the understanding of CAML that the trench system installed during the 1980-90's managed to capture the majority of the PLS during the trials on leach piles 9 & 10. Apparently, no contamination was identified in the boreholes downstream of the trench during the monitoring period; however a thorough review of the water quality data by WAI would be required to verify this. 1994 Hydro-Geo modelling results indicate that the collector trench will intercept about 99% of groundwater flow during leaching operations.

1.9.4 Conceptualisation of Proposed Infiltration and Collection System

The hydraulic conductivity values (1.8 – 720m/d) calculated for the leach piles are higher than the underlying alluvium and bedrock. This suggests that the infiltration and percolation of the acidic solution through the leach piles is unlikely to be significantly restricted. However, due to the manner in which the various layers of the leach piles were engineered it is possible that each layer is separated by a relatively compacted and therefore potentially lower permeability, layer which may to some degree impede the vertical flow. Reportedly this is unlikely to be a significant issue since trials have not encountered any and recoveries of copper have been high.

PLS that has percolated through the leach piles will either form surface runoff into the trench or find its way down to the groundwater through the unsaturated zone. Once groundwater is encountered there will be a certain degree of mixing of the PLS predominately within the upper water bearing

units, and potentially an element of PLS that also mixes with the lower water bearing units and down into the low conductivity bedrock as the plume spreads. However the conductivity of the highly weathered and alluvial zones have been calculated to be in the order of 2 magnitudes higher than the lower units, and the cut off trench is located at the toe of the leach piles, therefore the majority of PLS should theoretically be retained within the upper units and consequently captured by the trench system. This assumes that the base of the trench and the collector pipe is located sufficiently deep below the static groundwater table such that the groundwater table will be depressed creating preferential flow paths towards the collection system.

The PLS will spread along the axis of flow predominately due to advection and dispersion and its density will partly determine the degree to which the plume sinks within the water bearing units. Although the density is not known, the plume is likely to be similar to the groundwater and therefore significant sinking of the PLS plume due to density is unlikely to occur.

The exact configuration of the trench and the number and depth of abstraction boreholes will have to be the subject of a detailed numerical modelling exercise. It is expected however that the trench will capture surface runoff and depress the groundwater table locally such that the majority of the PLS will be captured in the trench. The abstraction wells will need to be configured in such a manner that they will form a cone of depression which will draw the groundwater table down and prevent the plume from migrating off site.

Monitoring boreholes completed into the weathered and fresh bedrock will be able to monitor the migration of potential contaminants off site. It is understood in the event of a plume of PLS being identified further abstraction wells will be installed if necessary and consideration given to installing cut-off walls completed into the competent bedrock. An idealised conceptual model of the hydrogeological situation and collection system is presented in Figure 1.7.

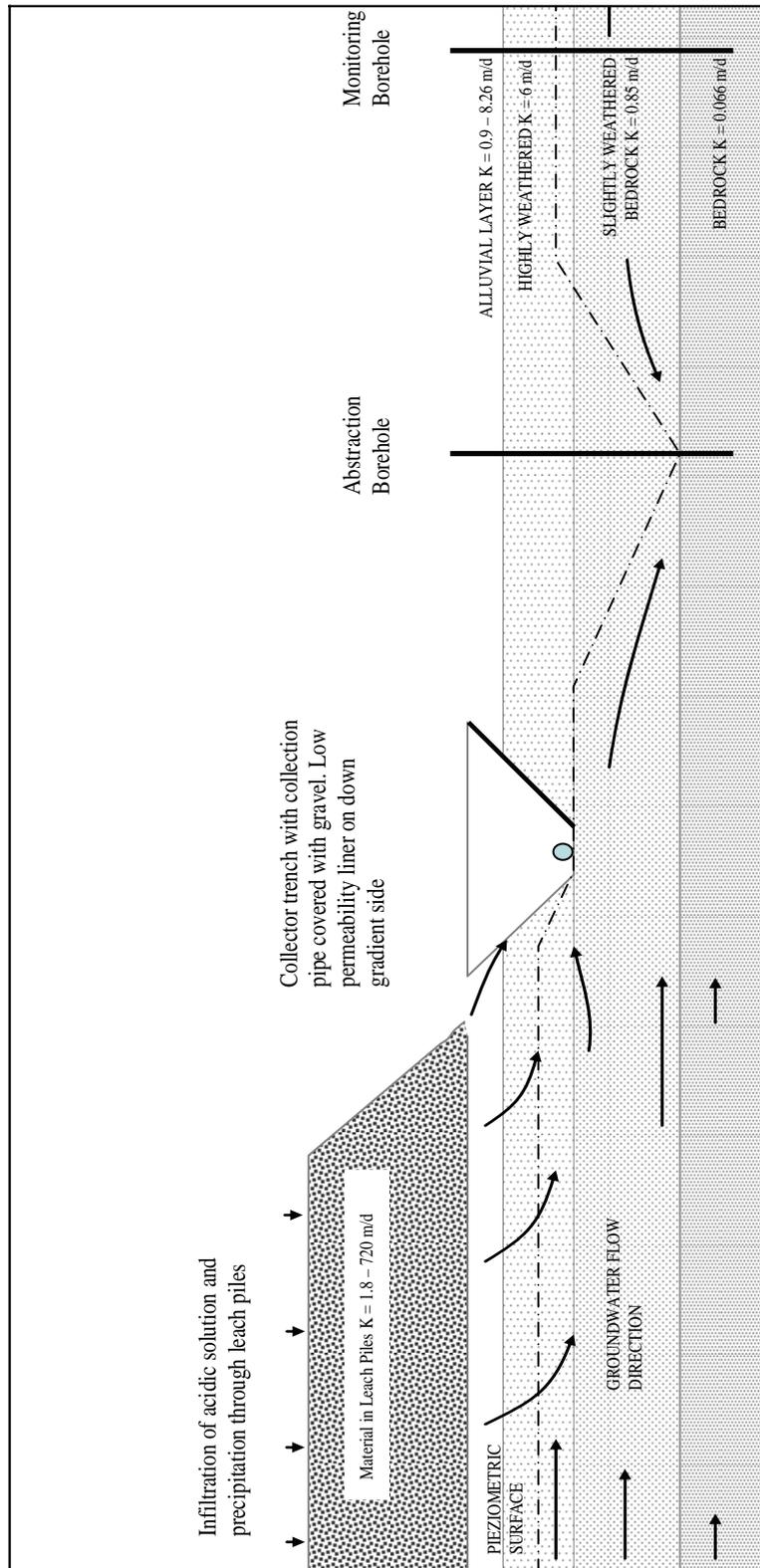


Figure 1.7: Conceptual Model of PLS and Groundwater Flow Direction with Collector Trench and Abstraction Boreholes

1.9.4.1 Recovery of PLS

The most significant factors that are likely to influence the collection rates of PLS are considered to be absorption within the unsaturated and saturated zones of alluvium and bedrock and the sinking and mixing of the PLS with groundwater at depth below the trench and abstraction wells.

The assessment of the potential rates of absorption within the unsaturated and saturated zones of alluvium and bedrock and resulting impact on recovery rates of PLS require more detailed assessment. However during the previous trials there does not appear to be any mention of absorption of PLS affecting recovery rates.

It was mentioned on site however that the continual through flow of the PLS may result in the permeability and the porosity of the interface between the leach piles and the underlying alluvium being reduced. A similar process may occur where PLS enriched groundwater enters the trench system. If the former occurs this is likely to result in increased surface runoff into the trench where as the latter may result in the reduction of flow into the trench. It is unclear how the permeability and porosity can be maintained however it is likely that regular maintenance of the trench system will be required. In the event of permeability's reducing in the vicinity of the trench there is likely to be reduction in the percentage of PLS captured however the magnitude of this is unknown. Similarly incrustation or corrosion of the abstraction boreholes may over the long term reduce the effectiveness of these boreholes.

Losses to the deep bedrock below the cut off trench and abstraction boreholes will require modelling to assess the likely percentage loss. Assuming groundwater flow direction is continually perpendicular to the collection system theoretically losses are likely to be minimal for the following reasons:

- i The hydraulic conductivity of the alluvium and weathered bedrock are higher than the fresh bedrock;
- i The density of the PLS is unlikely to be significantly different to the groundwater;
- ii The collector trench will be located at the toe of the leach piles and will be designed to depress the groundwater table. The increase in hydraulic gradient created by the continual dewatering will encourage groundwater to flow laterally towards the collection system;
- iii Abstraction boreholes will be located 40m further downstream from the trench which will capture PLS which has not been caught by the trench system; and
- iv Monitoring boreholes downstream of the abstraction wells will identify if there is any discharge of PLS in which case further active measure can be taken to ensure a higher percentage of PLS is captured.

1.9.4.2 Conclusions

The permeability of the leach piles are considered to be higher than those of the underlying alluvial sediments and host rock and no problems are understood to have been encountered with regard to the infiltration of PLS through the waste rock.

It is concluded that the exact percentage of PLS that will be captured by the proposed trench and abstraction well collection system is not quantifiable without detailed modelling of the leached cells and collection system. However, it is considered that if modelled correctly and calibrated with field results recoveries could potentially be, assuming there is no significant absorption of the PLS within the host sediments and rock, in the order of 99% as modelled by Hydro Geo 1994.

The lowest estimate of recovery could potentially be significantly lower if the trench does not intercept the groundwater adequately or becomes blocked over time. Similarly if there is insufficient control of groundwater flow at the abstraction wells then it is possible some of the PLS may not be contained. The percentage of loss due to absorption and to the bedrock is not considered to be significant, however without the benefit of modelling these conditions it cannot be quantified accurately.

It should be noted that if abstraction wells are required to recover PLS that has migrated past the containment trench, then the rates of dilution with groundwater are likely to be high which may have a cost implication if this is put through the leachate recovery system. In addition groundwater flow directions may be influenced if dewatering operations recommence at the open pit due to the proximity of the pit to the leach piles.

1.10 Environment

WAI has assessed the potential environmental and social impacts and health and safety issues arising from the project as it currently stands, and has considered requirements for the future plant development and larger scale leaching project, potential associated environmental liabilities have also been examined.

The above was assessed via a site walkover at the Kounrad site on 14 and 15 April 2010, and through discussions with representatives from the pilot plant workforce and the current site management. WAI also viewed/reviewed a number of documents provided by the company, with comment given where necessary.

1.10.1 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.

1.10.2 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 reviewed appear to indicate that there was an increase in contaminant levels in groundwater from 2007 – 2009 and many background thresholds have already been exceeded in the area.

As part of the 2008 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.

Ecolimit is currently preparing the OVOS for the large scale plant and leaching operations, which may be ready for submission in late July 2010. Public hearings are planned for August, with subsequent OVOS submission.

WAI considers the 2008 OVOS for the pilot scale operations appears to comprehensively review baseline conditions at the site, and has been prepared in line with Kazakh legislative requirements. However, WAI considers that the social aspects of the OVOS should be further developed with individual interview data included, as required by international requirements. Sampling frequency (e.g. ground and surface water quality) may also need to be increased, to ensure that all chemical changes are adequately characterised. Additional flora and fauna sampling will be required to reflect seasonal changes.

With regard to progress in addressing previous WAI recommendations, some concerns reported in WAI previous reports (dated 2006 and 2008) have been addressed, however these largely are in response to national requirements, and little progress has been made with regard to addressing recommendations for international compliance.

1.10.3 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, Sary Kazna is 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 Sary Kazna, however there is no 'control' at the site, since the contamination registered in 2007 does not appear to be static. The monitoring plan does not provide an adequate spread of boreholes (despite the large number of boreholes in the South East of the site) to locate a control borehole or to ensure that contamination is not moving in other directions. Therefore, it will be difficult for Sary Kazna to differentiate between pre existing contamination, and contamination resulting from operational practices (e.g. a leak in the interceptor trench). Further sample points should be located on both sides of the dump, and a database of monitoring results should be compiled to identify any trends or potential leaks.

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.

1.10.4 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 expected to be operated by Kounrad Copper Company, a 60% owned subsidiary of CAML, also owned by the national company Saryarka.

1.10.5 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 2000, and the settlement of eastern Kounrad, with four dwellings.

1.10.6 Corporate EHS Management

1.10.6.1 Policies and Practice

The company does not currently employ an Environmental Manager, 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. When the operations increase in size, an Environmental Manager will be employed, and Ecolimit will continue as retained consultants for the life of the project (33-35 years). There is currently an Environmental Management Plan (EMP) outlining some mitigation measures; however there are no designated environmental duties. 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 Environmental Manager is due to commence work in August 2010, who will develop environmental policy, environmental targets and objectives to encourage continuous environmental improvement at operations, an Environmental Action Plan (EAP) and Environmental Management System (EMS). An accredited system such as ISO 14001 (to include individual monitoring plans) is recommended by WAI, which is recognised by international funding bodies.

1.10.6.2 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. 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. However, a fine mesh fence should be constructed around the interceptor trench, to prevent wildlife access to this area. As operations increase in size, security controls will need to increase commensurately.

1.10.6.3 Fire Safety

There is no formal fire protection system at the site, with only extinguishers being present (in line with national requirements). A programme details the minimum required fire protection measures, and includes guidelines, positions of responsibility and duties. In the event of a fire, local fire protection services, in Kounrad and Balkhash will be used. As operations increase, fire protection will be contracted in. There are State fire inspections twice per year, with no recent contraventions.

WAI acknowledges that the company is meeting national requirements, however it is recommended that fire fighting capacity is increased at the site.

1.10.6.4 Contingency Plans and Emergency Procedures

It was reported that the company 2008 Health and Safety Plan includes contingency plans and emergency procedures. Staff are given appropriate training to implement these plans, and awareness is also tested via drills. Specific environmental plans are not in place, being partially addressed via health and safety management.

WAI recommends that site-specific plans are drafted, in response to risk assessments for environmental media (i.e. air, water, soil).

1.10.6.5 Staff Training and Supervision

In line with Kazakh laws and standards, health and safety training programmes are delivered to company staff. No specific environmental training is given. All on site staff have basic first aid theory training, and it is ensured that one fully trained first aider is present on site at all times.

WAI considers that the training and supervision provided meets national requirements, however that more site specific, environmentally focussed training, based on risk assessments should be developed.

1.10.7 Internal and External Stakeholder Dialogue

1.10.7.1 Internal Employee Consultation Practice

Given the small number (less than 30 people) currently on site, it is possible to communicate any issues to individuals via memos (e.g. in the event of an H & S non-compliance) or via informal communications. Training is also used as means of communication.

WAI recommends that as part of Environmental Management and Occupational Health and Safety Plans, formal employee consultation systems should be developed. WAI also recommends adopting accredited Environmental and Health and Safety Management Systems (ISO 14001 and OHSAS 18001). Regular meetings regarding environmental and health and safety issues should be held.

1.10.7.2 External Stakeholder Dialogue

Under Kazakh law, there is no on-going requirement for public consultation, after the OVOS process is completed and no formal consultation programme is planned. Two public hearings had been held at the date of the site visit, and a third was conducted in early July 2010, to present the OVOS findings. It is reported that the local communities are very positive about the proposed mining operations and associated job opportunities. There is no formal grievance mechanism in place, and no complaints have been received.

WAI recommends that the company should develop a programme of local consultation and a formal grievance mechanism for both company staff and third party complaints should be developed. An external environmental report could also be developed.

1.10.8 Environmental Monitoring and Compliance

1.10.8.1 Internal Monitoring

No non-compliance issues were reported to WAI. Monitoring of groundwater is performed and analysed internally at the company laboratories and external monitoring of the atmosphere, surface and groundwater, soils, vegetation and fauna is carried out by Ecolimit.

There are currently 33 boreholes at the site that are used for groundwater monitoring, with further boreholes planned as the operations expand. The company hydrogeologist is responsible for groundwater monitoring which occurs five times per month to record groundwater level, depth of borehole and water temperature, with average values compiled in a spreadsheet. Very little water data was provided to WAI, but it was stated that the groundwater level is generally decreasing across all the boreholes, and that groundwater flows in a south-east direction, away from the dumps.

Additionally, monitoring occurs to assess irrigation/leaching influence via 6 boreholes near the interceptor trench by the dumps. Water is sampled once per week and is tested for H_2SO_4 , Cu, pH, Fe^{2+} and Cl. Boreholes located approximately 20km away at the Balkhash watershed are also tested, and it was reported that no high levels of these components have been detected here. A creek, approximately 8km from the dumps is also monitored, and water quality was not reported to be affected by the Kounrad operations. Water quality in Lake Balkhash (approximately 17km south) and the Tokrau River (27km east) is also measured. The catchment area for the site covers approximately 400km².

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 surface. This is considered to allow water in and allow both surface and deeper flows to be monitored.

1.10.8.2 External Monitoring

External monitoring performed by Ecolimit does not include hydrocarbons since it was reported that after initial monitoring, none were found, but they will be included in future monitoring plans. External, State approved laboratories are used for analyses.

Ecolimit stated that there have been no non-compliances even though background levels are sometimes exceeded due to historic contamination at the site. It was reported to WAI that non compliance is assessed based on an average of all contaminants and whether they exceed, or fall below the thresholds. Exceedences consider whether the sum total of the average exceeds an order of magnitude threshold rather than reviewing contaminants on an individual basis.

WAI has concerns about the monitoring programme as it relates to groundwater behaviour and quality. From the Feasibility study prepared in March 2010, it appears that groundwater behaviour was assessed based on a topographical map of the area prior to the open pit development. Both this assessment and studies referred to by the Sary Kazna hydrogeologist indicate that groundwater flow is in a south -east direction away from the waste dumps.

The groundwater model based on surface topography does not take into account the large void (2km wide and 450m deep) of the Kounrad open pit, adjacent to the dumps, owned by Kazakhmys which could generate a significant cone of depression, encouraging groundwater flow toward this void. Given the pre-existing contamination in the area it is not clear how contamination resulting from current operations could be separated from contamination resulting from historic activities. Monitoring results presented by Ecolimit from 2007 to 2009 appear to indicate an overall trend of increasing contaminant levels in the boreholes.

Flow and behaviour modelling should include the open pit and extra monitoring points around the dumps and open pit should be established. Chemical analyses should be included in a database, with techniques to trace solution flow being implemented.

Results from 2009 show a wide variation in pH between 2.03 and 8.06 in three boreholes, with low pH, but negligible results for sulphuric acid. Alternative acid tests should be performed, to assess which acids are forming/being released.

Tests to assess the Acid Generating Potential of the dumps (Acid Base Accounting (ABA)) should be performed. Toxic Characterisation Leaching Potential (TCLP) should also be performed to assess the natural leaching capacity of the dump resulting in mobilisation of metal ions.

The non-compliance assessment system is also cause for concern since 'spikes' in contaminant levels would not be investigated further, with contamination continuing unchecked.

1.10.9 Inputs, Products and Waste Streams

1.10.9.1 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 kerosene 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 who also repair old tyres and recycle them.

WAI recommends that audits of raw materials consumed, handled or stocked on site should be performed to assess usage and look for options to recycle, or reduce consumption where possible.

1.10.9.2 Water Consumption and Source

In the long term and once fully operational, CAML intends to source water by installing a pipeline from Lake Balkhash which would secure a local water supply for the people in the Kounrad and Eastern Kounrad settlements.

WAI considers that the appropriate assessments and permits for the pipeline will need to be obtained prior to the pipeline being commissioned.

Water balance calculations are included in the feasibility study, although the on-site electronic meteorological station is not used to estimate evaporation coefficients and associated losses in the water balance calculations.

It will be important to ensure that the chosen source of technical water does not result in a depletion of existing groundwater supplies, or further contamination of already compromised groundwater quality, due to increased leaching of metals, or concentration of salts.

1.10.9.3 Energy Consumption and Sourcing

Power supply to the project will be via an overhead 35kV line which already terminates near the project and will be continued to the project substation where it will be stepped down to 10kV. A coal fired boiler will be used at the site to heat buildings during the winter and coal will be sourced locally and stored at site. Little fuel will be used, but diesel will be collected in a mobile tanker for on-site use, given the proximity to the supply in Balkhash.

An audit of requirements and an assessment of potential supplies should be performed, in addition to an assessment of energy usage to achieve more efficient energy consumption. Options for heat recycling should also be considered.

1.10.9.4 Greenhouse Gas Contributions

Carbon dioxide generation from fuel consumption will occur in addition to generation of e.g. sulphur dioxide, ash and particulates from coal burning for heat from the boiler during the winter. No assessment of levels of production has currently been carried out and although not mandatory under Kazakh law, greenhouse gas emissions at the site should be monitored.

1.10.9.5 Intermediate Products Arising

Waste dumps will be leached in-situ and all intermediate wastes (such as spent, or spilled raffinate) should be recycled back into this process.

Crud, the solid waste residue from the hydrometallurgical process in the SX section, will be 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, will be disposed of in the Kounrad municipal landfill facility. Approximately 4,500tpa is expected to be produced.

WAI recommends that leaching tests and waste characterisation tests should be performed on wastes destined for the domestic landfill. Appropriate intermediate storage facilities should be prepared at the site.

1.10.9.6 Effluent Volume and Quantity

It was reported that a septic tank for sewage treatment is currently present at the site, which is reported to be periodically emptied by a local contractor. When the commercial scale plant is built it is planned to construct a sewage treatment system incorporating a bioreactor. Waste solutions, or

spills in the processing plant will be collected and recycled back to the raffinate pond, which is fully lined. The processing circuit is intended to have zero liquid discharge to the environment.

WAI considers that the zero discharge policy is sound however there are concerns regarding the direction of groundwater flow and efficacy of the interceptor trench in protecting groundwater quality and capturing solution.

WAI also noted personnel washing out used EW plates with a pressure hose, allowing runoff to drain to the ground. It would be recommended to designate an area for this activity where a collection sump is present to contain contamination.

1.10.9.7 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. Any vehicle movement on site will also generate dusts. 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. The same measures are envisaged for the large plant development.

Emissions will also result from the burning of coal for the boiler system, with the expected discharge of 551mg/m^3 SO_2 falling below permitted limits.

Noise generation in the hydrometallurgical process is expected to be 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).

Scrubbers for the boiler should be used, and a filtered ventilation system should be installed in the plant. Noise generation is not likely to be an issue at the site.

1.10.9.8 Solid Wastes

Tyres are repaired and recycled by a 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 sent to Kounrad domestic landfill.

WAI suggests that a raw material consumption, waste generation and discharge audit should be carried out.

1.10.10 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. The mini plant ponds have a total reported volume of $7,500\text{m}^3$. Kerosene, a reagent in the SX-EW process is stored in a double skinned tank, and LIX, an organic process reagent is stored in drums on a fenced concrete bund. A special storage facility, in the form of a banded cage, within a special storage container, is used for sulphuric acid, which has automatic monitoring of levels. The limited amount of diesel used on site is generally stored in a 10m^3 tank, and as the operations increase inside, a mobile fuel tanker will be used.

Cobalt sulphate and guar, also used in the process, are stored in bags in locked shipping containers, on a concrete base. A special storage area for coal for the boiler is envisaged as operation size increases. PPE was worn by all personnel viewed during the site visit and generally appeared to be appropriate to the task being undertaken.

WAI recommends that special storage areas, with appropriate lining, should be designated for the storage of hazardous and non-hazardous wastes prior to their collection or disposal. The mobile fuel tanker should be double-skinned, and appropriate materials to contain and remediate a spill should also be stored at the site. Inventories of the stores should be maintained, and articles replaced when used. The sulphuric acid storage facility is good, but WAI is concerned that the facility bund would not be adequate to contain the tank contents in the event of a failure. Emergency response plans should be displayed in areas where hazardous materials are stored.

1.10.11 General Housekeeping Issues

Housekeeping was generally good at the site, and areas were tidy and well managed.

1.10.12 Soil, Surface and Groundwater Contamination

The oxide (and subsequently sulphide) dumps are leached in-situ, using sulphuric acid. Metal contamination is historically present in the groundwater, and in surface soils.

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 supplies.

WAI's concerns and recommendations for groundwater monitoring are included in earlier sections. To prevent further degradation of soil conditions, WAI considers that a retention berm should be constructed around all of the dumps to stop runoff containing metal particles being distributed to the wider environment. Generation of dusts should be minimised where possible, to prevent the spread of potentially metal rich particles across the site. Calculation of MPCs should take into account existing contamination levels at the site, to ensure that regulatory compliance is not compromised by pre existing contamination.

1.10.13 Current Environmental Expenditure

Ecolimit consultants are paid via invoice basis and any extra works are paid on an ad hoc basis. The internal monitoring budget is assessed by the company hydrogeologist. There is no separate environmental budget, but the company's annual budget includes a section for overheads, including unplanned environmental works. The company also has environmental insurance which covers environmental incidents, and third party damage, e.g. damage to agricultural crops. There is also opportunity to access monies from the mine closure fund (discussed later) for certain environmental incidents.

Whilst adequate monies appear to be available for environmental expenditure, WAI considers that a separate environmental budget (including contingencies) should be included and assessed annually.

1.10.14 Health and Safety Management and Compliance

A company Health and Safety Manager, who also works as an engineer at the site, is responsible for the health and safety management of site personnel, and also the office staff in the Sary Kazna Balkhash branch office.

There is an approved Health and Safety Plan (2008), designed in compliance with Kazakh State requirements, which covers all aspects of H&S management. Formal accident statistics have not been collected, since no accidents have been registered since August 2008 when the pilot plant operations started. 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 at the site. All staff have medical insurance, and access to free medical facilities in Balkhash.

WAI considers that H&S management is good at the site, and that the company is operating in line with Kazakh legislative requirements. Health and safety plans should be developed in response to site specific risks, identified by risk assessments. WAI would also encourage the company to implement a Health and Safety Management System, such as OHSAS 1800.

1.10.15 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, but no further detail is included.

There is a lack of clarity with regard to final closure plans, since different plans appear to exist. The 2006 Reclamation Plan states that the aim of the plan is not to restore pre-operational conditions, given the disturbed nature of the site, but to create long-term stability and prevent, or minimise further environmental damage. The plan comments on operational and post operational measures and states that 3-6 months of post-closure monitoring will be performed. The dump irrigation system will be removed and kept, or buried in the interceptor trench and filled in. The ponds will be drained and filled in. Non-hazardous liquids will be added to the dumps, and hazardous liquids will be neutralised and buried or destroyed outside of the project area.

However, the Land Reclamation and Mine Closure Plan, not dated, states that the dumps will be neutralised, by water flushing, re-profiled and compacted, such that final slope angle is less than 25 degrees. The dumps will then be covered with a 0.5m layer of soil. Agronomical studies will be performed to look at chemical and physical characteristics of the dumps, and options for biological reclamation. Groundwater monitoring is claimed to be performed.

A closure fund exists, into which monies (generally 1% of capital expenditure) are invested. The fund is held externally to the company, and is a protected fund in the event of unplanned company closure. To date, 4M Tenge (US\$27,000 (approx) as of April 2010) has accrued in this fund. In 2006 it was reported to WAI that the company had made a preliminary estimate of US\$4.57M for closure cost.

Clarity should be sought with regard to intended and required closure plans and detailed closure and rehabilitation plan should be drafted. Decontamination of the dumps would ideally be envisaged, along with some re-profiling. WAI would recommend that post closure monitoring should be extended for 5 years, in line with international best practice.

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 2006 estimate may be low, and would suggest developing a new estimate, based on actual closure tasks, and amending fund investment accordingly.

1.10.16 Community Development

It is planned to give as many jobs as possible to local inhabitants. Currently the majority of the workforce comes from Kounrad, Eastern Kounrad (approximately 8km away with population of 2000 people and 4 households respectively) or Balkhash. The expanded plant may be able to employ up to 100 people. It was reported that people are very positive about the opening of the mine, and believe that it will have a positive impact on the local community. Public hearings were held 3 years ago, and further hearings are also planned as part of the 2010 OVOS with the first hearing related to the commercial project being conducted during July 2010.

By law, the company is required to set aside funds, or perform social development activities as a requirement of the Sub Soil Contract. The company has recently completed housing restoration works in Kounrad. In the pilot/exploration period there is a requirement to allocate US\$30,000/year for social development over the four year period. In 2008-2009 US\$62,000 was accordingly spent on the house painting. The company preferred to carry out the works themselves to this value, rather than allocate monies to a local fund; for fear that locals would not receive the benefits of the money.

From 2011 when the company will be in the full scale mining phase, they will have to allocate US\$40,000 per year. They have also agreed further Kounrad restoration workers. Various goodwill gestures are also performed.

WAI is impressed by the current social development initiatives being performed by the company, and their proactive attitude to working with local groups. It is reported that the development of a formalised Community Development Plan (CDP) is a medium-term aim and is encouraged.

1.11 Conclusions and Recommendations

1.11.1 Conclusions

A considerable amount of test work, together with operational data, has been compiled for the leaching of the waste dumps at Kounrad. The quantity of material in the dumps, copper content, and their amenability to leaching all confirm the potential of the project.

The oxide waste is dumped entirely on the eastern margin of the open pit and is the focus of initial project development. The sulphide, and the bulk of the mixed waste, are located in the western area and will be subjected to metallurgical testing in the period 2010/11 to verify copper recoveries and acid consumptions.

A pilot scale SX-EW plant was commissioned in 2008 that had an initial design output of 200kg per day of copper; subsequently expanded to 600kg per day. The facility is located at the # 6 oxide waste dump and over the period to 21st July 2010 has recovered an estimated 50.2% of the contained copper.

Laboratory test work on samples taken from sulphide dump drilling programme in 2009 has indicated that a significant amount of natural oxidation has occurred, resulting in potential leach recoveries approaching 50%.

The pilot plant trial has demonstrated the feasibility of producing saleable cathode copper and the technical ability of CAML. The copper cathodes produced to date are of saleable quality.

BGRIMM has developed a detailed leaching schedule and designed a plant capable of treating a range of flow rates and solution grades to produce 10,000tpa of copper cathodes at a minimum 99.99% quality. The plant design has taken the extremes of climate into consideration, especially the operability through the winter period.

BGRIMM have adopted recovery levels of 50%, 45% and 40% respectively for the three ore types (oxide, mixed and sulphide) resulting in the expected recovery of almost 324,000t of copper over the project life. The eastern dump wastes should recover approximately 121,000t during a 12 year period, with the western dumps producing the balance of 203,000t.

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, however these are not structured into a Community Development Plan.

However, WAI is concerned that the current groundwater monitoring plan is insufficient to separate current pollution incidents from historic contamination, since there are no control points unaffected by dynamic natural leaching processes at the site, thus requires further more detailed investigation to distinguish and confirm existing levels of contamination.

1.11.2 Recommendations

CAML propose to undertake laboratory scale column leaching tests using material sourced from the sulphide and mixed waste dumps during 2010. Bulk samples will be sent to VNIItsvetmet for assessment.

WAI recommends that metallurgical test work is undertaken to ascertain recoveries and acid consumptions that are likely to be obtained from the sulphide and mixed ore dumps. WAI suggests that the data acquired from the oxide heap leach trial together with data from the existing dump trial could be used to better model/predict how the sulphide and mixed ore will respond to in-situ dump leaching.

There is limited metallurgical test work undertaken on material sourced from dump 7, WAI recommends that testing is undertaken. Dump 7 contains the majority of the in-situ copper within the oxide dumps.

Variability test work is also recommended and used in conjunction with data from the dump trial and future heap leach trials in order to forecast future recoveries and acid consumptions. Variability testing should be focused on dumps that will be processed in the early years of the Project as the leaching rates are likely to vary as the dumps oxidise.

To clarify the presence of existing contamination, and distinguish from current operational levels, it is recommended that monitoring points be established across the whole site, and that hydrogeological modelling needs to take account of the presence of a cone of depression, in the form of the Kounrad open pit, when predicting groundwater flow, and hence direction of leaching. Additionally, some of the boreholes indicate low pH, not attributable to sulphuric acid, and this should be clarified via further test work and monitoring.

Finally, a closure plan should be developed, with realistic closure estimates, to include post -closure monitoring, site remediation and recultivation.

1.12 Expenditure 2010-2011

The proposed capital expenditure in connection with the commercial SX-EW plant is given in Table 1.19 below.

Table 1.19: Proposed Expenditure for 2010-2011		
	<i>Units</i>	<i>Totals / Ave</i>
KCC CAPEX		
Engineering Designs & Procurement		
Architecture Supervision+Others	US\$	134,298
Construction Safety	US\$	128,358
Geotechnical Surveying	US\$	25,000
EP Costs	US\$	1,217,200
Preparation of Final Budget	US\$	104,448
As Built Drawings	US\$	83,552
Site Drawing Checks	US\$	81,791
Engineering Insurance	US\$	95,418
Sub-total	US\$	1,870,065
Earthworks and Concrete		
Ponds	US\$	359,874
Solution Trench	US\$	836,823
SX Building – Concrete & Erection	US\$	856,178
EW Building – Concrete & Erection	US\$	456,079
Main Office – Concrete & Erection	US\$	364,688
Boilerhouse – Concrete & Erection	US\$	310,521
Irrigation Pumphouse	US\$	151,989
All other buildings	US\$	1,733,880
Plant Site Earthworks	US\$	461,189
Internal Roads	US\$	404,769
Security Fencing	US\$	143,579
Internal Drains	US\$	224,438
CAML-Extra Costs for Solution Trench	US\$	1,696,359
Sub-total	US\$	8,000,366

Equipment		
Buildings, Structure & Panels	US\$	1,453,503
Process Equipment	US\$	6,350,349
Water Supply Equipment	US\$	292,321
Pipe and Valves – Local	US\$	273,039
Pipe and Valves – Chinese	US\$	273,039
HVAC Bulk Eqpt	US\$	452,306
HVAC Piping	US\$	77,677
Electrical Equipment	US\$	888,797
Electric Cabling etc	US\$	290,425
Instrumentation	US\$	413,433
Maintenance Equipment	US\$	84,687
Analytical Equipment	US\$	59,701
External Power Distribution	US\$	408,642
Office Block Equipping	US\$	176,418
Maintenance Tools	US\$	159,657
Harmonic Electricals	US\$	359,222
Sub-total	US\$	12,013,216
Freight	US\$	868,912
Import Duty	US\$	1,155,302
VAT	US\$	1,370,856
Sub-total	US\$	3,395,070

Installation Costs		
Process Equipment	US\$	604,582
Irrigation Piping	US\$	192,443
Pipe and Valves	US\$	759,006
HVAC Bulk Eqpt	US\$	267,164
HVAC Piping	US\$	125,775
Electrical Equipment	US\$	248,365
Electric Cabling etc	US\$	792,752
Instrumentation	US\$	136,992
Maintenance Equipment	US\$	9,977
External Power Supply	US\$	80,940
Temporary Construction Facilities	US\$	120,000
Site Security	US\$	60,000
Construction Equipment Rental	US\$	440,000
Sub-total	US\$	3,837,996
Indirect Construction Items		
BGRIMM Defined		
Plant Commissioning	US\$	292,417
Training	US\$	38,418
CAML Defined		
Acid Rail Tankers	US\$	150,000
CAML site vehicles	US\$	150,000
Hydrology Monitoring Wells	US\$	150,000
Balkhash water pipeline upgrade	US\$	1,000,000
Communications Systems	US\$	150,000
Sub-total	US\$	1,930,835

Other Items		
Spare Parts	US\$	274,499
First Fill Reagents	US\$	2,264,116
Working Capital	US\$	1,467,051
OH Power line and sub-station	US\$	1,775,100
Railway Spur Extension	US\$	1,200,427
3 Month Allowance for Delay	US\$	557,530
Sub-total	US\$	7,538,723
Owners Management Costs		4,023,118
CAML Estimate	US\$	42,609,389
Contingencies		
Engineering Designs & Procurement	US\$	187,007
Earthworks and Concrete	US\$	1,200,055
Equipment	US\$	1,201,322
Freight	US\$	339,507
Installation Costs	US\$	383,800
Indirect Construction Items	US\$	193,084
Other Items	US\$	753,872
Owners Management Costs	US\$	0
Sub-total	US\$	4,258,645
CAPEX TOTALS		
Construction	US\$	38,586,270
Contingency	US\$	4,258,645
Owners Costs	US\$	4,023,118
TOTAL KCC CAPEX	US\$	46,868,033

WAI considers that the process capital cost is reasonable and the estimates have been undertaken to an appropriate level of detail.

The company may wish to reconsider their costs for hydrogeological monitoring wells in light of comments in the environmental section, and the need for further wells to accurately characterise groundwater patterns, flow and quality. Also a separate environmental budget should be included, with estimates of annual spending for environmental issues. A mine closure and rehabilitation cost estimate, including post-closure monitoring should also be provided.

2 TOCHTAR

CAML acquired the Tochtar gold project in 2006 and since this time has undertaken limited gold production, performed additional extensive drilling and trench sampling programmes, commissioned mining and metallurgical studies and generally advanced the understanding and known resource base considerably. The JORC compliant resource now stands at some 701,000oz gold.

Gold production commenced in late 2006 from heap leaching the surface oxide material and was terminated late 2009. During this period a total of 231kt of ore at an average grade of 1.21g/t Au was treated to produce 157kg (5,040oz) gold at an overall recovery of 56.2%. Production ceased as available oxide ore for heap leaching was partially depleted; additional material is available but requires some waste stripping.

CAML commissioned a number of studies to examine processing options for the sulphide ores and a feasibility study based on an underground mining scenario. In light of the economic downturn in 2008 CAML decided not to pursue the development of Tochtar and has therefore commenced the process of selling the asset.

All production has ceased at Tochtar.

2.1 Mineral Rights & Permitting

The mining licence (sub soil contract #1487) covers an area of 284ha and to a mining depth of 490m is 100% held by Tochtar Mining Company LLP and is valid until 12 August 2020. The co-ordinates of the licence are given in Table 2.1 below.

Although CAML is the registered owner of a 100 per cent. interest in the shares of Tochtar Mining Company LLP, its economic interest in the asset is considered by the Directors to be 75 per cent. CAML has an understanding with third parties that on any onward sale of Tochtar, the third parties will be entitled to 25 per cent. of the consideration once the funding provided by CAML to Tochtar Mining Company LLP has been repaid. As CAML has not yet made payment for a 25 per cent. interest acquired from the third parties, in law the third parties may therefore claim back their 25 per cent. interest in the asset.

Table 2.1: Co-ordinates of the Mining Licence		
<i>No.</i>	<i>Corner Co-ordinates</i>	
	<i>Latitude</i>	<i>Longitude</i>
1	52°04'47"	61°36'27"
2	52°03'26"	61°37'23"
3	52°02'56"	61°37'23"
4	52°02'47"	61°36'50"
5	52°03'44"	61°36'27"
6	52°04'41"	61°35'49"

WAI has no cause to doubt the legality of the mining licence.

2.2 History and Previous Work

2.2.1 Exploration History

The exploration of the Tochtar deposit can be divided into four stages: broad-scale exploration (1972 – 1973), detailed exploration (1973 – 1977), initial development (1976 – 1981) and pre-production development (1981 – 1990).

Broad-scale exploration included traverses and limited underground workings. Mineralisation targets exposed at surface were intersected by trenches 2-3m deep and workings 5-15m deep. Core drilling

has typically intersected mineralisation down to a depth of 100-200m and in isolated individual drill holes to a depth of 300m.

Detailed exploration comprised channel sampling on grid traverses, shallow underground workings with cross-cuts and headings and further cored boreholes. The workings were increased to a depth of 20m in order to expose and sample the contact zone between oxidised and primary ores. At the 20m level, mineralisation was followed by drives along strike at regular intervals and cross-cutting at 20m intervals. Below the 20m level, mineralisation was explored to a depth of 300m by inclined cored holes on varying grid patterns (240-120-60 × 60m). The drilling programme enabled a preliminary evaluation of the resources to 500m from surface and resource estimates to a depth of 250m to be made.

'Initial development' involved further underground development and drilling. The trench spacing grid interval was reduced to 20m in the central part of the deposit and to 40-120m on the northern and southern flanks. Exploration development, at intervals of 120m on strike, was increased to 60m in the central section. Headings followed the mineralisation along strike to the east, with cross-cuts every 20m. Core holes were drilled down dip to 300m below the 20m level.

Holes were drilled on a 60 × 60m grid in the central part and 60-120 × 120m on the flanks of the mineralised zone. The exploration programme enabled provisional cut-offs for the resource estimates to be specified.

A metallurgical study on five bulk samples indicated the economic feasibility of the flotation process.

Excavation of 2-3m deep trenches on the main mineralised zones reduced the grid spacing to 20 by 20m, and to 10 x 10m in specific areas.

A summary of mine workings is shown in Table 2.2.

Type of Exploration	Units	Exploration in 1972-1976	Broad Scale Exploration in 1973-1977	Detailed exploration in 1976-1981	Detailed Exploration in 1982-1990		Total for the Tochtar Deposit
					Central Mineralised Area	Northern Mineralised Area	
Grid traverses	km	300	100	—	—	—	400
Mine workings:							
Trenches	m ³	10,243	4,000	9,818	6,731	3,494	34,286
3. Shallow pits (5-10 m)	pit	135	—	—	—	—	135
with crosscuts, including:	m	696	—	—	—	—	696
Pit shafts	m	369	—	—	—	—	569
Crosscuts	m	137	—	—	—	—	137
Deep pits (20 m) with drifts and crosscuts, including	m	—	1,004.9	3,953	3,034	3,843.2	1,1941
Pit shafts	shaft	—	20	22	15	11	68
Shafts	m	—	398.4	449	344.0	208	1,399
Drifts	m	—	125.8	2,334	2,691	3,641.2	10,443
Crosscuts	m	—	480.7	1,120			
Exploration Mining:							
Main shaft	m	—	—	—	151.3	—	151.3
Other mine workings, including	m	—	—	—	5,652.5	744.5	6,397
Drifts	m	—	—	—	2,532.2	142.8	2675
Crossdrifts	m	—	—	—	1,479.9	31.1	1511
Tunnels	m	—	—	—	728.5	543.5	1272
Rise entries	entry	—	—	—	4	—	4
Rise entries	m	—	—	—	276	—	276
Process mine workings:	m	—	—	—	635.9	27	662.9
Underground drilling, including	m	—	—	—	1,569	—	1,569
Horizontal	hole	—	—	—	40	—	40
Horizontal	m	—	—	—	1297	—	1,297
Angled	hole	—	—	—	3	—	3
Angled	m	—	—	—	272	—	272
Core drilling	hole	12	61	230	173	143	624
	m	3,260.6	18,503.2	30,186	43,962.3	38,343.7	134,256

For a more detailed evaluation of the ore resources, exploration pits with cross-cuts and drifts were developed to 20m depth on a 120 x 120m grid reducing in the Central mineralised zone to 60 x 60m. Drifts developed from the pits confirmed the continuity of mineralisation and traced its distribution long strike. Results of exploration at 20m depth have shown that the distribution, morphology and continuity of the oxidised and mixed ores was sufficiently detailed to classify the resources as C₁ category.

The most significant production decision at Tochtar resulted in the pre-production development of the mine shaft constructed of reinforced concrete, from which a series of horizontal mine workings intersected mineralisation on the 185 and 125m levels.

Continuity of the mineralisation was explored by drifts that in the Central mineralised area intersected lenses 9, 11, 12 and 17 over their full strike extent of 216, 493, 384 and 253m respectively. In the Northern area, on the +185m level, mineralisation was intersected in the southern part of zone 27 along a strike length of 123m and across strike over its full width by cross-cuts at 20m intervals (5-10m in-fill). The continuity of the mineralisation was proved by raises up the dip of mineralised lenses 9, 11 and 12.

The morphology of mineralised zones not intersected by the mine workings was investigated by underground horizontal drill holes.

The data obtained from the underground mine workings on the 185 and 125m levels led to the development of two further sublevels of 60m for a reliable assessment of C₁ gold resources.

Below the mine workings, the deposit was explored to a depth of 500m by drilling inclined core holes from surface on a grid of 60 × 60m (30 x 30m between exploration lines 43 and 44).

Exploration covered a period of 13 years and the estimated total expenditure on Tochtar amounted to 18,808,619 roubles (or US\$4.702M) during the 1972-1990 “Soviet Union” period.

2.2.2 Additional Exploration

In 2008 “Tochtar” LLP undertook a small amount of additional infill exploration and drilled five boreholes totaling 652.8m, together with trenching totaling 4,500m³.

2.2.3 Mining Operations

From 1990 to 1995 the deposit was under development and production by the Kazzoloto Production Association, owned by the government of Republic of Kazakhstan, who mined 168.9kt of ore with an average gold grade of 5.92g/t Au (999kg Au metal).

Kazzoloto mined oxidised ores in several open pits and to a lesser extent primary ores by underground methods. The main problem during this period was the lack of a processing facility at the mine and the ore had to be transported by road to Jettigara railway station and railed to the Aksu processing plant at Stepnogorsk (about 1,000km).

The ore, blended with material from the Aksu deposit, was processed in a single stage flotation circuit, with a single stage grinding circuit of 70-75% passing -0.074mm, rougher and scavenger flotation and cleaning of the coarse size flotation concentrate. Flotation tails went to the tailings pond, and the flotation concentrates, after thickening and filtering were shipped to the Balkhash Copper Smelter. The weight recovery of flotation concentrate was 7%; gold grade in concentrate 64g/t Au, recovery of gold 85%, and gold grade in ore 5.3g/t Au.

This processing technology was applied to Tochtar ores for five years. In 1990, 76kg of gold was produced, in 1991, 221kg, in 1992, 300kg, 1993, 239kg and in 1994, 163kg. From 1995 to 2005, the mine was inactive and was flooded due to the bankruptcy and reorganization of Kazzoloto.

In 2004, Monshakty Gold LLP, a private company, won the Republic’s tender for the redevelopment of the Tochtar mine and was granted mining rights. The mine was dewatered and partially rehabilitated by Monshakty, but they did not have adequate financial resources for further development and mining. Subsequently, in 2005, they sold the mine and assigned the production rights to Tastemir LLP, a privately-owned mining company from Stepnogorsk.

The current owner, CAML, acquired a 75% interest in Tastemir LLP in March, 2006 and formed the Tochtar Mining Company LLP on 27.04.2006.

During 2008-2009, 566.5 thousand m³ of stripping was undertaken for 120.05kt of ore at an average grade of 1.16g/t Au giving 139.24kg of metal. The strip ratio for 2008 was 4.72m³/t.

No mining was undertaken in 2009.

2.3 Geology and Mineralisation

2.3.1 Regional Geology

The Ural Mountains region comprises a series of north-south trending assemblages, grouped into two large accretion prisms formed by ultramafic intrusions, basalt lenses and silica-pelitic and carboniferous shales of oceanic origin (Figure 2.1). The prisms are favourable for gold mineralisation.

The Ural region is noted for numerous gold deposits, the majority discovered in the 18th century, and include the high-grade quartz vein deposits Berezovsk and Krylatskoye initially developed at that time. The grade in quartz veins ranges between 10-20g/t Au.

Total estimated gold resources of Ural Mountains gold province comprise more than 3,000t of gold (100Moz) and include the largest quartz-vein deposits, with some disseminated gold mineralisation, in the region e.g. Berezovsk (700-1000t), Kochkar (>500t) and Vorontsovka (>100t). Medium-sized copper deposits including, amongst others, Yubileiny, Varvarinka, Degtiarskoye and Murtykti, also occur in the Ural region.

The Tochtar deposit is located in the Jittigara mining district of Kazakhstan.

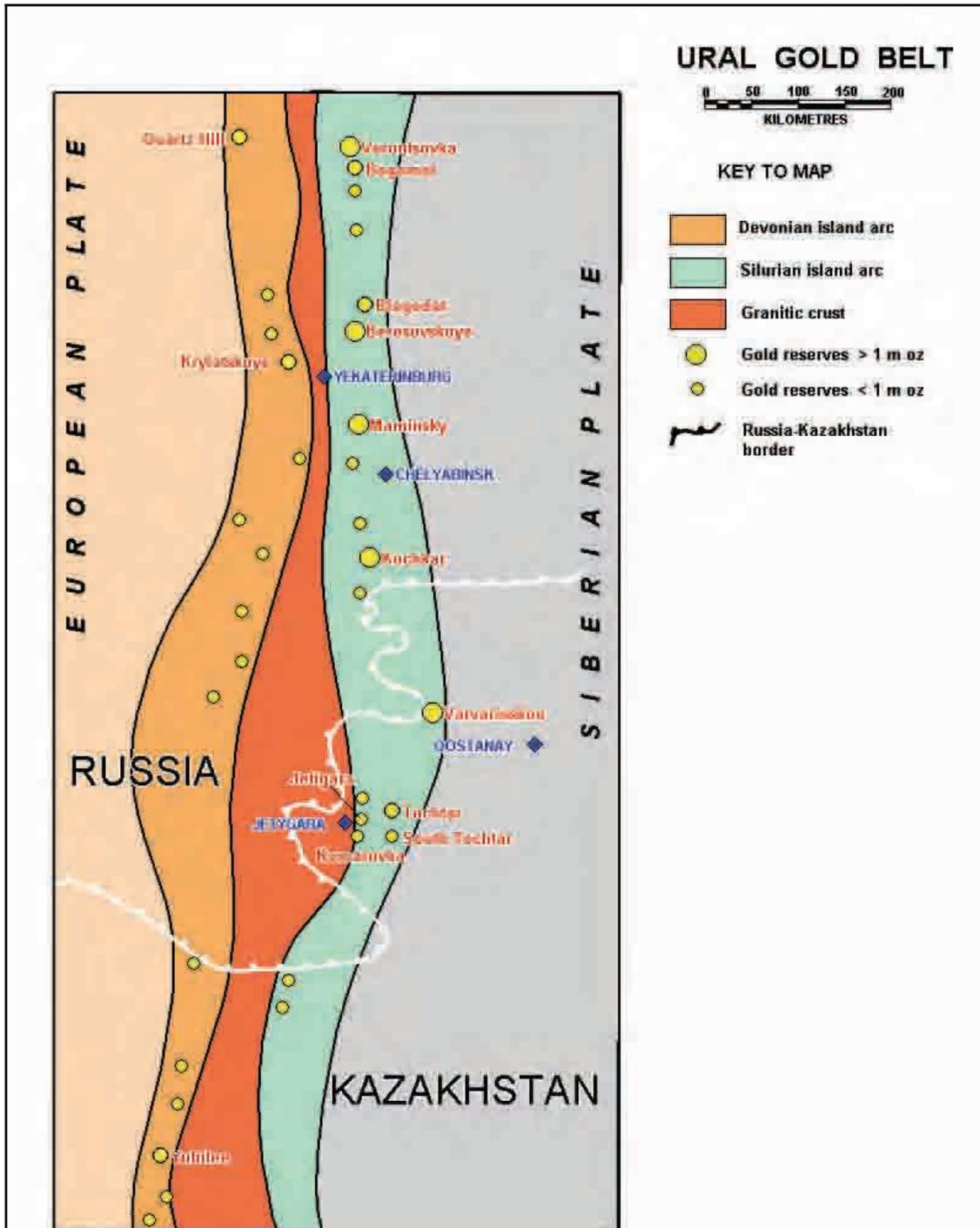


Figure 2.1: Geology of the Ural Gold Belt

2.3.2 Jittigara Gold Mining District

The Jittigara area, characterised by Proterozoic shales and early Paleozoic ophiolite assemblages intruded by late Paleozoic granitic plutons, is a known gold mineralisation district in Kazakhstan having produced 1.5Moz and containing large partially explored resources.

There are 18 gold deposits and 25 prospects in the Jittigara district with a resource potential believed to be more than 90t (3Moz), 30% of which has already been mined out at the Jittigara Mine, partially at the Tochtar mine and at some other small deposits of the quartz-vein type. The remaining resources, amounting to 60t (2Moz), are mainly located in the refractory sulphide deposits, with oxide zones extending to depths of 25-50m.

Oxide ore resources in the district amount to 20t probably increasing to 30t with more detailed exploration, whilst sulphide ore comprises 40t with an average gold grade of 5.8g/t Au.

The total gold mineralisation potential of the district is thought to be more than 100t.

2.3.3 Tochtar Deposit Geology

The Tochtar deposit is located in a belt of gold mineralisation up to 20km long and 4-6km wide, the Tobol regional fault and the Vostochny fault marking the western and eastern boundaries respectively. The deposit's high-grade gold mineralisation continues for 3.5km along strike and varies in width from 80 to 400m. The Central and Northern zones, are separated by a 400m long poorly mineralised 'gap' and are characterised by differing lithologies, structural controls, gold grades and the style of mineralisation.

2.3.4 Structure and Mineralisation

The Tochtar deposit is located 2.5km east of the Tobol fault in the Denisov terrain, comprising early Paleozoic rocks with both ophiolitic and island-arc associations.

The Tobol regional fault strikes north-south, (similar to the Urals) and separates the Denisov and Troitsk terrains, the latter consisting of Precambrian metamorphic rocks of continental basement origin.

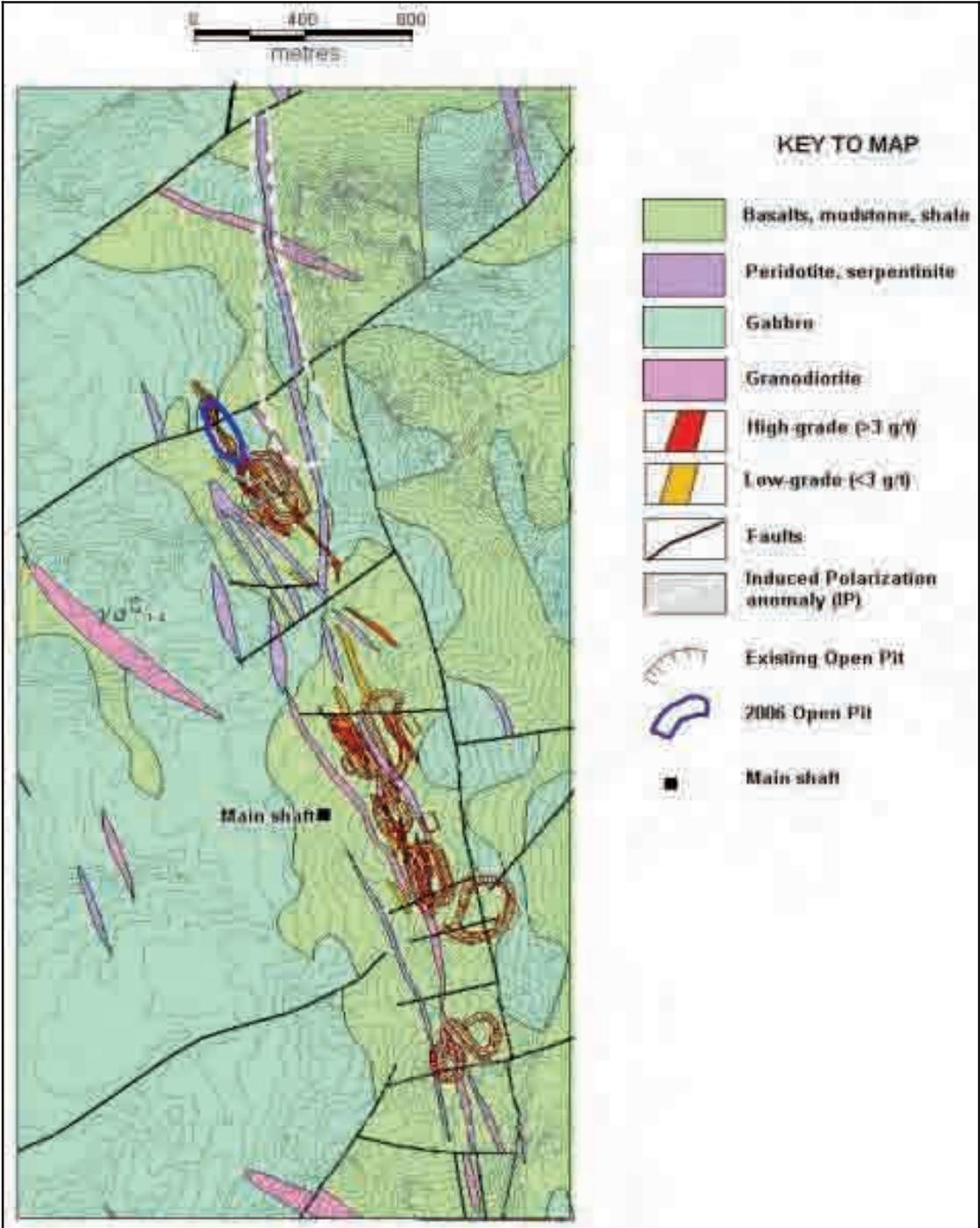


Figure 2.2: Tochtar Geology and Mineralisation

Topographically, the Tobol fault is marked by the line of the Tobol River valley and is defined by a thick zone of fracturing, schistosity, and cataclasis of the host rocks.

The Tobol fault is the defining structural element in interpreting the Tochtar gold deposit where movement along the fault predetermined the shape and position of mineralised lenses and ore-bearing zones. There were at least two structural phases in the genesis of the deposit.

In the pre-mineralisation stage, the mafic host rocks were compressed in anticlinal (Denisov) and synclinal (Petrovsk) folds during longitudinal flexuring and represent the earliest deformation in the area. Fold axes strike northwest and represent the structural noses of the folds originating from the Tobol fault which suffered right-lateral strike-slip movement.

During the later mineralisation stage, stress patterns changed and the Tobol fault and several subparallel splay faults became sinistral in terms of tectonic stresses, whilst northwest striking upthrusts started to act as sinistral faults with the additional tension. They were formed during the first stage and have longitudinal axes in relation to the folds. Dykes of Middle-Carboniferous granodiorite as well as gold-bearing fluids penetrated the structures.

Lenses of gold mineralisation and zones of gold-bearing, hydrothermally altered rocks were formed within en-echelon shears, which have a strike length of up to 850m. Shearing is developed in a north-south striking zone, estimated to be 500m wide in the south and 750m wide in the north, of a left-lateral strike-slip fault.

The shear zones are orientated diagonally to the strike of thrust fault zone, their strike ranging from 310° in the south to 300° in the north. The distance between the shear zones varies from 250m to 400m although this variation may be different due to the poor exposure of the deposit.

2.3.5 Petrology

2.3.5.1 General

The mineralised area consists of Lower Silurian volcanogenic and igneous-sedimentary formations, intersected by intrusive rocks of the ultramafic, gabbro-plagiogranite and gabbro-granite series. Silurian volcanic rocks dominate the deposit and are represented mostly by basalts. The igneous-sedimentary rocks comprise large scale interlayering of intrusive rocks, tuffaceous sandstone, cherts and siliceous carbonaceous shale. The intrusive rocks are represented by serpentinite, gabbro, quartz-bearing diorite dykes and plagiogranite. Quartz-bearing diorite predominates.

The entire stratigraphic sequence is affected by hydrothermal alteration, the degree of alteration ranging from insignificant to total replacement (metasomatism).

Quartz-bearing diorite is the principal mineralised rock of the deposit's Central area and virtually all rocks are altered.

Gabbro, the predominant intrusive rock, creates a large intrusion elongated in an approximate north-south direction in the western part of the deposit.

Serpentinite occurs in the west and northwest portions of the deposit and forms linearly elongated intrusive bodies (from 200 × 500m to 100 × 2500m) associated with faulting.

Brecciation occurs in basalts, and rocks in the intrusive contact zones have undergone alteration with the formation of fibrous amphibole, albite, epidote, prehnite, leucoxene and sulphides.

Fragmental structures with the intensive development of metasomatic alteration appear in cataclastic zones, the cement containing predominantly quartz-carbonaceous or carbonaceous aggregates.

2.3.5.2 Beresite and Listvenite (also lustwenite)

Listvenites are intermediate to low temperature hydrothermal rocks composed of quartz and carbonates with potassic micas, pyrite, gersdorffite and relict chrome spinels.

Beresite contains potassic micas, muscovite and phengite, and, with listvenite is normally formed at temperatures in the range 290-340°C.

Mineralised hydrothermally altered rocks of the beresite-listvenite type result from local hydrothermal activity at Tochtar and develop exclusively in fault zones, related to the contacts of diorite dykes with host volcanic-sedimentary rocks. These gold-bearing metasomatites also form in volcanic rocks as well as the dykes.

Metasomatic alteration results from the replacement of dark-coloured minerals with sericite, carbonate and quartz and the metasomatites' dark grey colouration is a consequence of the presence of abundant finely disseminated sulphide impregnation. The listvenisation and diorite beresitisation zones reach 6-10m and 0.5-1.2m respectively, their outline following the boundaries of intensively altered rocks. The high level of beresitisation in diorite and listvenisation in basalts shows a direct correlation with the gold grade or gold-bearing sulphide disseminations.

The SiO₂ and CO₂ contents fluctuate significantly in mineralised metasomatites where small veinlets of quartz and carbon-bearing quartz intersections influence these fluctuations. The amount of gangue is up to 20-25% of the total rock volume. Metasomatic grains of gold-bearing sulphides develop in these small veinlets. Extensive quartz veins also occur along the metasomatite bodies and appear as a series of discrete sub-parallel veins. The quartz is characterised by a drusy occurrence and has a fine to medium crystalline texture. Silicified vein aggregates cement mineralised breccia in the brecciation zones where the thickness of these "mother" veins is 1-3cm, occasionally 0.2-0.3m and 2.3-3.0m in one case (bulge).

2.3.6 Deposit Genesis

Tochtar is classified as a mesothermal (medium temperature, hydrothermal), quartz-sulphide deposit. The several episodes of mineralisation at Tochtar are associated with high concentrations of arsenic.

Magmatic activity in post-Devonian time led to the intrusion of diorite-gabbro along the Tobol regional fault and increased tectonic activity lead to the development of northwest and approximately north-south striking faults and hydrothermal alteration along dyke contacts.

The genesis of the deposit can be traced through the following stages:

- i Pre-mineralisation stage – hydrothermal alteration with the development of beresite and the establishment of conditions favourable for the formation of high-grade gold mineralisation;
- ii Main mineralisation stage – development of a gold-quartz-pyrite-arsenopyrite paragenesis within veins and silicified breccias, the main gold-bearing lenses being formed during this stage. The inner zones of hydrothermally altered rocks contain the highest level of gold mineralisation; and
- iii Late stage – development of quartz-carbonates and antimony bearing sulphides.

2.4 Mineral Resources

2.4.1 Introduction

Gold resources of the Tochtar deposit have been estimated independently using Micromine 10.1 software package. WAI has audited these resources in November 2008 and is satisfied with the procedures performed and results obtained.

2.4.2 Database Compilation

Geological and analytical data were supplied in graphic (sections and plans) and tabulated forms, with 2 areas pre-allocated: Northern and Central. All the data were digitised and referenced using fixed co-ordinates of test pits and shafts as benchmarks. The data on grades were entered into Excel spreadsheets as well as depths of soil and oxidation zone.

2.4.3 Data Validation

The supplied analytical database was created and verified in electronic format, and then checked using Micromine's validation process to trap errors. All detected errors were corrected and checks reiterated until complete correctness.

2.4.4 Exploratory Data Analysis

The classical statistical analysis was performed twice. The first analysis was performed with the following objectives:

- i To reveal the 'natural' cut-off grade to define gold mineralisation; and
- ii To determine the distribution of gold.

The population of all values of gold grades approaches a lognormal distribution. A Cumulative Probability Plot demonstrated an inflexion at the grade value of 0.5g/t Au. This value was accepted as a natural cut-off grade for interpretation of mineralisation.

Classic statistical analysis was performed for those samples and composites which appeared within the interpreted lenses. For this purpose, the source assay file was encoded by wireframed mineralised lenses. The samples within frames of mineralised lenses were unified to the same length of 1m, as the majority of samples had this length of sampling (more than 90%). Further, the 1m composite file was used in all resource estimation processes.

The purposes of the composite analysis were:

- To estimate the necessity to separate grade populations if there is more than one population;
- To reveal the top cut grades for each element for grade interpolation; and
- To assess the validity of the kriging interpolation process.

The influence of outstanding values of assays was limited using the following technique. Three standard deviation values were added to the mean gold grade over the deposit within frames of mineralised lenses (9,908 samples) and this value was considered as the upper limit for individual assays. Calculations were separated for mine workings (7,177 samples) and drill holes (2,743 samples).

The mean gold value for limiting outlying values was accepted as 23g/t Au and in total, 58 samples were limited. However, it should be noted, that the resource estimation using top cuts and the one including un-cut values have both shown close agreement in the mean gold grades. The reserve estimation, calculated and approved by the State Committee on Reserves in 1990, did not limit outstanding values.

2.4.5 Interpretation

Mineralised lenses were interpreted using outlines defined during the previous reserve calculation of 1990 with expansion of mineralised lenses based on a cut-off grade of 0.5g/t Au.

It should be noted that this cut-off grade is not an economic cut-off. Its only effect is that it reflects the natural (geological) distribution of the valuable element within the mineralised zone. In other words, the applied cut-off grade reflects the natural (geological) boundary between mineralised lenses and barren rock where a geological contact is not apparent.

Digitised mineralised lenses were used as templates for interactive interpretation of mineralisation. The interpretation was performed for 49 exploratory lines and for 4 levels of horizontal mine workings (level spacing 60m). Each cross section was displayed using Micromine's Vizex (see Figure 2.3). Paths of drill holes, trenches and underground sampling channels together with assaying data, coloured according to grade values, were introduced into sections. All interpreted strings were snapped to corresponding sample intervals, i.e. the interpretation was performed in 3-D environment. If the corresponding lens did not appear on the next cross section, the former was projected half way to the next section, where it was terminated. Such projection was carried out keeping the local strike, dip and plunge of the structure.



Figure 2.3: An Example of a Schematic Section Interpretation (Not to Scale)

Mineralised lenses were interpreted based both on drill holes, and on mine workings, first outlined at levels and then interpolated by lines of cross sections, with the outlines of mineralised lenses in sections being snapped to outlines of mineralised lenses on levels.

The oxidation zone was interpreted on each section, as indicated from drill hole samples.

2.4.6 Wireframing

The interpreted strings were used to generate three-dimensional solid wireframes for every mineralised lens (see Figure 2.4). Every section was displayed on the screen together with another closest interpreted section, and then strings were used to wireframe a lens between sections. If a corresponding lens did not appear on the next cross section, the former was projected halfway to the next section, where it was terminated.

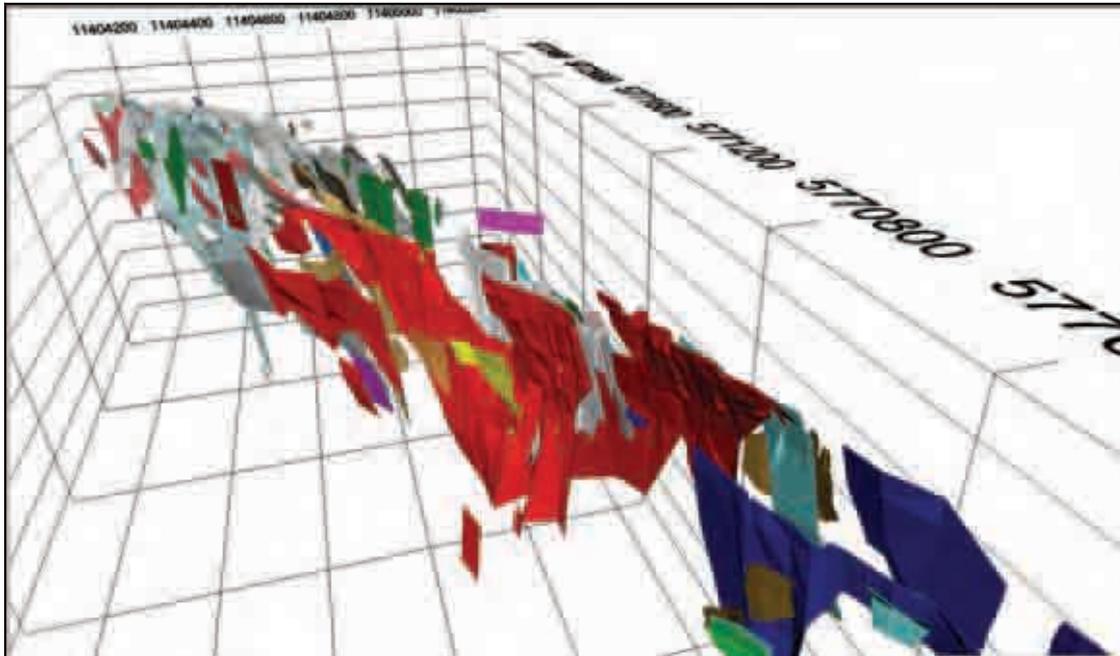


Figure 2.4: Schematic 3D View of Wireframes of Gold Mineralised Lenses

Digital topographic and mined-out pit surfaces were supplied by CAML.

2.4.7 Variography

The purpose of the geostatistical analysis is to generate a series of variograms that could be used as the input weighting mechanism for the ordinary kriging algorithm. The variogram parameters contributed heavily to the determination of the search neighbourhood dimensions and to the categorisation of elements. Variograms are calculated and built on samples of unified length, in this case, 1m, as explained above. In total, 9088 samples within mineralised lenses were used in analysis of the spatial distribution of gold.

Omni semivariograms were generated to estimate variance of grades in samples spaced at certain distances – lags. In this case, the lag of 5m was selected.

As the mineralised lenses are relatively thin lodes, 0.3 to 6m thick, with an obvious azimuth of strike of about 150° and a subvertical dip, it was decided not to study all possible azimuths and dip angles, but to accept parameters of the three directions of semivariograms as follows:

Direction 1: 150° azimuth, 0° dip

Direction 2: 240° azimuth, 80° dip

Direction 3: 60° azimuth, 10° dip

The parameters gained from the semivariograms are shown in Table 2.3 below.

<i>Directions Of Variograms</i>	<i>Azimuth</i>	<i>Dip</i>	<i>Nugget Effect</i>	<i>Sill</i>	<i>Range, m</i>
1	150	0	0.34	0.512	14
2	240	80			28
3	60	10			8

The obtained semivariogram ranges were used to determine the search radii. The latter were used in the grade interpolation process.

From these data, the parameters of the search ellipses were defined and shown in Table 2.4.

<i>Azimuth (°)</i>	<i>Plunge (°)</i>	<i>Dip (°)</i>	<i>Azimuth Radius (m)</i>	<i>Dip Radius (m)</i>	<i>Thickness Radius (m)</i>
150	0	-80	14	28	8

2.4.8 Block Modelling

The process populated the three dimensional wireframe solids for each mineralised lens with blocks created from the mineralised lens block model.

A parent block size of 5 x 5 x 5m was chosen for the model with subsequent subcelling of blocks down to 0.5 x 0.5 x 0.5m applied where required.

2.4.9 Grade Interpolation

Gold grades were interpolated into the empty cell block model using the ordinary kriging and cubic inverse distance weighted (IDW³) methods. The IDW³ method was used to support and validate the estimation made by the kriging method. Gold grades were interpolated twice:

- i Gold grades were interpolated without application of top cuts; and
- ii Gold grades were interpolated with application of top cuts (higher grades were reduced to 23g/t Au).

The ‘parent block estimation’ approach was used in the interpolation, that is, all subcells within one parent block received one and the same grade. Ordinary kriging and IDW³ methods were used with various values of search radii, until all blocks were interpolated. The search radii were determined from the semivariogram parameters.

The first search radii were equal to two thirds of the semivariogram ranges along the strike, along the dip and across the dip (along thickness of a lens). Those blocks which did not receive grades after the first interpolation were used for the second interpolation with a larger search radius. The second search radii were equal to the full semivariogram ranges in all directions. The blocks which did not receive grades after the first two interpolations were used in the third interpolation, in which search radii were equal to two semivariogram ranges in all directions.

Both methods – IDW³ and ordinary kriging – used identical parameters of the search ellipse.

To increase the estimation reliability, in the interpolation of blocks using radii of up to the semivariogram ranges, a limitation was applied in that a block could only be assessed by three samples from two drill holes or channels as a minimum. The strategy of grade interpolation is shown in detail in Table 2.5 below.

<i>Interpolation Method</i>	<i>Ordinary Kriging</i>		
<i>Interpolation Run Number</i>	<i>1</i>	<i>2</i>	<i>3</i>
Search Radii	Less or equal to $\frac{2}{3}$ of semivariogram ranges	Less or equal to full semivariogram ranges	Greater than semivariogram ranges
Min Number Of Samples	3	3	1
Max Number Of Samples	8	8	8
Min Number Of Workings	2	2	1

During interpolation, the declustering process was performed by using quadrant sectors within the search neighbourhood with the restriction of a maximum of 2 points (only 2 samples nearest to the block centroid were used in interpolation), and to a minimum total of 3 points in interpolation with the use of radii within full ranges. The maximum combined number of samples allowable for the interpolation was 8.

2.4.10 Resource Classification

Resources were classified in accordance with the guidelines of the JORC Code (2004) by the following interpolations:

- i The most reliable resources relate to the first interpolation and can be classified as *Measured*;
- ii The second interpolation produced resources assigned to the *Indicated* category; and
- iii All others resources were attributed as *Inferred*.

2.4.11 Assignment of Specific Gravity

The oxidation zone was interpreted from each section, and indicated in drill hole samples. The digital model of primary rock surface was constructed, and specific gravity (SG) values were assigned to each block in the model: above this surface – 2.5 (oxidised) and below – 2.8 (primary).

2.4.12 Reported Mineral Resources

2.4.12.1 Estimated Resources

The Mineral Resource estimates using both Ordinary Kriging and IDW³ methods for the Tochtar deposit are presented in Table 2.6 and Table 2.7 below, showing block grades for gold, both with and without the application of top cuts, and arranged by cut-off grade values.

It should be noted that the application of top cuts has little effect on the resource. As no top cuts were applied in the State approved reserve estimation, WAI recommends that in further evaluation, top cuts are not applied.

Estimation of the total Tochtar deposit Mineral Resources by ordinary kriging is shown in Table 2.6 below. Total resources of all categories at the above mentioned natural cut-off grade of 0.5g/t Au, without top cuts applied, amount to 21,788kg, or 700,500oz of metal.

**Table 2.6: Total Resources by Ordinary Kriging (WAI audited November 2008)
 (Estimated in accordance with the JORC Code (2004))**

<i>Cut-Off (g/t)</i>	<i>Tonnage (t)</i>	<i>Au Grade (g/t)</i>	<i>Au Grade With Top Cuts (g/t)</i>	<i>Category</i>	<i>Au Metal (kg)</i>	<i>Au Metal With Top Cuts (kg)</i>
4	168372	6.44	6.31	<i>Measured</i>	1083.9	1062.3
3.5	209665	5.91	5.81		1239.6	1217.9
3	262319	5.38	5.29		1410.7	1388.9
2	441488	4.20	4.15		1852.7	1830.9
1	757195	3.06	3.03		2313.4	2291.5
0.5	942510	2.61	2.58		2458.2	2436.2
0	1018765	2.44	2.42		2482.9	2461.0
4	85213	6.25	6.17	<i>Indicated</i>	532.5	525.4
3.5	107478	5.73	5.66		615.8	608.7
3	135920	5.21	5.15		707.8	700.6
2	233558	4.06	4.03		948.9	941.8
1	412693	2.93	2.91		1208.4	1201.2
0.5	503655	2.54	2.53		1279.0	1271.9
0	538662	2.40	2.38		1290.3	1283.1
4	1348392	7.09	6.99	<i>Inferred</i>	9558.1	9428.0
3.5	1637871	6.50	6.42		10639.1	10508.9
3	2019105	5.88	5.81		11870.1	11739.9
2	3203317	4.60	4.56		14734.6	14604.6
1	5234958	3.37	3.35		17662.2	17531.9
0.5	5747197	3.14	3.12		18068.6	17938.7
0	5869901	3.08	3.06		18094.0	17963.7
4	1601977	6.97	6.87	<i>TOTAL</i>	11169.3	11010.1
3.5	1955013	6.39	6.31		12488.8	12329.5
3	2417343	5.78	5.72		13982.6	13823.3
2	3878363	4.52	4.48		17529.0	17369.6
1	6404846	3.31	3.28		21174.4	21014.9
0.5	7193362	3.03	3.01		21788.0	21628.3
0	7427329	2.94	2.92		21843.8	21684.8

Inaccuracies may be due to rounding.

2.4.12.2 Verification

The estimation produced by ordinary kriging was verified using IDW³ method. Total resources calculated by this method are shown in Table 2.7. The resources, as defined above, amount to 22,112.7kg, or 710,940oz of metal.

<i>Cut-Off (g/t)</i>	<i>Tonnage (t)</i>	<i>Au Grade (g/t)</i>	<i>Au Grade With Top Cuts (g/t)</i>	<i>Category</i>	<i>Au Metal (kg)</i>	<i>Au Metal With Top Cuts (kg)</i>
4	159911	6.72	6.61	<i>Measured</i>	1075	1056.3
3.5	199458	6.13	6.04		1223.1	1204.4
3	252225	5.53	5.46		1395.5	1376.7
2	422529	4.31	4.26		1819.9	1800.8
1	732041	3.1	3.08		2271.9	2252.9
0.5	910275	2.65	2.63		2409.7	2390.6
0	982821	2.47	2.45		2431.4	2412.2
4	93109	6.96	6.85	<i>Indicated</i>	647.9	638
3.5	116012	6.33	6.24		733.9	723.9
3	145007	5.71	5.64		827.6	817.6
2	251889	4.33	4.29		1090.1	1080.1
1	437677	3.11	3.09		1360.4	1350.5
0.5	530846	2.7	2.68		1432.8	1422.8
0	566887	2.55	2.53		1443.5	1433.5
4	1339057	7.4	7.29	<i>Inferred</i>	9902.7	9764
3.5	1647517	6.71	6.63		11056.7	10917.1
3	1965819	6.15	6.08		12083.1	11943.5
2	3102397	4.78	4.74		14839.4	14699.5
1	5201077	3.43	3.41		17858.4	17718.5
0.5	5740665	3.19	3.16		18288	18148.5
0	5877621	3.12	3.09		18315.8	18176
4	1592077	7.3	7.19	<i>TOTAL</i>	11620.6	11453.1
3.5	1962987	6.63	6.54		13008.1	12839.9
3	2363051	6.05	5.98		14299.3	14130.8
2	3776815	4.7	4.65		17741.2	17572.4
1	6370794	3.37	3.35		21481	21312.2
0.5	7181786	3.08	3.06		22112.7	21943.9
0	7427329	2.98	2.96		22168.3	21999.7

Inaccuracies may be due to rounding.

As can be seen from the tables above, the difference in resources estimated by the ordinary kriging and the IDW³ methods is insignificant – from 1.7% to 4.6% at different cut-off grades. Table 2.8 below shows a comparison of the resultant gold grades.

<i>Cut-off grades, g/t</i>	<i>Kriging</i>		<i>IDW³</i>		<i>Difference (%)</i>	
	<i>Au, g/t</i>	<i>Au with top-cuts, g/t</i>	<i>Au, g/t</i>	<i>Au with top-cuts, g/t</i>	<i>Au, g/t</i>	<i>Au with top-cuts, g/t</i>
4	6.97	6.87	7.30	7.19	4.5	4.5
3.5	6.39	6.31	6.63	6.54	3.6	3.5
3	5.78	5.72	6.05	5.98	4.5	4.3
2	4.52	4.48	4.70	4.65	3.8	3.7
1	3.31	3.28	3.37	3.35	1.8	2.1
0.5	3.03	3.01	3.08	3.06	1.6	1.6
0	2.94	2.92	2.98	2.96	1.3	1.4

2.4.13 Tochtar Dumps

Recent work by CAML has established that the total volume of dumps exceeds 1.5Mm³ or 3Mt.

A visual evaluation shows that part of the volume consists of low-grade mineralised material, which includes both oxidised and primary mineralisation. Mineralised piles are located close to each other on the margins of some dumps or stored as separate stockpiles. In addition, some amount of oxidised mineralisation was stored as small dumps derived from excavation of the shallow shafts. These small dumps are distributed across the mine area.

All dumps containing mineralised material (visually determined) were channel sampled. The weight of the samples was purposely increased up to 80-120kg to achieve a representative sample where possible. In total, 360 samples were collected, prepared and assayed.

Assay results have meant that approximately 50% of the samples have been rejected since their gold grades were lower than 0.5g/t Au. From these results, the mineralised volume was surveyed and tonnage estimates calculated, separately for oxidised and primary ore. In reality, the primary mineralisation is semi-oxidised as a result of long exposure on surface.

CAML's preliminary estimates show the semi-oxidised mineralisation accounts for some 83,416t with an average gold grade of 1.66g/t Au (138.47kg Au metal), whilst the oxidised mineralisation accounts for 1,965t with an average gold grade of 2.01g/t Au (3.94kg Au metal).

The resources quoted by CAML above have not been estimated in accordance with an internationally recognised standard, such as the JORC Code (2004) or the Russian Standard and are based on historical data; hence they are included for information only.

2.4.14 Influence of Feathering Structures

Recent mapping of the “New” open-pit in the northern area of the Tochtar deposit by CAML confirmed that the north-south ‘trunk’ structures are feathered with the north-west trending mineralised fractures. The feathering structures are branching from the western side of the north-south trending ore lenses, thus representing left-lateral strike-slip fault geometry. Feathering structures, which are, in fact, ‘Riedel shears’ have the same, or higher, gold grade as the ‘trunk’ ore lens (Figure 2.5, Apophysis 2).

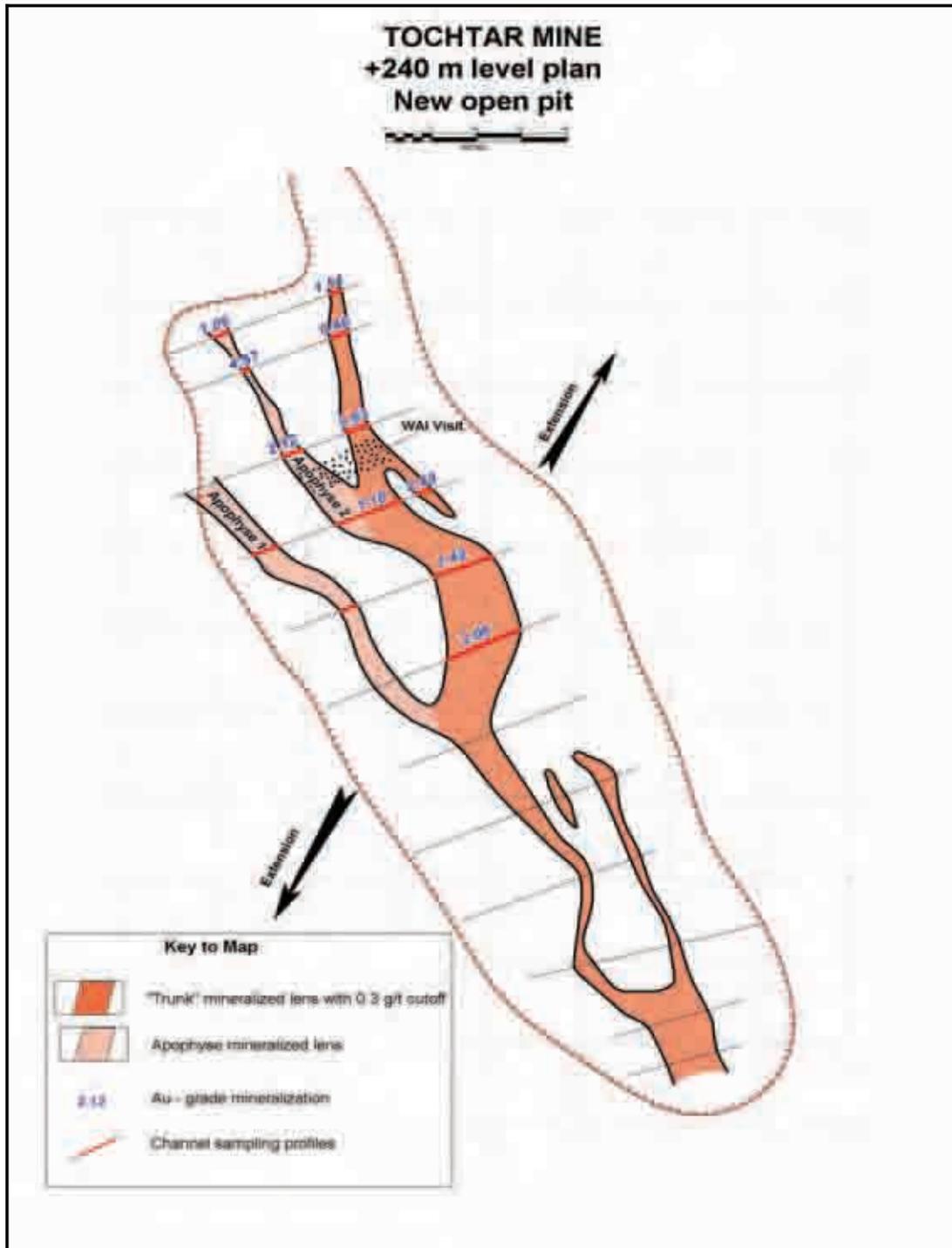


Figure 2.5: Schematic Plan showing Feathering Structures in New Northern Pit

The feathering structures are exposed and have been sampled in the open-pit for a distance of 35m from the trunk, however, they continue much further along the strike and these extensions have not been sampled or mined yet.

The structural model of the Tochtar deposit developed from interpretation of both satellite imagery and aerial photography shows the extent of such feathering structures along strike for several hundred meters. The thicknesses and content (“metergram”) of these structural ‘lodes’, or apophyses, are comparable to those of the ‘trunk’ type ore lenses. For example, Apophysis 2 shows the average metergram of 3.70, and the ‘trunk’ ore lens – 4.17. The average gold grades are about the same 2.23 and 2.13g/t Au.

The gold resource in the New pit mining block, was estimated as 6kg of gold to a depth of 20m. At present, the pit depth is 15m, but the amount of gold extracted already exceeds 8kg. Therefore, the gold resources of this block have increased 2 fold.

Available underground data on sulphide ore, e.g. sampling plans at levels 20, 80 and 140m, show that such north-west feathering structures exist at other ore lenses. Unfortunately, the drilling data density (50x50 or 60x60m) is not able to prove this resource increase due to the small size of these structure lodes, as the scale of structures usually does not exceed 50x50m.

However, the increase in resources in the New pit mining block and frequent occurrence of Riedel shears, left-lateral faults and extensional sigmoid structures, which together make up the pull-apart structures which are seen all over the Tochtar deposit, increase the overall prospectivity of the resources.

2.4.15 Additional Resource Potential

The Tochtar deposit was traced along strike for 3.5km, with the width of the zone established at between 80-400m. To the south occasional low grade intersections from exploration boreholes can be traced for a further 1.0km as far as the Kolomensky deposit ore zone.

Prospecting line 64+20 defines the northern boundary of the deposit, where mineralised basalts are abruptly replaced by gabbro, whilst in the east, the deposit is limited by a major fault with a serpentinite mélange. The western boundary was not clearly established and was defined by the attenuation of zones of metasomatic alteration in the southern part and by the eastern contact with the massive intrusive in the north.

In general the deposit is well defined by distinct structural elements e.g. diorite dykes have a consistent north-south or northwestern strike which changes outside of the deposit area to a west-northwest bearing of 290-300°.

The deposit is divided by the post-mineralisation tectonic zone into the Central and Northern areas identified by differences in grade and separated by a 500m, virtually barren zone.

Within the Central area, mineralised lenses are either confined to diorite dykes or localised in host basalts, whilst in the Northern area mineralisation is hosted exclusively in the basalts.

2.4.15.1 Exploration Target Generated by CAML

The new Far North prospective mineralisation area has been identified by several underground boreholes and surface excavations for up to 2km to the north of the mined out open-pit.

A CAML study established that gold mineralisation and zones of hydrothermally altered gold-bearing rocks form en-echelon structures, extending for up to 850m and confined to the zone of the sinistral faults which varies in width from 500m in the south to 750m in the north (Figure 2.6).

The displacement zone has a north-northwest south-southeast strike (bearing 345-350°) and the four new unexplored en-echelon shear zones, orientated obliquely to the displacement zone (bearing 300-310°), are expected to be similar in size and grade to those in the Central and North mineralised area, extending to 300m depth with grades of 5-9g/t Au.

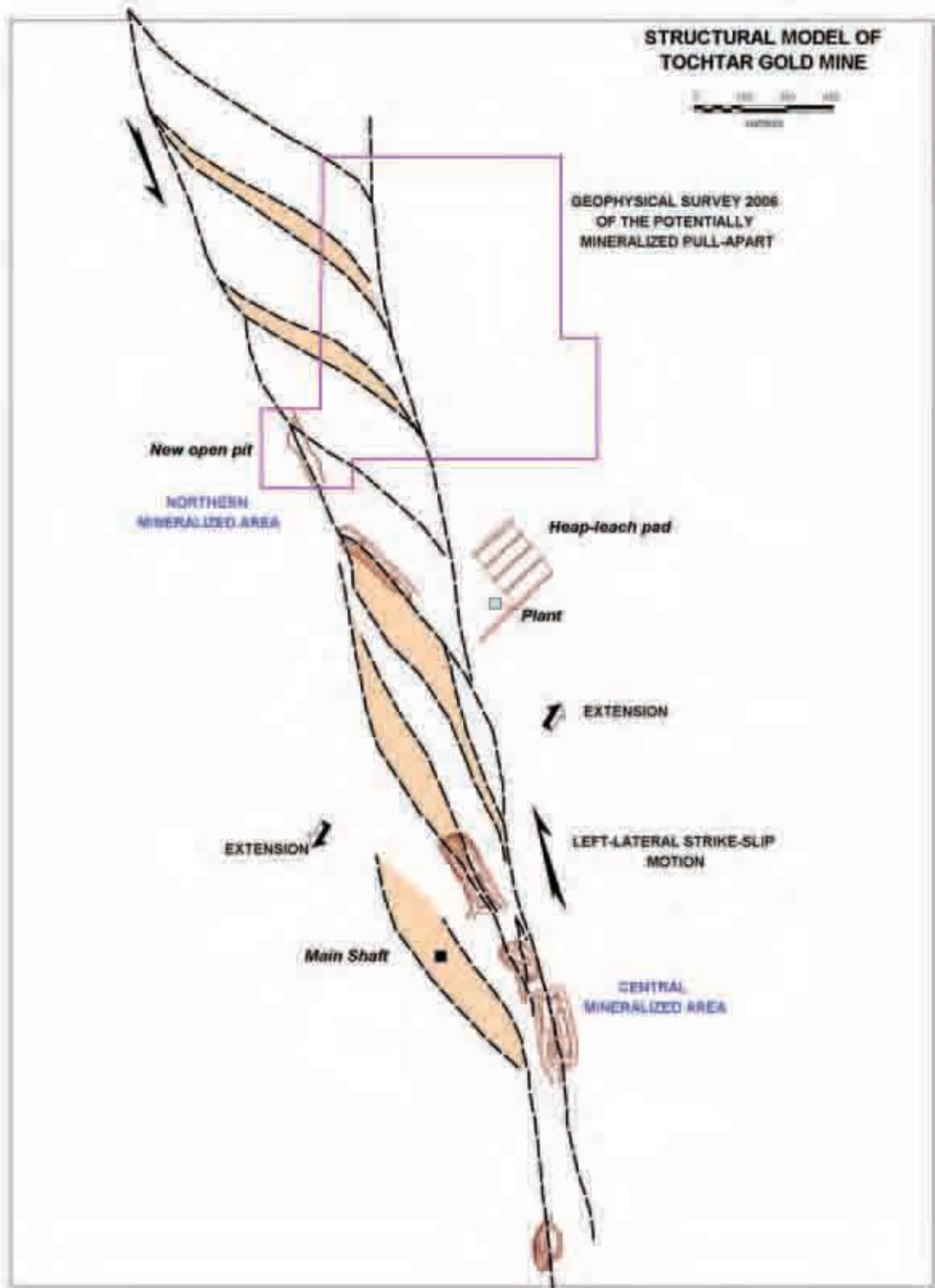


Figure 2.6: Schematic Plan showing Exploration Potential in Northern Pull-Apart Structures

Three sources of data support the identification of the target area:

- 1) A structural interpretation from “Landsat ETM + ” imagery of four shear zones, which are more elongated than those investigated earlier, due to an increase in the horizontal thickness of mineralised thrust faulting. Prospective shear zones are located more orthogonally to the direction of the axis of main normal tensile stresses (σ_1) and may lead to an increase in mineralisation thickness and/or more intensive oxidation;
- 2) A co-incident north-south trending IP anomaly, outlined by a ground geophysical (IP) survey; and
- 3) A limited number of mineralised outcrops and geochemical soil samples with values exceeding 1g/t Au.

WAI believes that it is reasonable to assume that the tenor of potential mineralisation would not be less than that of the Northern area, considering that the gold grade at the Tochtar deposit increases from south to north.

2.5 Metallurgy

2.5.1 Oxide Ores Test Work

A series of ore shoots within the oxidised mineralisation of Lens 27 were sampled to obtain a 250kg sample for metallurgical test work. A sample weighing 67kg was subjected to a column leach test to determine whether the gold could be recovered using heap leach technology. The test was undertaken in the laboratories of “Quartz”, in Semipalatinsk, Kazakstan. The grade of the sample tested was 6g/t Au which is significantly higher than anticipated grade of Heap Leach Operation.

Assays by size fraction indicated that gold was distributed uniformly through the size ranges. It was concluded that the low proportion of -0.075mm material in the sample would not cause problems with percolation.

Mineralogically, the oxidised ores are reported to be similar and consist of silica, ferrous hydroxides and oxides, kaolin and scorodite.

Bottle rolls tests on samples which had been crushed to 40mm and 15mm and also ground to 80% passing 74 microns gave the following results, shown in Table 2.9 below.

<i>Size</i>	<i>Leach time (h)</i>	<i>Recovery (%)</i>
-40mm	120	74
-15mm	24	61
80% passing 74 microns	24	79

The tests showed that cyanide leach recoveries at the coarser crush size were only slightly lower than the test at the fine grind size although the leach time was five times longer. It was concluded that the oxide ore matrix was permeable to cyanide and that heap leaching would be a viable process route. Cyanide consumptions in all tests were approximately 300g/t.

The column leach test gave a gold recovery of 91% after 56 days.

A column test undertaken on a sample of “Mixed” ore gave a recovery of only 43%, indicating the importance of defining the “Oxide” and “Transition” ore type before processing is undertaken.

2.5.2 Further Test Work (TsNIGRI 1976-1990)

Comprehensive metallurgical studies were carried out from 1976-1990 by the Tula Branch of the All-Union Research Institute of Exploration (TsNIGRI).

Test work was conducted on 10 laboratory process samples, 13 small volume mapping samples and one pilot plant technological sample. The weight of laboratory samples varied between 70-500kg, whilst the weight of the pilot plant sample was 53t. The material was selected from underground workings (95%) and from drill-hole cores (5%).

Process flow sheets for each ore type were developed in the course of the testing programme, and the optimum fineness of ore grinding, as well as physical parameters and reagent consumption for the various processes were determined. Other issues studied were ore concentrate thickening and filtration, multiple use of recycle water, waste water composition and deactivation, as well as utilisation of concentrate tailings in various fields of building and the construction industry.

Composition analysis and processability was studied on four samples of oxide ores (Samples 1, 3, 4, 8) and seven samples of sulphide ore varieties (Sample 2, 5, 6, 7, 11, 12, and the pilot production sample). The first ten samples were studied in laboratory conditions, and the pilot production sample was used for pilot production tests of the proposed processing technology.

In view of the oxide ore composition, the main method of gold and silver recovery is considered by cyanide leaching. Gravity concentration methods are considered inefficient.

Based on the phase analysis of gold in the sulphide ore, the bulk of gold (70-90%) is in close association with pyrite and arsenopyrite. Flotation is the main concentration method for this ore type. The test results were used to develop a two-stage flotation process flow sheet with a resultant bulk concentrate.

2.5.2.1 Mineralogical Studies

All the samples represent, from the processing point of view, one type of low-sulphide mineralisation with two ore varieties: oxide and sulphide. Four samples of oxide ore and seven samples of sulphide ore were submitted for mineralogical study which identified the following:

- The ores are hosted by hydrothermally altered basalts with quartz-sericite-carbonate composition. Sericite is represented by flakes 0.005-0.01mm in size. Siderite-ankerite alteration is associated with pyrite and arsenopyrite and forms nodules several millimetres in size. Quartz-calcite alteration forms thin veinlets to 1mm. Chloritisation and kaolinisation processes result in the formation of a dispersed fine-grained mass in association with sericite;
- The main ore minerals in the sulphide ores are pyrite and arsenopyrite. Antimonite, galena, sphalerite and chalcopryrite occur in very subordinate amounts. Pyrite is represented by cubic and hexagonal crystals, 0.02-0.04mm in size, typically associating with arsenopyrite, and rarely with chalcopryrite;
- Arsenopyrite forms prismatic (0.004-0.06mm) and acicular (0.002-0.5mm) crystals, often in accretion with pyrite. Corrosion is observed in the above minerals in places where fractures are filled with quartz-carbonate material. Corroded forms of arsenopyrite 0.02-0.04mm in size are associated with sphalerite and form nests (up to 10mm) and veinlets. Antimonite is a fine-acicular variety in crushed quartz;
- The oxide ore are represented by limonitised granite-porphry. The main minerals are quartz, sericite, and iron hydroxides developed as pseudomorphs in pyrite and scorodite in arsenic sulphides; and
- Iron hydroxides are characterised by concentric-zonal structure and saturate the whole non-ore mass as dripstones of brown-black colour and form aggregates with sericite, carbonate, and scorodite. Arsenopyrite is represented by intensely corroded acicular and prismatic crystals 0.002-0.03mm in size. The pyrite and arsenopyrite content is less than 1%. Galena, sphalerite, chalcopryrite occur as disseminations 0.009-0.05mm in size. Quartz in fractures and cavities is intensely saturated with iron oxides.

The silver content in ores varies from 2.0-3.0g/t (except for Sample No.1 with 9.6g/t Ag).

Gold in sulphide ore is of submicroscopic size, and associated with arsenopyrite and pyrite. The gold content in arsenopyrite is 450-470g/t, 300-350g/t in pyrite, and 28g/t in antimonite. Free gold grains of isometric and oval shape up to 0.02mm in size were identified in a quartz veinlet with bismuthinite and tetrahedrite. Gold is of 750-830 fineness.

Gold in oxide ore is observed in association with iron hydroxide aggregates 0.2 to 0.001mm in size. Gold particles of zonal structure 0.01-0.05mm in size are prevalent. Single free gold particles separated from the gravity concentrate are of dendritic shape, 0.004-0.01mm in size and of average sample fineness of 850. Gold distribution in oxide ores is relatively even, somewhat increasing in the -0.04mm ore fraction.

The ores have been studied by spectral, chemical, FA and AA analyses. The arsenic content in the oxide ores (Samples 1, 3, 4, and 8) varies from 0.11 to 0.27% and from 0.57 to 1.47% in the sulphide ores. The antimony content varies from 0.002-0.005% with the exception of primary ore sample 12 that returned 1.4% Sb and oxide ore Sample 1 with 0.4% Sb.

The carbonate content in primary ores is elevated significantly from 7 to 12%.

The mineralogical study clearly demonstrates that the oxide ore is a free-milling ore, whilst the sulphide (primary) ore is “refractory”.

2.5.2.2 Chlorine Leaching

In 2007-2008, further process tests were carried out by Tochtar Mining LLP and Sary Kazna LLP, including development of a proprietary process for hydrometallurgical processing of sulphide ore of Tochtar deposit, a Kazakhstan patent is pending.

A proprietary process was developed to oxidise the flotation concentrate using sodium hypochlorite as the oxidizing agent and producing sodium hypochlorite on site by electrolysis. The tests have shown that high recovery rates were obtained for flotation concentrates, whilst no additional regrinding is required.

VNIItsvetmet (Ust Kamenogorsk) carried out the test work using this chlorine leaching method.

The test work demonstrated that oxidation with sodium hypochlorite is more efficient for the rougher flotation concentrate, whereas oxidation of the cleaner concentrate gave lower gold recoveries.

One of the negative aspects of this technology is the requirement to heat the pulp to 55°C, which will obviously result in additional operating costs. In view of this, it was decided to carry out tests using other similar technologies, i.e. the Intec Gold Process[®] and the Bateman alkaline oxidation process.

Bateman Engineering (South Africa) tested their technology on the flotation concentrate in the laboratory of the Research Institute of Non-Ferrous Metals, in Ust-Kamenogorsk, Kazakhstan. The first stage of the test programme indicated that this process technology was applicable for Tochtar ore. A recovery rate of 66% was achieved.

In the second stage tests a flotation concentrate containing 60.5g/t Au, 6.12% As, 17.46% Fe, and 14.95% S was tested after grinding to a d80 of 45, 20, and 10 microns. The optimum parameters of alkaline oxidation were determined to be: 30g/L alkali concentration with a 20 hours residence time.

Further processing of the oxidised concentrate was carried out by CIL or CIP. During these follow-up tests, leaching was performed at 1000ppm NaCN for 16 hours using 20g/L carbon. Optimum results of gold recovery were: 73.3% for the P80 of 20µm, and 76.9% for the P80 of 10µm. Consumption of NaOH was 143 and 152.1kg/t respectively, and that of NaCN was 10.1 and 9.9kg/t. Pulp viscosity and thickening tests were also performed for use in further design.

Preliminary estimates for the operating costs of this process indicated a figure of about US\$90/t of concentrate or less than US\$20/t of ore, which is comparable to that of the BIOX[®] process.

The Tochtar flotation concentrate was also tested in the laboratory of Celtic Resources Holdings Ltd. at the Suzdal Gold Mine in Kazakhstan. Their process is based on BIOX[®] oxidation. Based on the test results, Celtic Resources confirmed that the flotation concentrate is amenable to processing using this technology.

2.5.3 Tests on Alkaline Oxidation of Flotation Concentrate in 2008

Tests on the applicability of the Bateman technology were carried out on the Tochtar flotation concentrates by the Research Institute of Non-Ferrous Metals in 2008.

The test results showed that the gold recovery by cyanide leaching of flotation concentrate without preliminary oxidation treatment did not exceed 10%, even after fine grinding of the concentrate (-0.010 mm). Preliminary alkaline oxidation using the Bateman technology increased the gold recovery rate due to partial oxidation of sulphide minerals and the maximum gold recovery was 64-66%.

The chemical composition of the Tochtar flotation concentrate is shown in Table 2.10 below.

<i>Element</i>	<i>Au, g/t</i>	<i>Fe</i>	<i>As</i>	<i>S_{total}</i>	<i>S_{sulphate}</i>
Content, %	60.5	17.46	6.12	14.95	<0.1

The tests were carried out on the unground concentrate as well as after grinding the concentrate to 80% passing 20 micron and 10 microns. The concentrate was ground with a FRITTSCH Pulverisette globe mill. The ball charge mass was 1.0kg, with a rotation speed of 190rpm. The particle size distribution of the pre-treated samples is shown in the Table 2.11 below.

<i>Size (Microns)</i>	<i>Size Yield (%)</i>		
	<i>Non-ground</i>	<i>P₈₀=20</i>	<i>P₈₀=10</i>
+45	18.2	4.9	—
-45+20	17.5	16.2	10.6
-20+10	13.7	17.4	10.1
-10	50.6	61.5	79.9
Total:	100.0	100.0	100.0

Each experiment was carried out in two stages. The purpose of the first, pre-treatment stage was to expose sulphide minerals and prepare gold for cyanide leaching. Cyanide leaching was carried out using the following conditions: alkali concentration varied from 4 to 40g/L, L:S = 5 or 10, leaching time varied from 16 to 24 hours, with the pulp aerated with oxygen. The solution was sampled in the course of the pre-treatment process to determine the alkali content and maintain it at the desired level. The pulp pH level and redox potential was monitored. On completion of the pre-treatment leaching, the pulp was filtered and the wet cake sent for cyanide leaching.

Cyanide leaching was carried out with a sodium cyanide concentration of 0.1% for a period of 16 hours, with active carbon added at the rate of 20g/L.

The pre-treatment leaching conditions are presented in Table 2.12 and the results of the completed tests are shown in Table 2.12 below.

Table 2.12: Pre-treatment Leaching Conditions			
<i>L:S</i>	<i>Size (Microns)</i>	<i>NaOH (g/L)</i>	<i>Time (hr)</i>
10	20	4	16
10	10	4	16
5	20	4	16
5	10	4	16
10	20	4	24
10	10	4	24
10	45	4	24
10	10	4	24
10	10	10	16
10	45	4	16
10	10	4	16
10	10	4	16
10	10	20	20
10	20	20	20
10	10	30	20
10	20	30	20
10	20	40	24
10	10	40	24

Table 2.13: Leach Test Results

<i>Alkali Consumption for the 1st Stage of Leaching, (kgt)</i>	<i>Alkali Consumption for the 2nd Stage of Leaching (kgt)</i>	<i>Cake after the two-stage leaching</i>				
		<i>Recovery (%)</i>	<i>Content (glt, %)</i>			<i>Gold Leaching Rate (%)</i>
			<i>Au</i>	<i>As</i>	<i>Fe</i>	
61.8	5.8	77.9	33.2	5.49	21.42	57.3
65.0	8.2	76.1	34.6	5.56	21.95	56.5
41.0	7.4	84.0	43.6	5.76	19.85	39.5
39.7	6.8	78.8	44.3	6.16	21.96	42.3
65.5	7.2	71.4	35.9	5.56	24.14	57.6
67.4	7.8	74.2	33.5	5.12	23.13	58.9
45.6	6.7	82.5	47.5	5.89	21.02	35.2
28.8	7.8	79.8	52.4	4.61	21.25	30.9
69.0	8.5	87.7	43.1	5.11	20.11	37.5
25.8	6.9	76.7	52.0	7.12	22.56	34.1
44.4	8.9	77.7	41.0	4.89	22.13	47.3
<i>Pulp was used in pulp thickening tests</i>						
108.3	8.6	87.4	28.1	4.19	19.41	59.4
79.2	9.2	88.1	30.8	4.81	20.05	55.2
152.1	9.9	87.2	16.0	5.11	19.59	76.9
143	10.1	89.1	15.3	3.51	20.17	75.3
307.7	11.6	71.3	21.4	5.18	23.98	74.8
267.0	11.5	75.3	20.0	5.01	22.86	75.1

In accordance with the test results shown in the tables above, the optimum alkali concentration for concentrate leaching is 30 g/L. Alkali consumption vs. time of leaching with this concentration is shown in Figure 2.7 below.

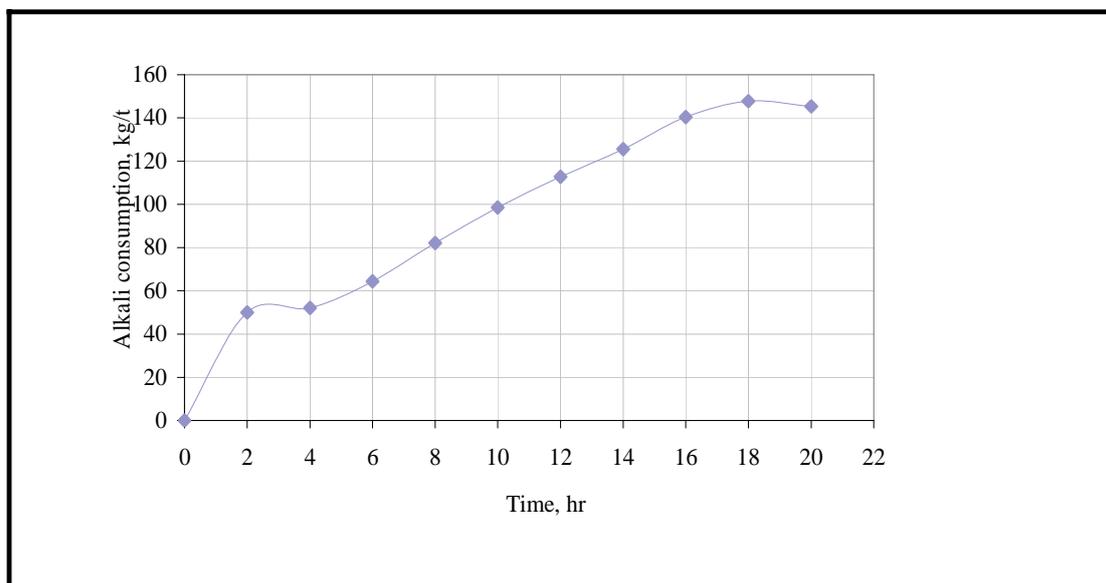


Figure 2.7: Alkali Consumption vs. Time of Leaching

It was concluded that the leach time should be not less than 20 hours.

Test results obtained for the various size fraction of the concentrate have shown that leaching of the non-ground concentrate sample is significantly less efficient than that of ground concentrate samples. Gold recovery from the concentrate samples of the 45, 20, and 10 micron fraction by cyanide leaching after pre-treatment with alkaline solutions (4g/L, 24 hr) is 35.2, 57.6, and 58.9% respectively.

Under the optimum process conditions, the gold recovery from the concentrate was 73.3 % at a P80 of 20µm and 76% at a P80 of 10µm. Alkali consumption was 143 and 152.1kg/t, and cyanide consumption was 10.1 and 9.9kg/t respectively.

Gold recovery rates decreased when the pretreatment alkaline oxidation solutions were recycled and this should be taken into account in process flow sheet design.

The viscosity of alkaline and cyanide leaching pulps was measured with the laboratory viscosity test plant. The results are shown in Table 2.14 below.

<i>Pulp</i>	<i>Viscosity, cP</i>
Alkaline oxidation leaching pulp of Test No.5	0.122
Alkaline oxidation leaching pulp of Test No.12	0.119
Cyanide leaching pulp of Test No.5	0.128
Cyanide leaching pulp of Test No.6	0.129

Pulp thickening tests were carried out on pulps obtained from Test No.12 and No.16. The tests were carried out with Magnafloc 611 and Nalco 9602 flocculants. The working pH range according to the manufacturer is 5-14 for Magnafloc 611 and >9.5 for Nalco 9602 Flocculant addition was 100g/t for all tests.

The results obtained for the pulp from Test No.12 (alkaline treatment with alkali concentration of 4g/L) showed that complete pulp thickening is achieved only after 24 hours. The results obtained with

Nalco 9602 were better than those obtained with Magnafloc 611. Pulps from the oxidation pretreatment with 30g/L alkaline solution showed good thickening characteristics. The results are shown below:

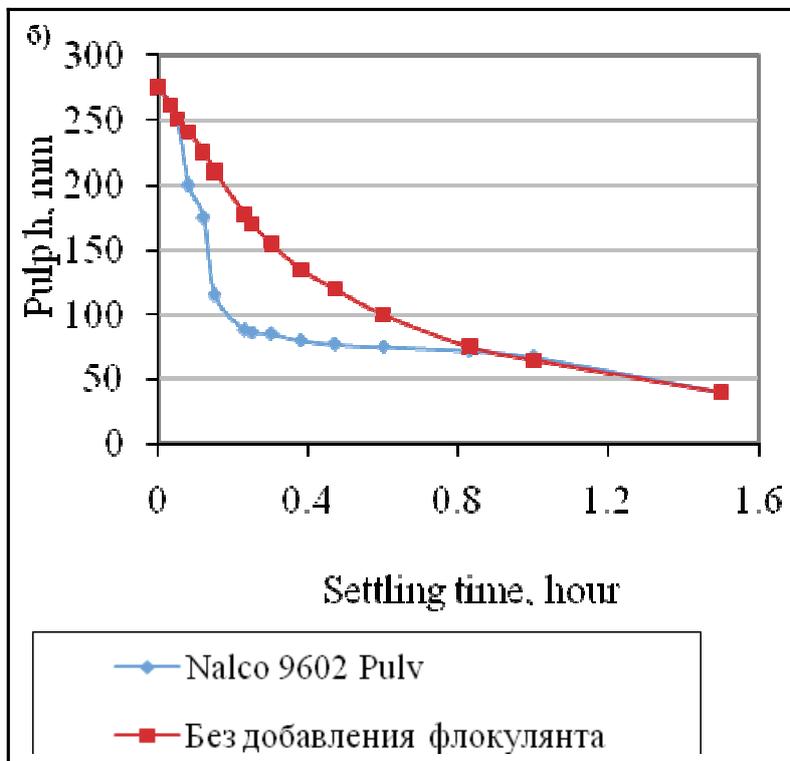
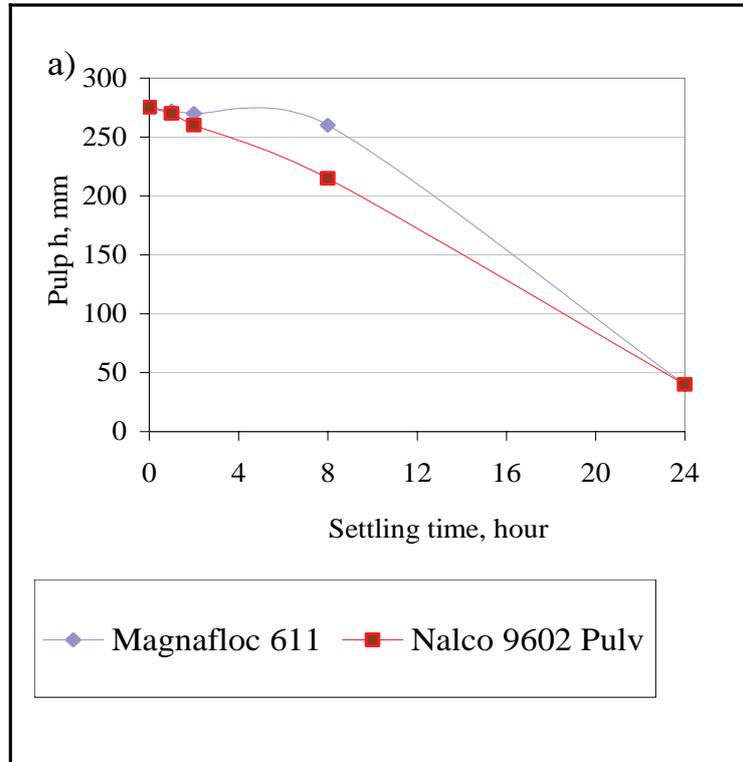


Figure 2.8: Pulp Thickening Parameters obtained for Pulp of Test No.12 (a) and No.16(b)

A test on arsenic precipitation from the leach solutions was also carried out. The results are shown in Figure 2.9 below.

Figure 2.9: Test Results for Arsenic Precipitation from Oxidation Leaching Solutions

Description	Weight, Volume	As		Fe		S	
		Content (% g/L)	Dist. (%)	Content (% g/L)	Dist. (%)	Content (% g/L)	Dist. (%)
<i>Input:</i>							
Leaching solution	1000 ml	1.58	100.0	0.023	95.8	1.20	100.0
Lime	20g	—	0	0.05	4.2	—	0
Total:			100.0		100.0		100.0
<i>Obtained:</i>							
Solution after precipitation	950ml	1.30	78.2	0.005	19.8	1.13	89.5
Liming cake	27.6g	1.14	19.9	0.065	74.8	0.28	6.4
Total:			98.1		94.6		95.9
Discrepancy:			1.9		5.4		4.1
Base solution – solution of Test No.6, time of treatment – 1 hour							

The results demonstrate that the precipitation requires additional research to optimise the process.

The research results are summarised as follows:

- The optimum alkaline oxidation pretreatment conditions are 30g/L for 20 hours;
- The optimum cyanide leach conditions are with a sodium cyanide concentration of 0.1% for 16 hours with 20 g/l carbon; and
- The optimum gold recovery from the concentrate at a P₈₀ of 20µm is 73.3% and 76.9% at a P₈₀ of 10µm. Alkali consumption is 143 and 152.1kg/t and cyanide consumption is 10.1 and 9.9kg/t respectively.

2.5.4 Description of Heap Leach Operations

In October 2006, CAML started a small-scale Heap Leaching Operation designed for treatment of Tochtar oxide ores. The ore was trucked a short distance to the Heap Leaching Site and initially placed in one of the eight clay-lined pad areas 50 x 150m. The ore was stacked to a height of 3.5-4 m and leached with 0.03% cyanide solution, which was applied through a network of spays. Production of gold continued from a total of 8 heap leach pads to the end of 2009.

A photograph of the operation is shown in Photo 2.1.



Photo 2.1: Tochtar Heap Leach Operation

The pregnant liquor gravitated to a collector pond from where it was pumped, via a storage tank, to two lines of four carbon adsorption tanks in series with each tank containing approximately one tonne of carbon. Each line was capable of treating 45m³/h of solution.

Chemical analysis of solid and solution samples from the plant was contracted to Quartz Laboratories Ltd. This company renders contract analytical services to several operations in Kazakhstan, including Suzdal mine. A brief review of the laboratory operations was made and it was concluded that the laboratory standards of operations and quality control methods meet the requirements of CAML. The quality control system is based on the regular duplicate sample analysis and the use of standard reference samples. The detection limit for gold analysis was reported to be 0.01ppm and an acceptable limit for duplicate analysis was +/- 5%.

Actual operating expenditures for ore leaching and processing for years 2006 and 2007 amounted to US\$2.8/t of ore. Gold production in the plant in the period from September 2006 to the end of 2009 amounted to 156.7kg Au with an overall recovery of 56.2%, including suspension of leaching operations for winter seasons.

WAI considers that the Tochtar Heap Leach facility was of basic design but was functional. The technical staff appeared experienced and competent. Whilst Oxide ore was treated, the facility was capable of effectively recovering gold from the Tochtar ores although final recovery figures were considerably lower than the 91% figure obtained from testing a high grade sample.

2.6 Environment

An environmental assessment of the Tochtar project was achieved via a site walkover by WAI in 2006 and again in 2010, and through discussions with representatives from the mine workforce, the plant workforce and the current owners of the mines.

2.6.1 Environmental Permitting System

The Tochtar 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.

The State approved independent ecological contractors “2K” was employed to conduct all OVOS studies and to calculate MPCs and MPLDs.

2.6.2 Corporate EHS Management

2.6.2.1 Policies and Practice

There is no formal Environmental Management Plan (EMP) for Tochtar, but at the time of the visit, 2K ecological contractors were retained as consultants for environmental monitoring for the life of the projects, with specialists employed to provide environmental and health and safety training.

WAI considers that an Environmental Management Plan (EMP) should be formulated, designating responsible personnel, and outlining a full regime of environmental monitoring.

2.6.3 Internal and External Stakeholder Dialogue

Although mining has been suspended, It was reported to WAI that the local communities were very positive about the mining operation, as it has a significant positive social and economic effect on the local communities through the provision of jobs.

WAI recommends that Formal Environmental Managements Systems and Occupational Health and Safety Plans (OHSP) should be implemented, and training programmes should ensure that personnel are aware of their duties. A formalised Community Development Plan (CDP) should be drafted to ensure sustainable benefits to the local community and the company as a result of mining operations.

2.6.3.1 Raw Materials – Consumption and Source

Due to existing contamination local groundwater supplies would be unsuitable for potable water needs, but could be used for process water needs. Water balance calculations and approvals for discharge are already being sought at Tochtar. Potable water can be brought in from the local water supplies.

WAI believes that it will be necessary to undertake audits of raw materials consumed, handled or stocked on site. An energy use audit should also be performed.

2.6.3.2 Energy Consumption and Sourcing

Electricity will be sourced from local supplies. Fuel will be brought in and stored on site.

WAI believes that an audit of requirements, an assessment of potential supplies, and an assessment of energy usage should be performed to achieve more efficient energy consumption.

2.6.3.3 Effluent Volume and Quantity

There is potential for contaminant run off from the Tochtar leach piles, and it would be recommended to build berms around the piles to limit runoff from surface drainage, in addition the standard HLP design requirements. It is planned to construct a sewage treatment system (septic tank).

2.6.3.4 Air Emissions

An assessment of baseline air has been made, with SiO₂ being the main constituent, however a full assessment of dust composition has not been carried out. The site is sufficiently remote that noise generation should not be an issue of concern.

WAI believes that the main generation of dusts at this operation will come from the heap leach pads during drier conditions in the summer. On site monitoring of soils will also be necessary to ensure that windblown leach solution from high arching dosers does not contaminate soil outside of the leach pile areas.

2.6.3.5 Solid Wastes

State regulations require that old tanks and cyanide storage containers be detoxified. After detoxification, these containers will be compacted and buried in the body of leached pads. Old CIL tanks will be detoxified and sold for scrap, or as process equipment to other industries. Non toxic, household wastes are to be buried within waste rock dumps, or following controlled disposal protocols. No incineration is permitted on site.

WAI considers that cyanide should be managed in line with international best practice.

2.6.4 Handling and Storage

A special contract for hazardous waste storage was agreed with a local contractor, although it is not envisaged to generate hazardous wastes at either site. All protocols should be approved by State authorities.

WAI considers that adequate, secure chemical storage bays will be required with restricted access, and PPE provision. Fuel storage areas should be appropriately secured, and fuel should be stored in double skinned tanks, with a 110% catchment bund, in the event of tank spill. Areas of contaminated ground should be remediated appropriately, and any contaminated soil should be disposed of, or remediated at an appropriate facility.

2.6.5 Soil, Surface and Groundwater Contamination

The heap leach operations at Tochtar appeared well run and well managed. The leach pads are appropriately constructed of clay, HDPE liner and gravel layers, a lined emergency spill pond has been constructed, and the mobile plant has also been constructed in a lined area. It was reported to WAI that workers using cyanide have been provided with appropriate PPE and that emergency plans and spill response measures are already in place. Piezometers are present around the pads, and WAI has been informed that as part of the OVOS process, water quality is being monitored, and that contaminant levels are below MPCs for the project.

Baseline data collected at the operations indicate that groundwater supplies are not significant in the area of the deposit, and that water in the aquifers present is very saline. There is some groundwater contamination with arsenic, lead and strontium, believed to be due to the local geology. Iron contamination has also occurred due to previous industrial activity. The groundwater at the site is therefore not suitable for domestic or potable needs. The local geology is composed of sands and clays, and is quite highly fractured, giving potential for resultant groundwater contamination.

A baseline survey has been conducted on soil quality at the site, and indicates that whilst metal concentrations decrease with depth, levels are high in many areas for many determinands (e.g. As, Ni, Cr), and thus indicates that historic contamination is present at the site. There has also been some metal uptake by vegetation at the site, and historic contamination is evident. There is also a potential for contamination from historic waste rock at the site.

WAI recommends that monitoring plans should be adequate to assess any potential contamination resulting from operational activities.

2.6.6 Current Environmental Expenditure

WAI was informed by 2K that there are cost estimates for environmental and social expenditure, though WAI has not reviewed these. Closure estimates are commented on in the Rehabilitation and Reclamation section of this report.

2.7 Health and Safety Performance

Kazakh State authorities have requirements for health and safety compliance, in terms of training, reporting, inspections etc, and CAML will be bound by these.

2.7.1 Fire Protection and Emergency Response Capacity

It would be recommended to draft site specific emergency response and fire protection plans, and to invite the local fire brigade to conduct a fire inspection at both sites, to assess the adequacy of protection measures, and to advise on staff training requirements.

2.8 Reclamation and Rehabilitation

It was reported to WAI that closure plans would be based on plans adopted by other similar industries. Outline principles for closure have been viewed by WAI, and it has been reported that the State requires a detailed plan for closure to be submitted within 2 years of the start of operations. The State also requires that 0.1% of annual operational expenses should be set aside in a closure fund. The company has made a preliminary estimate of closure costs of US\$760k.

When compared with international best practice, WAI considers that the above sum would not be considered sufficient, since it does not address associated closure issues, such as social costs, full rehabilitation, and ongoing environmental monitoring post closure. In addition to monitoring, closure plans should address surface run-off from the heaps, and specific water monitoring programmes for the TMF and heap leach pads. Sequential detoxification and flushing of the heap leach pads will be required, to successfully remove all traces of cyanide.

Cost estimates should be prepared based on actual closure plans and associated costs, rather than on a per tonne mined basis, and a framework closure plan should be prepared now. Adequate securities need to be put in place to protect the community from closure liabilities.

B MONGOLIAN ASSETS

1 ALAG BAYAN

1.1 Background

The Alag Bayan licence covers an area of 39.41km² and is located in the middle of Mongolia's prolific copper-gold porphyry mineralisation trend, approximately 100km from the world-class Oyu Tolgoi copper gold deposit and 80km from the Tsagaan Subarga copper deposit.

1.1.1 Location, Access and Infrastructure

The property lies approximately 595km to the south southeast of the capital of Ulaanbaatar and is located in the territory of Bayan bag approximately 65km to the north east of Hanbogd and 110km to the south east of Manlay; which are the nearest principal towns to the property (Figure 1.1). Notably, the licence lies 100km north-east of Oyu Tolgoi Copper-gold porphyry deposit (Figure 1.2).

The main access route to the property is via an unpaved main highway from Ulaanbaatar to the Gashuun Sukhait border crossing point into China, which passes through Hanbogd and Manlay. Access during the site visit was via 4WD vehicle from Ulaan Bataar, initially along a paved highway for a distance of approximately 50km and thereafter by desert road to:

- Mandalgorvi; a distance of 244km (6 hours);
- Manlay; a distance of 215km (5 hours); and
- Bayan village; a distance of 118km (2 hours).

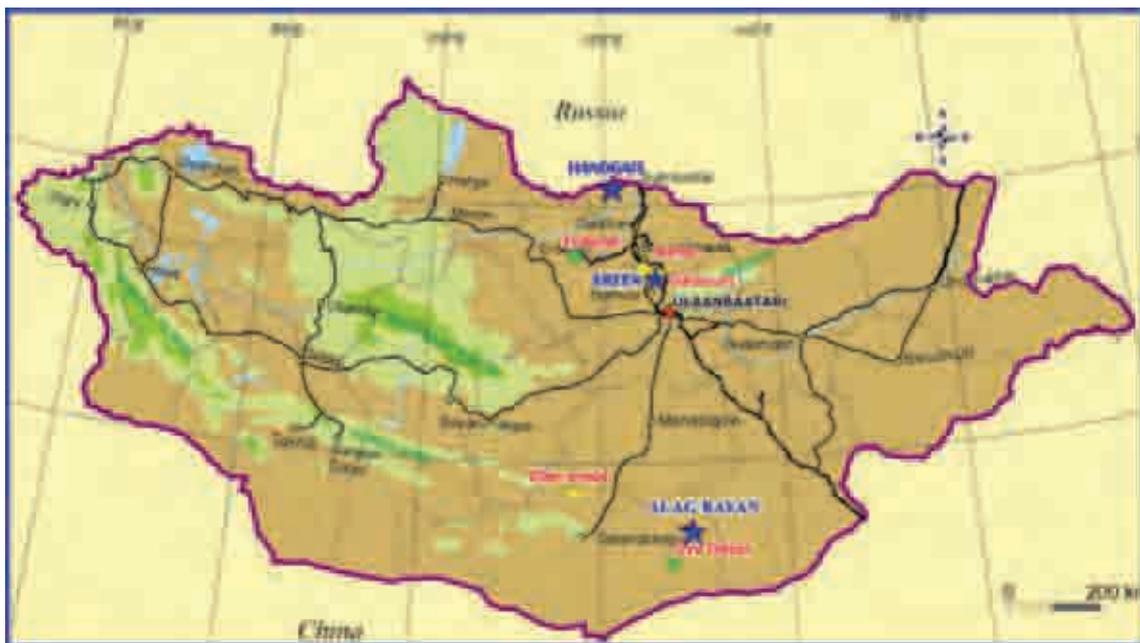


Figure 1.1: Location of Alag Bayan



Figure 1.2: Location of Alag Bayan in Southern Mongolia

The property is also located approximately 220km from Zuunbayan, which is the nearest railway station on the Trans Mongolian Railway.

1.1.2 Topography, Climate, Demographics

The Khalzan Uul licence area is characterised by its relatively flat undulating topography with low hills. Flat plains prevail in the northern and southern parts of the property, whilst the central area is extensively weathered with an undulating topography of low hills.

One of the two highest points is Alag Bayan Ovoo with an elevation of 1,011m, located in the western part of the property, whilst the other, Khalzan Ovoo, is located to the east of the property with an elevation of 1,018m. The majority of the area ranges in elevation from 910 to 1,018m.

The central part of the property is rugged, being crossed by ravines and channels, typical of the Gobi region. Such ravines and channels sometimes reach depths of 30 to 50m.

A large ephemeral river crosses the site, the drainage channel of which varies in width from 50-100m (occasionally up to 200-300m).

A number of wells, found within the proximity of the licence area, supply drinking water and water for livestock. The water wells usually have a low yield, the highest being of 100l/minute. Most of the wells however, have highly saline water which is not potable.

The soil is sandy with low vegetation cover, and sand deposition predominant on the plains in the southern and northern parts of the licence. Sand however, generally covers a considerable proportion of the property. Vegetation is confined to very few varieties of basic Gobi desert plants.

The climate at Alag Bayan is typically continental, with a cool spring and autumn, very hot summers and cold winters. Daily and annual air temperature on site range considerably, from +38°C in summer to -36°C in winter. The hottest period during the year is July and August, whereas the coldest is January and February. The prevailing wind is from the northwest, typically with regular sand storms during the spring. Wind speeds reach up to 28-30m/sec.

The population density in the vicinity of property is very low, with little nomadic or residential habitation. The nearest facilities such as a medical centre, schools, shops, canteens and fuel station

are located in the town of Hanbogd (see Figure 1.2). The local area is served by Mongolian Telecom Communication, as well as mobile operators such as Mobicom, Skytel and Unitel.

Oyu Tolgoi copper and gold deposit (located 70km to the south west of the town of Hanbogd) is about to commence production. Due to the massive investment in the Oyu Tolgoi deposit, the living standards in Hanbogd and surrounds have improved significantly. In addition, Tavan Tolgoi, one of the countries strategic coal deposits is located 150km to the west of the property.

1.1.3 Licence

The licence is a rectangle approximately 2.8km north-south and 14km east-west and is located approximately 85km to the northeast of Ivanhoe Mines (Joint Venture with Rio Tinto) world class Oyu-Tolgoi deposit. The UTM grid co-ordinates for the main area of interest at Alag Bayan are WGS 84, 4809200N, 721000E. The CAML camp was located on flat ground approximately 2km south of this location.

The Khalzan Uul Licence Number 3226X has been renewed as of 27 February 2010 and is valid for a period of two years to 23 March 2012.

The licence, issued by the Mineral Resource Agency of Mongolia, covers an area of 39.41km² (3,941ha) and is bounded by the co-ordinates given in Table 1.1 and shown in Figure 1.3 below.

Table 1.1: Co-ordinates for the Khalzan Uul Licence No 3226 (Valid until 23 March 2012)					
<i>Latitude (N)</i>			<i>Longitude (E)</i>		
<i>Degrees</i>	<i>Minutes</i>	<i>Seconds</i>	<i>Degrees</i>	<i>Minutes</i>	<i>Seconds</i>
43	24	00	107	37	00
43	25	30	107	37	00
43	25	30	107	47	30
43	24	00	107	47	30

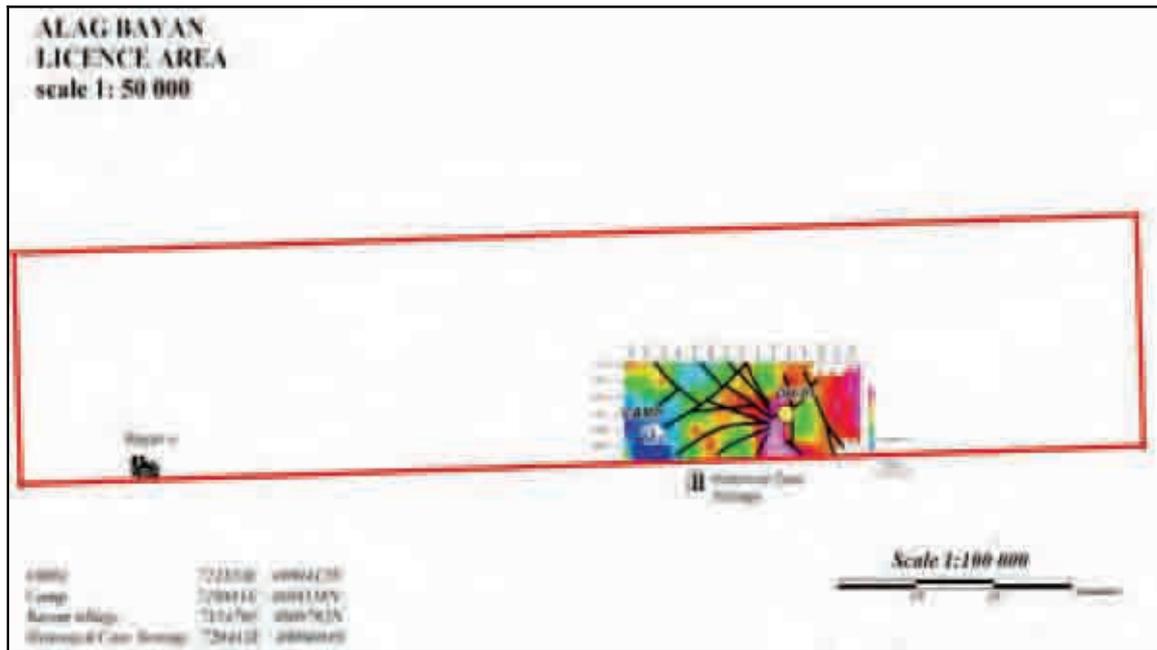


Figure 1.3: Plan showing the Khalzan Uul Licence Block and Relation to Bayan Village, Main Exploration Area, Camp and Core Storage Facility

The Alag Bayan property is located in an extremely remote part of southern Mongolia. Infrastructure at the site currently is non-existent; there are no roads; power supply; communications or ubiquitous water supply in close proximity. The capital and operational cost of a mine located here would be above the norm as a consequence.

1.2 History and Previous Works

A regional gravity survey of the area (scale of 1:100,000) was conducted in 1950, with a follow-up magnetic survey in 1951. Further magnetic mapping was undertaken in 1966 – 1968.

More detailed geological and geophysical surveys were undertaken between 1980 and 1982.

From 2001, Mongol Gazar LLC carried out extensive geological surveys on the site including chargeability and magnetic surveys, which were conducted by “Magic Signal” LLC.

1.3 Geology and Mineralisation

1.3.1 Geological Setting

The Khalzan Uul licence area is located to the northeast of Gurvan Saikhan island arc terrain as shown in Figure 1.4 below.

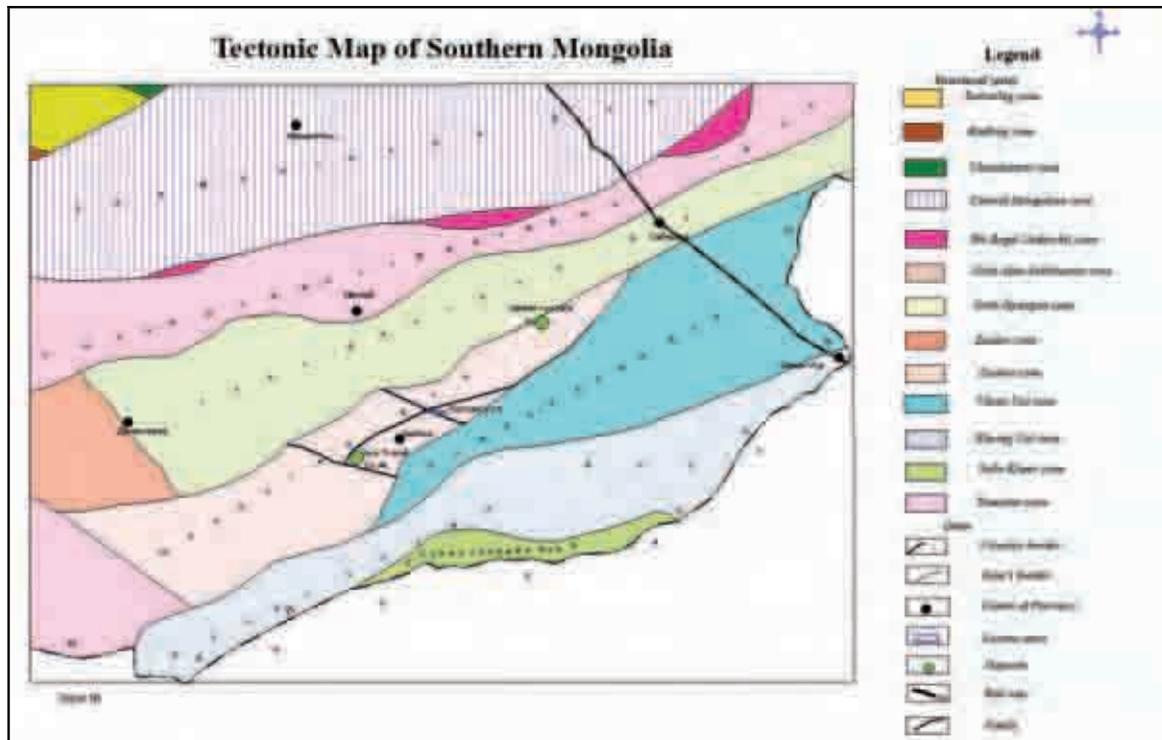


Figure 1.4: Geological & Tectonic Map of Southern Mongolian Fold Belt

The Gurvan Saikhan terrain consists of an island arc structure formed by subduction of the oceanic crustal plate of the Paleotethys during the Palaeozoic era in the southern Mongolian region. The Gurvan Saikhan terrain consists of the following sequence:

- Ordovician-Silurian age ophiolitic mélangé;
- Early and Middle Devonian age Berkh Uul complex, consisting of tholeiitic basalts, calc-alkaline series basalt and andesine basalt, with tuff and jade;
- Middle and upper Devonian age Gurvan Saikhan complex consisting of sand stone, aluerolite, tuff, occasionally conglomerate olistostromes and red jade containing fauna such as fran conodonts; and
- Earlier Carboniferous age consisting of alkaline effusives, conglomerate, sandstone and aluerolite etc.

1.3.2 Southern Mongolia Copper Metallogenic Province

The Khalzan Uul licence area is situated over the Alag Bayan ore cluster, which itself is located within the Southern Mongolian Ore Province as shown in Figure 1.5 below.

A number of copper-gold porphyry and copper-molybdenum porphyry deposits, associated with plutonic structures developed in Devonian and Carboniferous terrain have been found in this region. These include the ore districts and ore clusters of Nariin Khudag, Ulaan Tolgoi, Bunkhant Khad, Khongoot, Shuteen, Oyu Tolgoi, Kharmagtai, Tsohiot and Ikh Shankh.

The age of the copper ore bearing rocks within the Khalzan Uul licence area are thought to be of Middle and Upper Palaeozoic, Mesozoic and Cainozoic age.

The earliest rocks within the licence consist of Upper Devonian and early Carboniferous sedimentary rocks associated with volcanic activity. Intrusive rocks consist of Carboniferous to Permian age abyssal and hypabyssal intrusions.

Larger basinal formations between mountain ranges began to form during the early Cretaceous period; these are present within the immediate vicinity of the Alag Bayan ridge. Molasse sediment accumulations are found in these basin formations.

The Alag Bayan ridge strikes almost west to east and outcrops over a length of 25km, with a width of 2-5km.

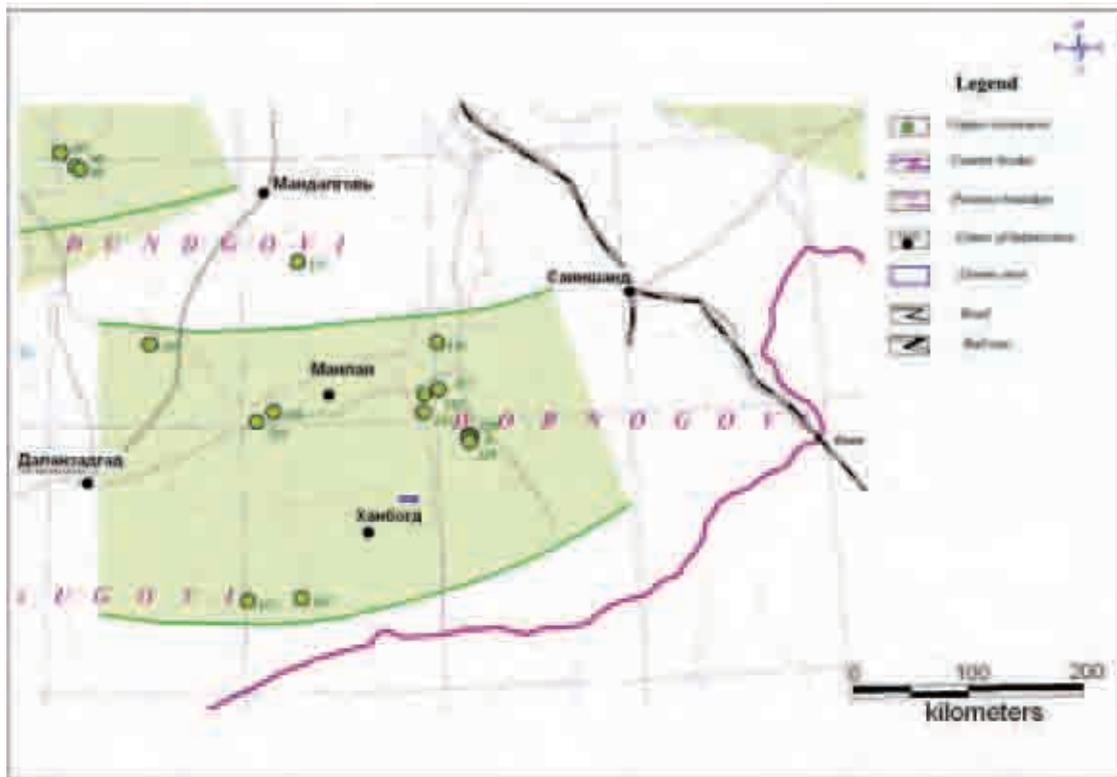


Figure 1.5: Southern Mongolia Copper Metallogenic Province

1.3.3 Local Geology

The stratigraphic column of the Alag Bayan area is shown in Figure 2.6.

Historical exploration considered the Alag Bayan suite found within the licence area to be of early Carboniferous age, but as a result of later exploration at the Oyu Tolgoi deposit during 1997 – 2005, it was re-classified as being of Upper Devonian age.

The Alag Bayan Formation consists of the main units shown in Figure 1.6.

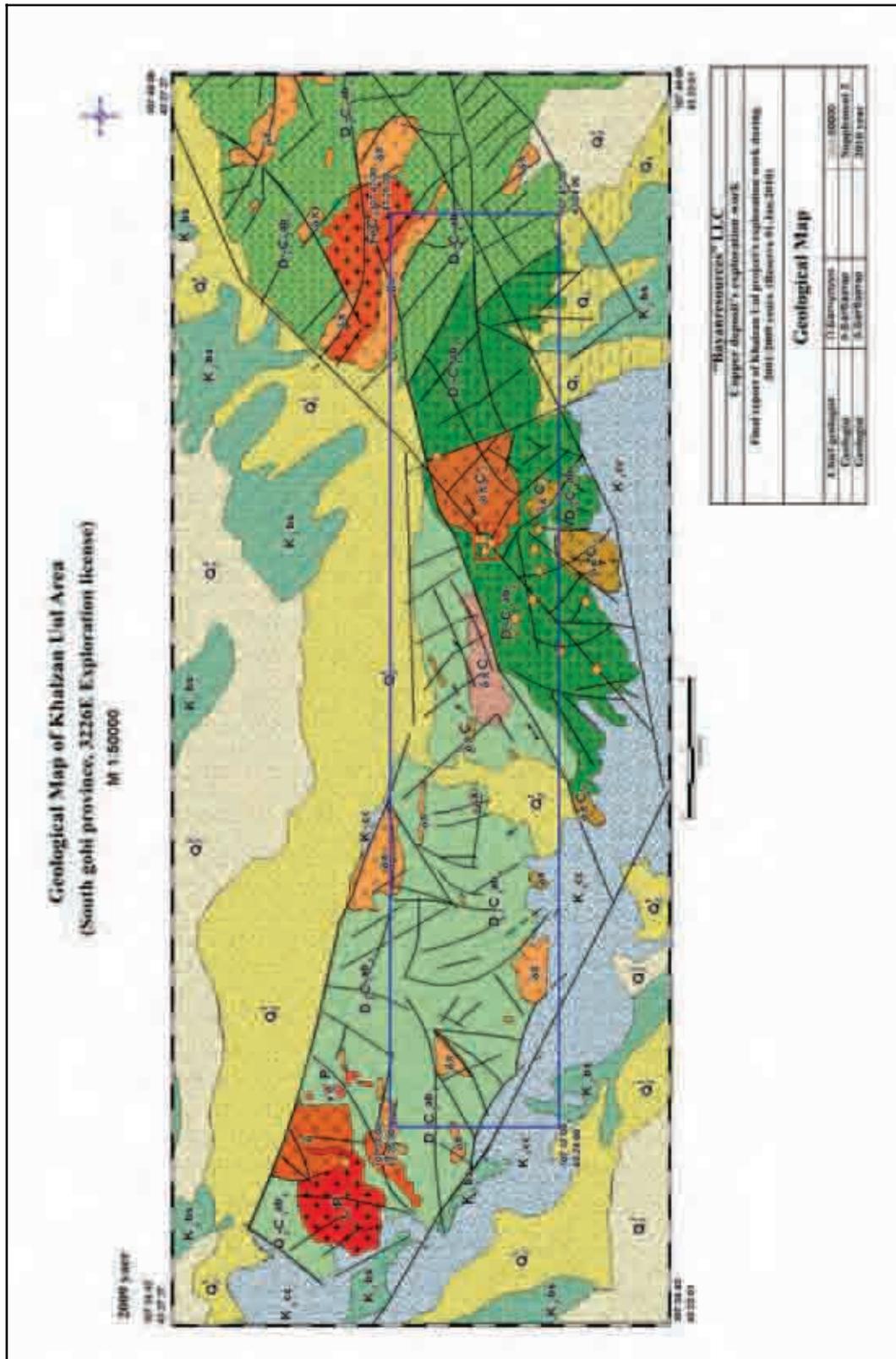


Figure 1.6: Plan showing Geology of the Licence Area

Legend of Geological Map

Quaternary Sediments			
	Holocene sediment. River and valley generated pebbles, sand, clay		Quartz diorite, granodiorite
	Holocene sediment. Base generated clay, sand, sandy sediment		Subvolcanic body, Medium grained andesite dacite
	Pleistocene sediment. Basically clay, river pebbles 180m		Subvolcanic body, Medium grained diorite porphyry
Upper Cretaceous-Bayanshiree Formation			Subvolcanic body, Small grained diorite porphyry
	Light gray conglomerate, siltstone and sandstone. Somewhere dinosaur's bone and fauna occur in the light colored sandstone 30-250 m.		Subvolcanic body, Fine grained diorite porphyry
Lower Cretaceous-Isagauntsav Formation			Medium grained diorite
	Boulder, conglomerate, conglomera, sandstone, red coloured clay and andesite basalt with pyroxene, tuff, tuff breccia, agglomerate no more than 300 m		
Upper Devonian- Lower carboniferous, Mag Bayan Formation			
	Upper member: Igneobrite, trachydacite, andesite, acidic tuff, tuffine, sandstone siltstone 1300-1000 m.	Faults	
	Middle member: Andesite basalt, basalt, andesite, intermediate and acidic tuff, sandstone, siltstone, tuff conglomerate with fossil 300 m.	Main faults	
	Lower member: Sandstone, siltstone, conglomerate, mafic tuff 1000 m.		1 Indicated fault
Lower Permian Intrusives			1 Inferred fault
	Granite, Diorite		Copper mineralized points
	Granodiorite, quartz monzonite		Location of Khatzan Uul deposit
			Border of Becece area

1.3.4 Mineralisation

The mineralisation within the Khalzan Uul licence can be subdivided into two main types:

1.3.4.1 Ore Type 1

This consists of copper mineralisation found in augite basalt – occurring along a broad northeast trending crush/fault zone; heavily altered basalt rich tuffs and lava breccia (along a diathermic ring structure and within quartz veins and quartz-carbonate thin veinlets) developed along an arcuate structure located on the outer margin of the basalt rich tuffs and lava breccia. The tectonic fault which comprises fractures and crush zones is understood to control the copper mineralisation. A number of copper showings located throughout the site appear to be associated with this fault. The main host rock for this type of mineralisation is andesitic volcanics. The mineralisation is characterised in surface outcrop by malachite and azurite.

Supergene enrichment has taken place near surface, with the maximum copper grade in trench samples reaching 4.9% Cu, whereas the highest grade analysed in core samples, within the primary ore was 2.1% Cu.

From exploration undertaken in 2006- 2007, mineralisation was identified at a number of points on surface (300m in strike length), with the richest mineralisation being identified in trench No. 8. Copper mineralisation is present as malachite and azurite at surface and mainly occurs as staining on rock surfaces in fractures, but additional disseminated mineralisation is also present hosted within andesites. The thickness of copper mineralisation in individual fractures typically ranges between 1.0 and 5.0mm; but may be up to 1.0cm.

Ore Type 1 mineralisation is present within 2 distinct ore bodies which consist of:

- Ore body No.1 (East): has approximate dimensions of 330m (along strike) by 10-32m (in width) and lies adjacent to the southern boundary of the ore zone; and
- Ore body No. 2 (West): The adjacent smaller ore body has dimensions of 150m (along strike) and a width of 8-10m.

A Mineral Resource has been estimated for the mineralisation contained within these two ore bodies. The resource estimate is described in detail in Section 1.5.

1.3.4.2 Ore Type 2

The second type of copper mineralisation is not exposed at surface, but is hosted in porous basalt tuff lava (or welded tuff).

This mineralisation occurs in various forms at a number of locations in the southern part of the area. The most common host sediment is porous welded tuff of basalt and other sediments of the middle member of the Alag Bayan formation.

Copper mineralisation, in the form of malachite and azurite is commonly found as a cement within the welded tuff, often in association with fractures; but also occurring in disseminated form.

1.3.5 Alteration

Propylitic alteration dominates throughout the property and it appears usually in the form of chlorite-epidote, quartz-carbonate-epidote and quartz epidote veins. Propylitic alteration is developed in basalt, basaltic clastic and other tuffs spread throughout the property.

Siliceous alteration is also present, with arcuate development of quartz veins associated with a ring structure. Within the licence area, hematite alteration is partially developed independently or in parallel with siliceous alteration and copper. Biotitic alteration exists along the outer border of the ring structure and such alteration usually is developed in association with micaceous alteration in basaltic-porphyrific tuffs which are poorly distributed within the property. Micaceous alteration is recognised in the northern part of the licence in association with tourmaline alteration in andesite-basaltic tuffs.

1.3.6 Interpreted Structural Setting

The copper mineralisation within an area that covers some 950 x 1,340m, appears to be located at the intersection of 2 faults trending to the northeast (040-060°) and northwest (330°) and it has been recognised that this is a continuation of radial faults developed in association with a diathermic ring

structure located on the eastern part of the property. The main structure that appears to control the mineralisation is a curved structure formed along and across the faults radiating from this ring structure.

Quartz vein and veinlet zones have a strike of 040-060°; the orientation changing to 070-080° and 90-105° as they approach the ring structure; whilst the dip is almost vertical (85-90°) at this point.

The Oyu Tolgoi fault zone which trends to the northeast cuts the Hanbogd complex and the Devonian volcanic complex and the continuation of this fault may be seen in the Alag Bayan licence. Ivanhoe's Oyu Tolgoi gold rich porphyry deposit was found in a similar setting as this. WAI believes that the dominant northeast trend of the quartz veins and veinlet zones of Alag Byan follow a similar such trend.

1.4 Recent Exploration Activity

Extensive exploration and field work has been undertaken at the Khalzan Uul licence area.

Recent work has been conducted as follows:

- During 2006-2007, "Khos Khas" LLC (who purchased the licence on 27 April 2001), the owner of the company at that time, utilised its subsidiary company "Mongol Gazar" LLC to undertake reconnaissance mapping, geophysics and drilling; and
- During 2008 and 2009, Bayan Resources LLC (who purchased the licence on 10 July 2008), on behalf of CAML to undertake trench re-sampling, further surface geophysics and deep drilling.

1.4.1 Khos Khas LLS (2006-2007)

1.4.1.1 Geological Reconnaissance

"Mongol Gazar" LLC undertook reconnaissance and exploration traverses (on behalf of Khos Khas LLS) between 01 February 2006 and 15 October 2006 which consisted of geological and structural mapping on a grid spacing of 100x400m (throughout the entire area) and 80x20m (on the selected areas), at scales of 1:10 000 and 1:5 000 respectively and also carried out chip sampling, trenching, trench sampling and core drilling through the defined alteration and mineralised zones. All the data obtained were recorded using MapInfo and AutoCAD.

Follow-up reconnaissance fieldwork was performed within an area of 3.9x2.1km, located over the central part of the licence area which is prospective for copper mineralisation. As a result, a mineralised copper zone with dimensions of 350m along strike with a width that varies from 3-100m was identified.

The mineralisation is delineated by a highly silicified alteration zone; containing azurite staining. The fieldwork has shown that this alteration zone continues at the junction of faults located 500m to the south west; in the form of a number of parallel bodies with a width of approximately 20m.

The density of the existing exploration grid was increased to a grid spacing of 50x50m and further reconnaissance exploration undertaken.

1.4.1.2 Surface Geophysical Surveys

In November 2006 and July 2007, "Khos Khas" LLS (the licence holder during that period) commissioned "Magic Signal" LLC to undertake a geophysical scoping study.

In the initial phase of the study, a surface IP survey was conducted over an area of 2.3x4.9km (Area 1 – trending northwest to southeast) in the central portion of the licence area (see Figure 1.7). Base measurements were conducted along 14 lines, with each line up to 1,050m in length, totalling 33.6km, of which 19.5km of detailed measurements were taken.

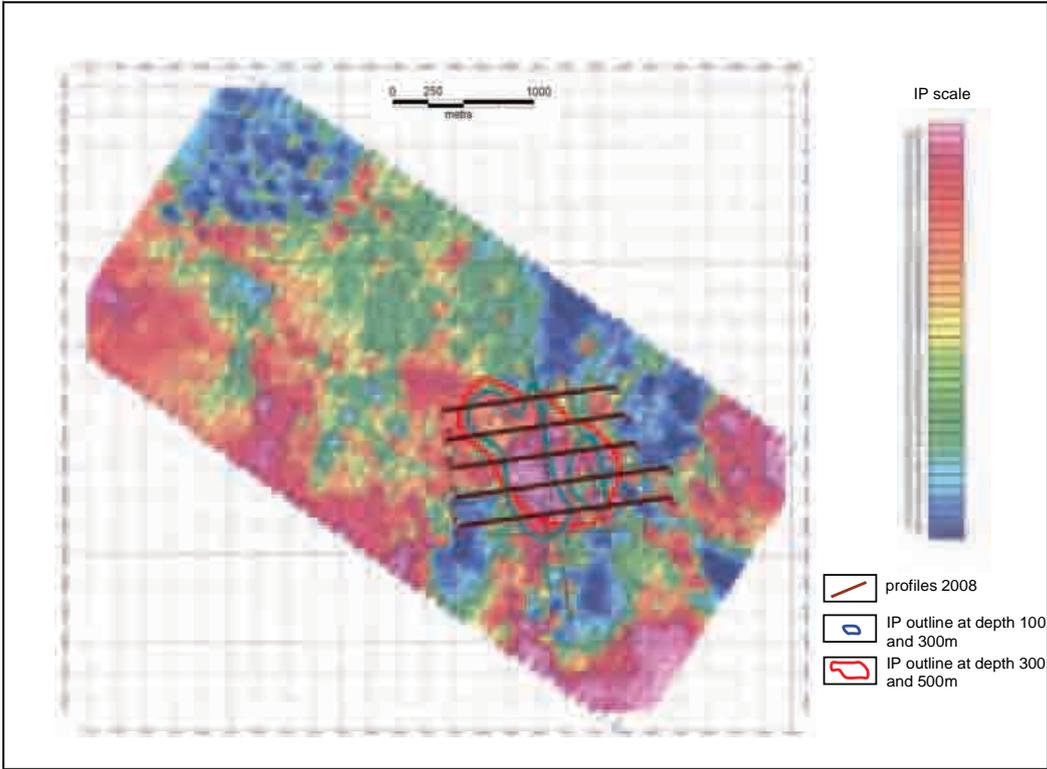


Figure 1.7: Alag Bayan Chargeability Map of Area 1 (“Magic Signal” LLC – 2006)

This IP survey was later followed up by a magnetic mapping survey, which was focused on an area with approximate dimensions of 2.9x2.9km (covering the central and eastern part of the identified mineralisation) which was considered prospective for further study (see Figure 1.8 and Figure 1.9).

The survey was performed on a 80x40 grid at a scale of 1:5,000 by using magnetometers (Protomag M-100 (Canadian), MPP-5 (Poland) and MM-203 (Russian)) and rock resistivity was measured by Kappa meter (Czech manufacture).

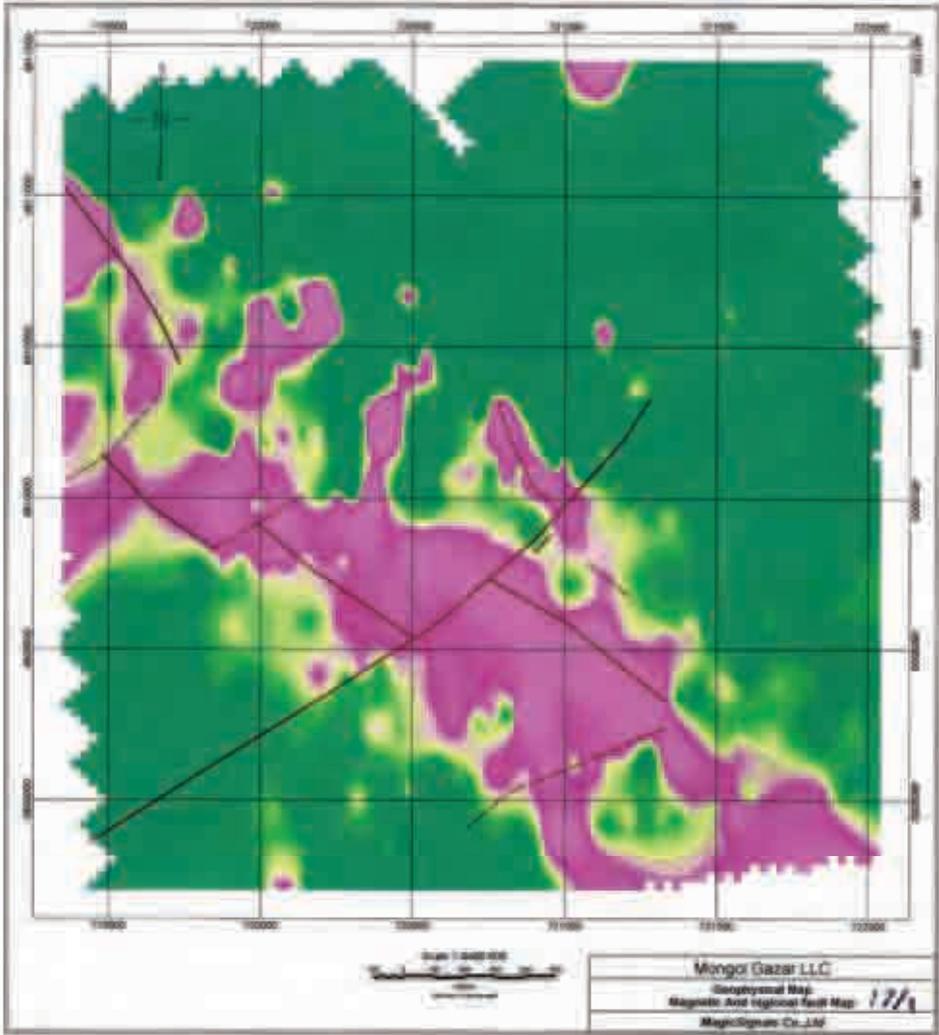


Figure 1.8: Magnetic Survey Map (“Magic Signal” LLC – 2007)

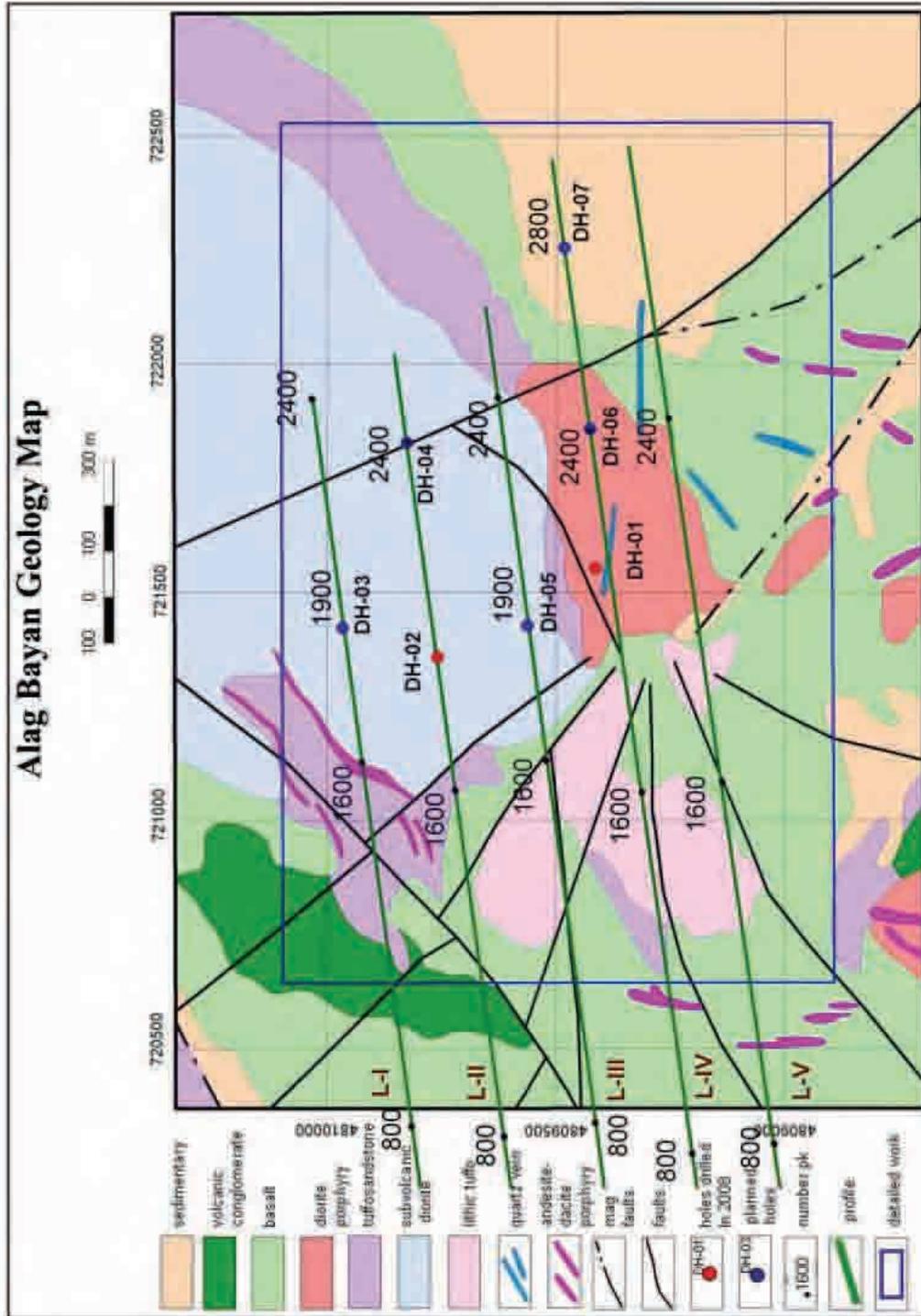


Figure 1.9: Local Geology of Alag Bayan showing Location of Geophysical Profile Lines L-I to L-V

A maximum chargeability value of 3.7mV/V was recorded at a depth of 100-180m on profile line L-II, where the resistivity was 1228ohm.m. For this survey, the maximum ground penetration depth was 200m below surface.

The results of both the IP (chargeability) and resistivity survey for one of the profile lines (L-I to L-V) is shown in Figure 1.10 below.

A plan of the magnetic survey over the 5 lines (L-I to L-V) is also shown in Figure 1.11 below.

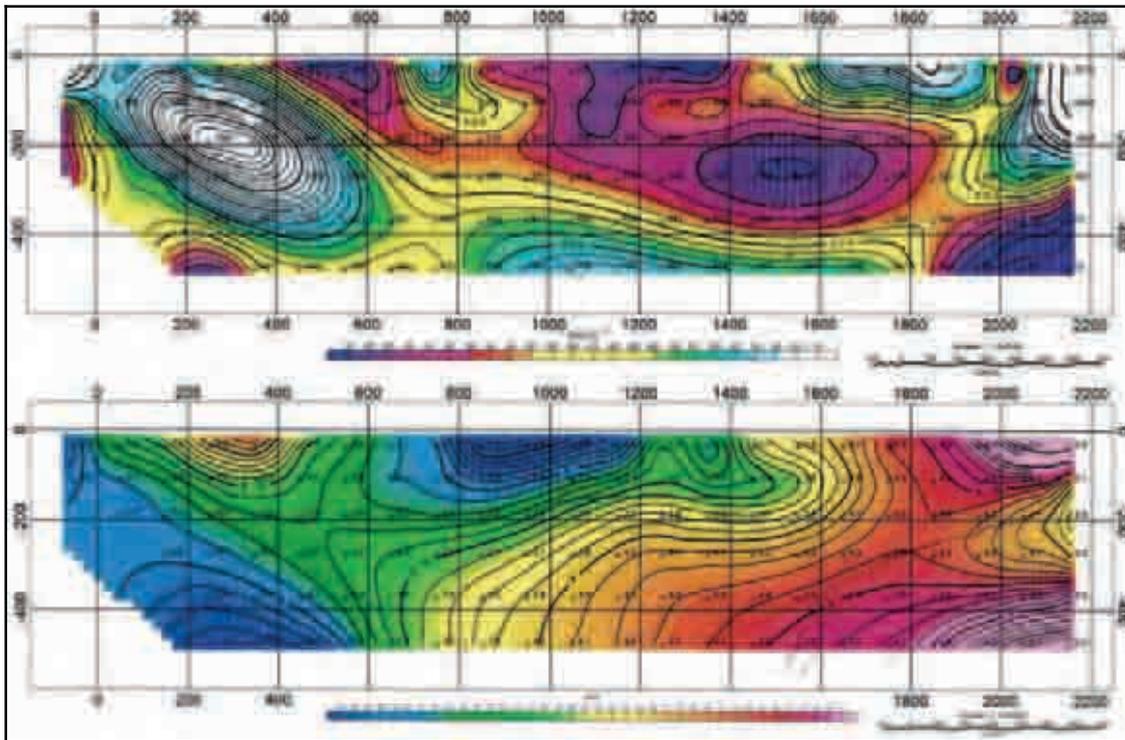


Figure 1.10: Chargeability and Resistivity Results on Profile Line L-V

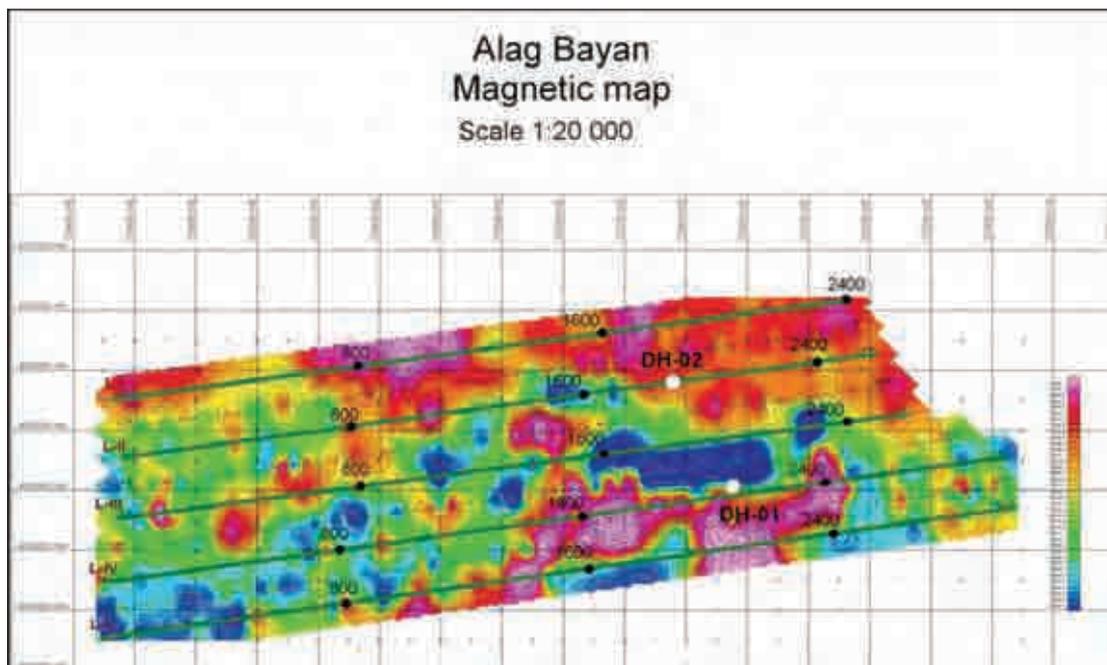


Figure 1.11: Magnetic Survey Plan through Lines I to V (“Magic Signal” LLC – 2007)

1.4.1.3 Trenching

A total of 18 trenches was excavated by “Khos Khas” LLS from two areas within the Khalzan Uul Licence area, comprising Alag Bayan and an area directly south of it (see Figure 1.12, below). Samples were collected only from mineralised zones within the trenches.

Trenches were excavated by bulldozer (with a blade width of 3.4m). Trenches were geologically mapped in section and samples collected at 1.0m intervals, with 10x10cm cross section, through the ore bearing zone and host rock alteration zones. The total length of trenches excavated was 513.4m (1,193.06m³ of earth works).

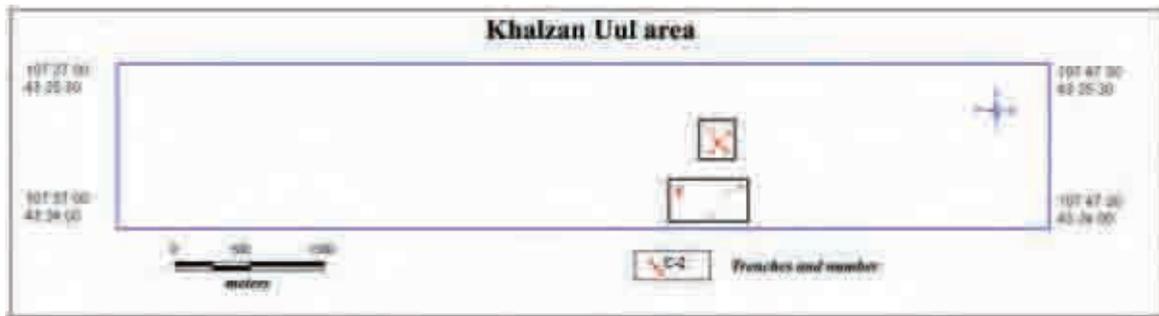


Figure 1.12: Location of Trench Sampling Areas within the Khalzan Uul Licence Area
(Trenches shown in red)

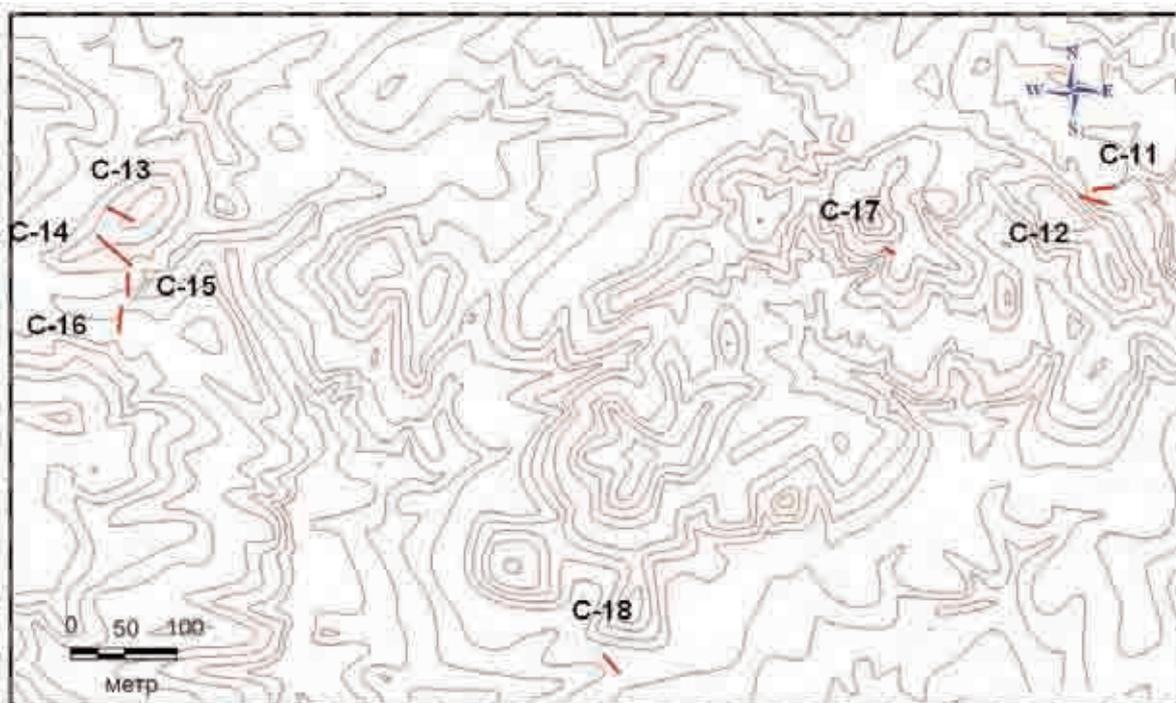


Figure 1.13: Location of Trenches Excavated in Southern Area

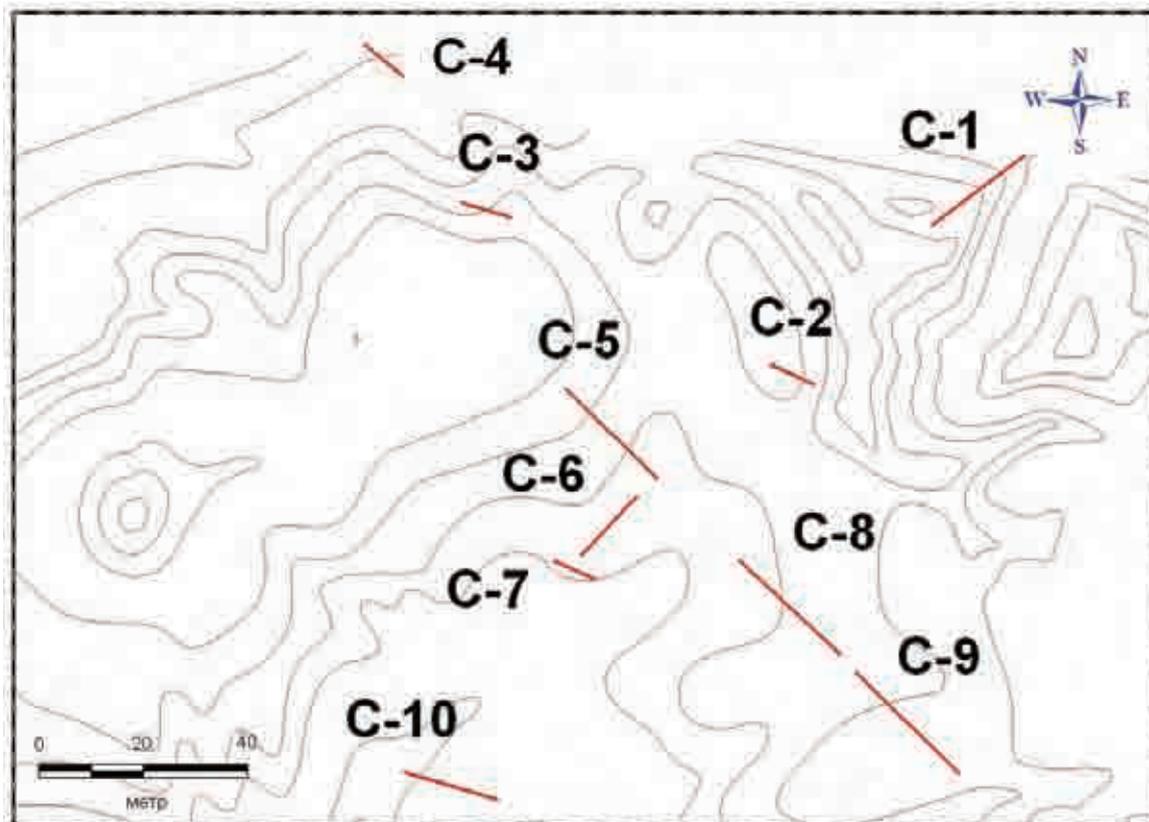


Figure 1.14: Location of Trenches at Northern area

A total of 8 trenches, namely C-1, C-2, C-3, C-5, C-6, C-7, C-8 and C-10, were sampled. Trenches numbered C-2, C-5, C-6, C-7, C-8 and C-10, intersected propylitic and silicic alteration together with malachite, azurite and pyrite and rarely bornite mineralisation.

1.4.1.4 Diamond Drilling

Drilling was contracted to “Bayaraam” LLC, who used a Canadian manufactured drill rig LP-900. Most of the drill holes were drilled in HQ, with an average run length of 3m and an average reported core recovery of 98%.

During 2006-2007, 21 diamond drill holes totalling 3,956m were drilled to various depths (maximum 317m) on the two ore body targets identified by the surface geophysics. The collars of these holes is shown in Figure 1.15 below.

An instrumental survey of the 21 drill hole collars was completed by “Oyu Survey” LLC. The objective of the drilling programme was to give a broad definition of mineralisation and evaluate the conditions at depth. The drilling programme was been undertaken by drilling contractor, “Mongola Gazar”. Drill holes were either orientated vertically or steeply inclined and were numbered ADH 001-21.

Holes were not drilled on a regular grid as is standard, but were placed in accordance with the interpreted geological model for the mineralisation.

A total of 158 diamond drill core samples were collected from the ore zones. Core samples were cut midline to give two equal halves, with one half sent for assay and the other kept as a duplicate. Cores were sampled at 1m intervals in the ore bearing sections and at 2m in the host rock.

All samples were submitted to the Australian Lab “SGS Mongolia” and copper and gold analyses were conducted on trench and core samples collected during the exploration phase by using Atomic Absorption Spectroscopy.

WAI understands that gold assay results are not available from this testwork.

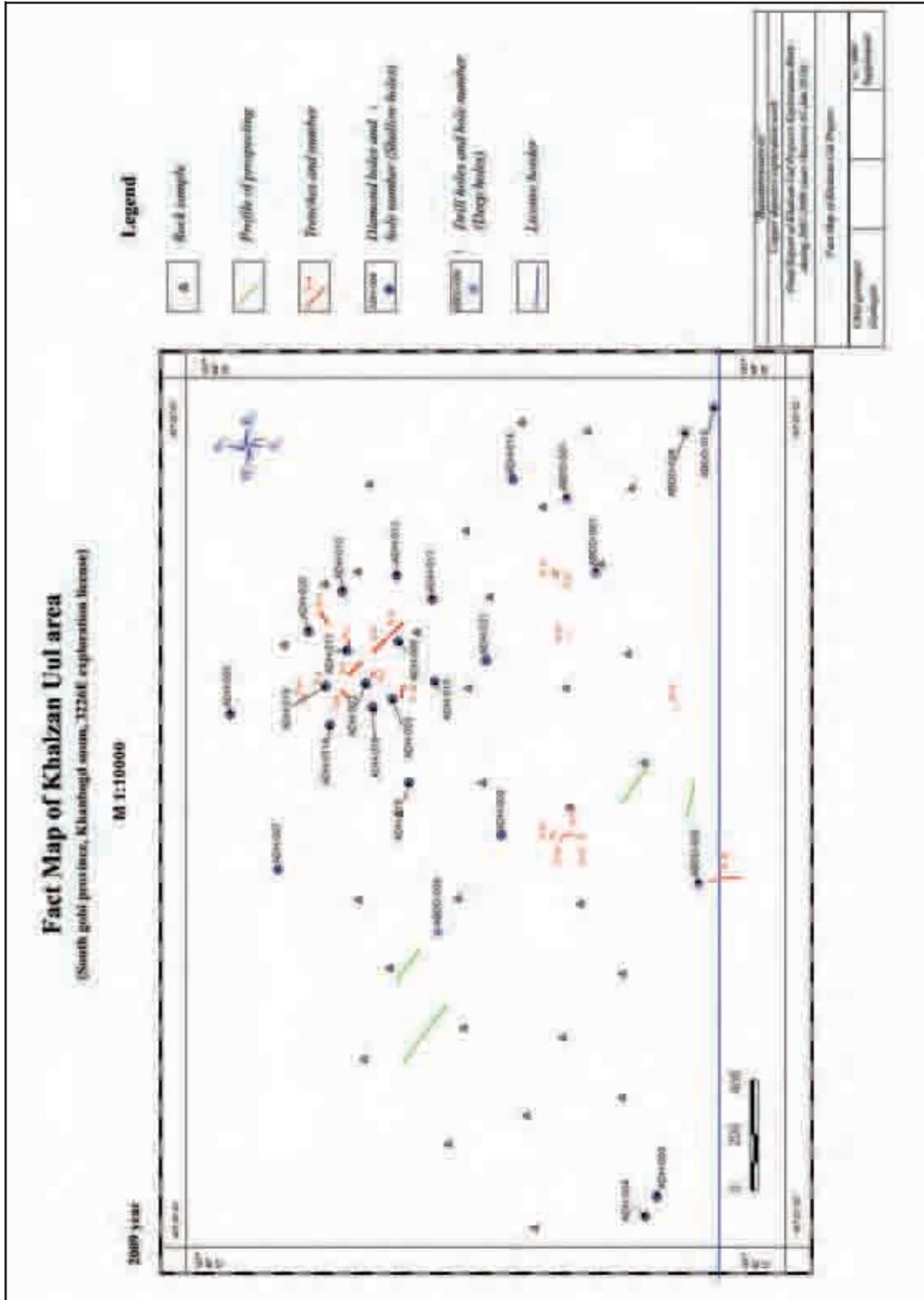


Figure 1.15: Location of 2006-2007 Drill Holes (Blue Circles)

Drill core from this programme is still present on site for inspection, but is no longer contained in core boxes, nor is it properly labelled and hence it is not in a condition to facilitate check sampling. However, Bayan Resources LLC is in possession of the drill logs and assay results for the programme, but does not have information pertaining to QA/QC, and has used these data in defining the Mineral Resource estimate (this estimate is described in detail in Section 1.5).

1.4.2 Bayan Resources LLC (2008 and 2009)

1.4.2.1 Surface Geophysics

Two geophysical surveys were conducted by Bayan Resources in 2008 and 2009; these consisted of:

- IP survey using pole – dipole array, conducted by contractor Geomaster Engineering LLS in 2008 on the area centred around the previous drilling; and:
- New 3 dimensional IP survey in 2009, conducted by contractor Govi Ex Mongolia LLC, which searched for deep seated copper porphyry style mineralisation.

Geomaster Engineering LLC (August 2008)

During 21 – 26 August 2008, Bayan Resources LLC, commissioned Geomaster Engineering LLC to conduct an IP survey, using a dipole – dipole array.

This survey, deeper than any previously, was conducted on areas already considered prospective for shallow copper mineralisation. The survey was made along 5 lines (Lines I to V) to investigate depth anomalies up to 800m below surface. The survey was conducted using a 200x200m grid spacing over a total area of 2km².

A plan view of the chargeability of the central zone is shown in Figure 1.16 below.

As interpreted from the geophysical sections along Profiles I to IV, (shown in Figure 1.16 below), the 500 – 600m depth range interval gives anomalies of up to 5-6mV/V, which is considered to have a relatively high chargeability when compared to other areas. Since resistivity anomalies are coincident with those of chargeability at the same time for the same intervals, such anomalies, in general, may be interpreted as an indication of copper mineralisation.

As a result of the geophysical survey Bayan Resources LLC, proposed a 7 hole diamond drill programme to investigate the defined anomalies to a depth of 700m. The locations of the collars of the drill holes are shown on the chargeability plots for selected levels in Figure 1.16 for profile lines I to IV.

Immediately, after completion of the new survey, the first drill hole ADDH-O1 was sited on geophysics profile line L-IV and completed to a depth of 730.0m. Deep seated mineralisation was not intersected in this hole and it became clear that further interpretation of the geophysics was required. Therefore no further drilling in this programme was undertaken.

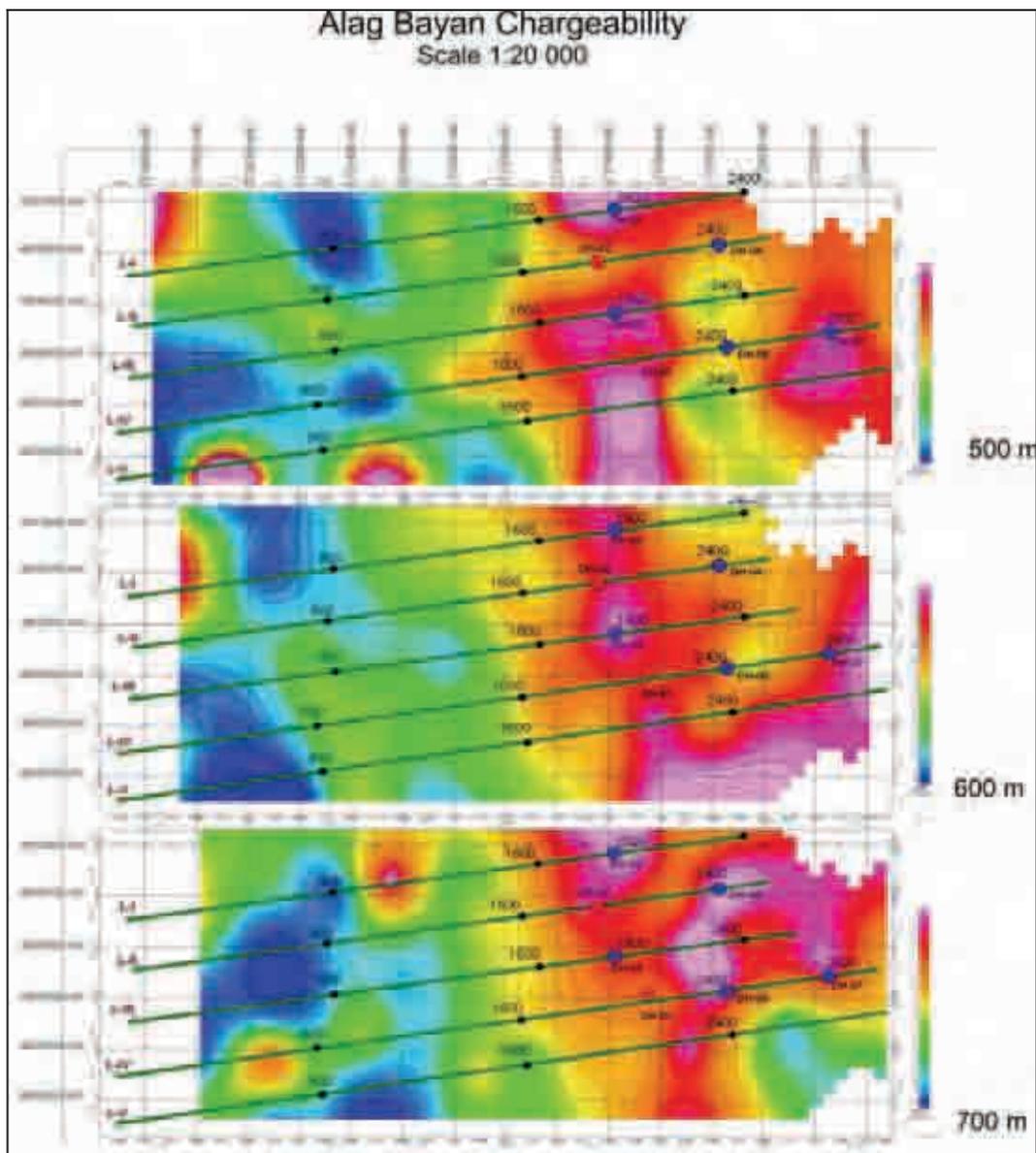


Figure 1.16: Plan Plot of Chargeability Results at Selected Levels
(Position of Drill Holes shown in blue)

Govi Ex Mongolia LLC (July 2009)

During 21-29 July, 2009, Govi Ex Mongolia LLC was commissioned by Bayan Resources LLC to conduct a 3-D IP survey. The GoviEx proprietary Induced Polarisation/Resistivity system was used for this project. This system is capable of very rapid high resolution survey work to depths in excess of 3.0km.

A modified gradient electrode array was used for the rapid reconnaissance of the whole concession. The purpose of the reconnaissance programme was to evaluate the whole concession quickly for deep seated intrusive features and/or vent structures that would have controlled hydrothermal fluid streaming that can culminate in the creation of significant sulphide mineralisation at higher levels. This reconnaissance work took three days to complete.

Detailed work was done with a modified Schlumberger array. Current electrode separations (AB) varied in 12 steps, from an AB spacing of 1,600 to 12,600m. The purpose of the detailed work was to establish a three dimensional view in depth of the prime targets defined from the previous reconnaissance survey. The detailed work took 6 days to complete.

Through analysis of the 3-D model generated, a good understanding of the shape of the sulphide targets was possible; it was also possible to gauge the effectiveness of past drill programmes in intersecting these targets (see Figure 1.19 below).

All survey data were initially processed in virtually real time during survey operations; final processing and map preparations were completed in the field camp.

Based on the 3-D model constructed by Gobi Ex Mongolia LLC, 4 main anomalies prospective for copper mineralisation were identified. Two high priority anomalies out of the four can be seen from the 3-D model.

High resistivity and chargeability values of 500-600ohm.m and 5mV/V respectively, were measured at deeper intervals in the central and eastern portion of the licence area. Such zones with high chargeability values coincide with areas on which plutonic rocks outcrop at surface and which potentially may contain sulphide mineralisation associated with them at depth. The main anomalies are presented in Figure 1.17 below, together with 3-D images of the suspected anomalies in Figure 1.18 and Figure 1.19.

Exploration drilling was undertaken in 2008 and 2009 to penetrate these anomalies at depth. The deepest hole drilled to a depth of 1,681.9m however did not intersect the anticipated mineralisation.

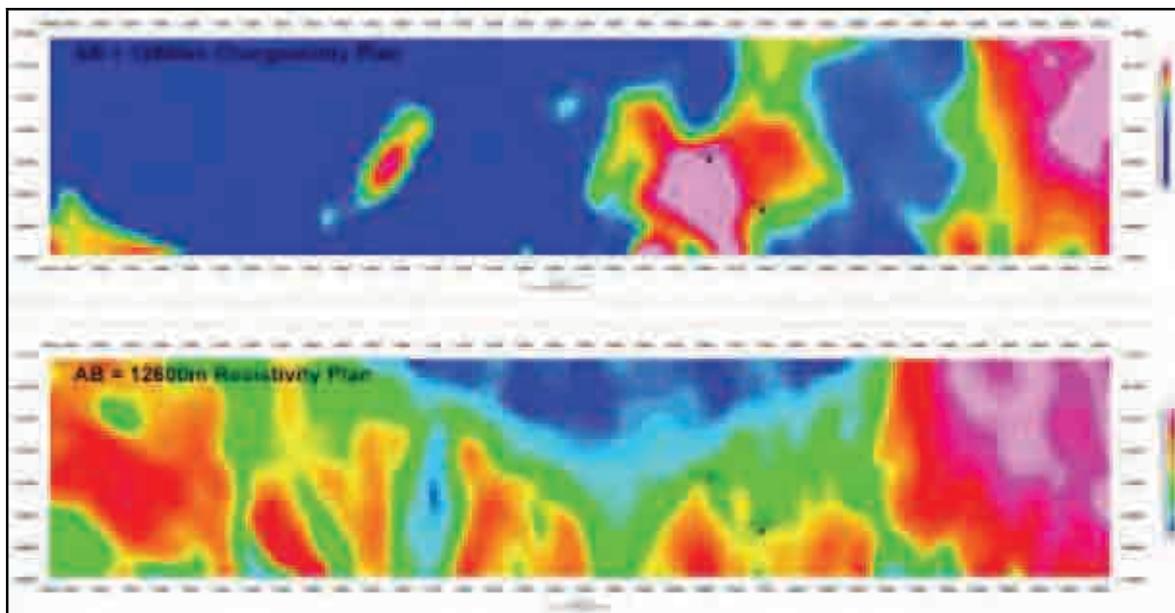
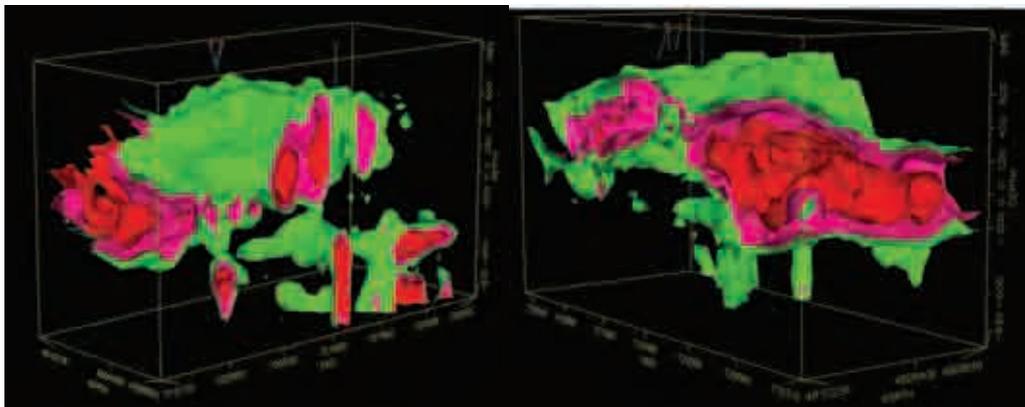


Figure 1.17: Chargeability and Resistivity Plans - Gobi Ex Mongolia LLC (July 2009)



**Figure 1.18: 3-D View of Wireframe Model based on Geophysical IP Survey
Gobi Ex Mongolia LLC (July 2009)**

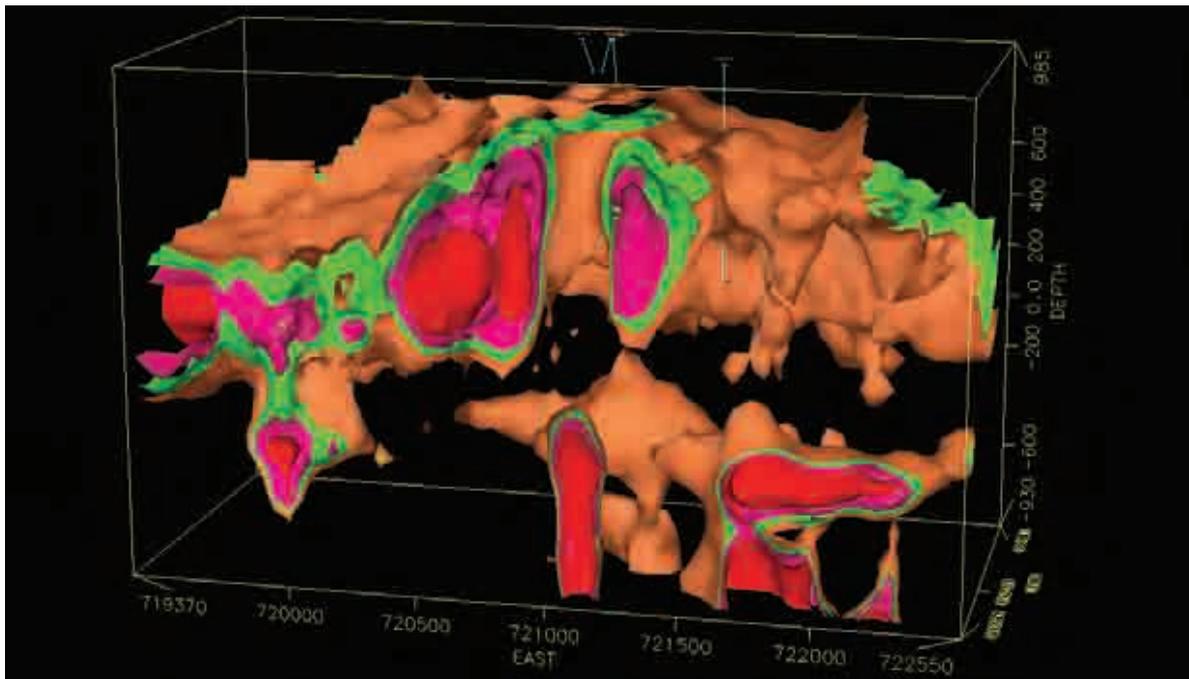


Figure 1.19: Proposed Drillholes Projected onto 3-D Wireframe View of Geophysical IP Survey Anomalies – Govi Ex Mongolia LLC (July 2009)

Govi Ex Mongolia LLC (July 2009) – Interpretation of Results

The Induced Polarisation/Resistivity survey of the Alag Bayan licence has shown that a large essentially flat lying complex Induced Polarisation anomaly lies at a significant depth below the surface, well beyond the depths reached by the numerous shallow drill holes and trenching seen on the property. The combined evaluation of the Induced Polarisation anomaly, with Resistivity suggests that the apparent sulphide anomaly (Induced Polarisation) is related to vent structures/conduits permeating the deep sedimentary package, which underlies most of the relatively thick outcropping volcanic rocks (various basalts) seen and intersected by drilling within the concession.

Outcrop exposure is generally good. The important exception to the deep sediment package is seen in the data from the far east and south side of the concession; where the geophysical work has likely identified a large intrusive body. The deep west extension of this postulated intrusive body along the southern boundary of the eastern half of the concession is likely to be the source of the hydrothermal fluids that have created the significant size – low amplitude zones of apparent sulphide mineralisation at Alag Bayan.

Drilling is required to determine the nature of the sulphide mineralisation and there is some concern that the generally low amplitude IP responses could be indicative of modest copper grades. This is more of a concern for the nearer surface IP responses; the deeper and larger IP responses, which clearly have significant amplitude, above the background response, require a significant sulphide mineralisation source to create such an anomaly. A pyritic shell to the more interesting core of the IP anomalies is likely. It should be expected that in the core of the anomalies the best copper mineralisation will be encountered. The deep postulated vent structures seen in the data for the southeast corner of the detail area is of particular interest. Many of the main induced polarisation anomalies remain open.

The age of the rocks appears to be Carboniferous and Devonian, although on the margins some Cretaceous cover is evident.

Minor surface showings of copper mineralisation (malachite) are related to the deep seated sulphide bodies, likely through minor later fault features that allowed some very restricted movement of sulphide bearing fluids up to what is now the present day erosion surface.

Significant drill targets are well resolved in the 600m to 1,300m depth range below the average surface elevation which is 975m. Many of these targets could be reached with vertical drill holes.

The target shapes tends to be deep and complex, and significant post mineral faulting is very apparent. Successful drilling will require good integration of, and insight into the geophysics and geology by very senior exploration personnel.

WAI has reviewed the results of this survey and considers that the target anomalies identified are attractive given the analogy to the Oyu Tolgoi gold-rich porphyry deposit which lies in close proximity and within a similar structural and geological setting to that of Alag Bayan. Deep drilling to date by Bayan Resources LLC has failed to reach the target zones successfully, but WAI considers that the targets merit further more detailed geophysical work and follow-up drilling.

1.4.3 Diamond Drilling (2008 – 2009)

1.4.3.1 Introduction

A total of 6,952.80m of diamond drilling was undertaken by Bayan Resources LLC, in 2008 and 2009, who commissioned contractor Geo Undarga in 2008 to drill the first hole and “Major Drilling – Mongolia” in 2009 to drill the remaining holes.

A summary of holes completed in the programme is given in Table 1.2 and shown in Figure 1.20 below.

Date	BH ID	X	Y	Z	Azimuth	Dip	Depth, m		BH Status
							Plan	Actual	
2008	ABDD-001	721552.00	4809414.00	990.0	—	-90	700.00	730.00	Completed
2009	ABDD-003	721294.00	4809302.00	980.0	—	-90	1,780.00	1,555.40	Completed
2009	ABDD-004	721804.00	4809000.00	966.0	—	-90	1,780.00	622.00	Completed
2009	ABDD-008	720199.00	4808900.00	977.0	90	-60	2,000.00	1,302.00	Completed
2009	ABDD-008a	720199.00	4808900.00	977.0	90	-60		1,681.90	Completed
2009	ABDD-009	719999.00	4809817.00	968.0	—	-90	1,000.00	1,000.00	Completed
2009	ABDD-010	721898.00	4808899.00	968.0	320	86	1780.00	537.80	Completed

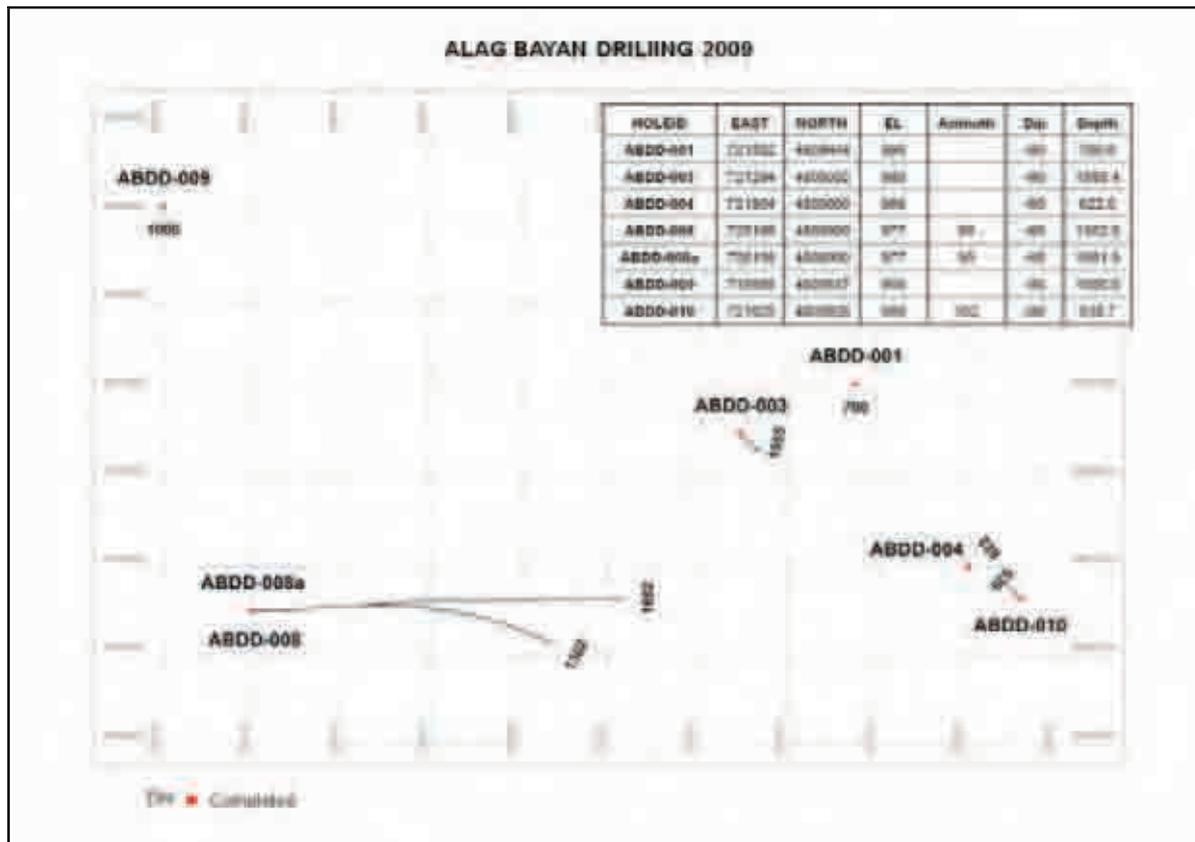


Figure 1.20: Location of 2008-2009 Diamond Drill Holes

The first hole ADDH-01 of a series of 7 holes proposed in the 2008 programme (drilled November 2008 to January 2009) was targeted on a strong anomaly defined by the interpretation of geophysics conducted by “Geomaster Engineering” LLC in August 2008. This drill hole did not intersect strong mineralisation within this upper anomaly zone and consequently the remaining holes in the 2008 programme were thereafter abandoned.

A new programme of 5 holes was completed in 2009 (Drill holes ADDH-003; 004; 008; 009; 010 – drilled from August to November 2009). These holes were targeted at very deep seated anomalies (1-2,000m hole depth) identified by the “Govi Ex Mongolia” LLC IP survey.

Two rigs were utilised by the contractor, a UDR1000 and UDR1500, both manufactured in Australia. All holes were collared off in PQ and reduced to HQ and NQ where necessary.

A fully equipped exploration camp was established at Alag Bayan by Bayan Resources LLC, comprising accommodation for geologists, technicians, cooks and auxiliary staff, a field office with computers, scanners, printers and satellite phone; three diesel generators (5kV for the field office and 50Kv and 75kV for the camp and core saws, together with a canteen).

1.4.3.2 Location of Drill Hole Collar

The position of the inclined drill holes was determined using GPS, with hole inclination and azimuth determined by “Brunton” compass.

1.4.3.3 Core Handling

Drill core was placed in wooden boxes with an internal length of 1.0m, with each box containing 3, 4 or 5 runs of core depending upon the diameter. For instance:

- PQ diameter core is placed in boxes with an internal length of 1.0m holding 3 runs of core;
- HQ diameter core is placed in boxes with an internal length of 1.0m holding 4 runs of core; and
- NQ diameter core is placed in boxes with an internal length of 1.0m holding 5 runs of core.

1.4.3.4 Down Hole Survey

Down the hole surveys to determine hole deviation were conducted at each hole, using an inclinometer, with surveys conducted at 50m intervals for inclined holes and at intervals of 100-150m for vertical holes.

1.4.3.5 Core Logging

Upon acceptance of the core at the drill site from the contractor, all drill core was transported on a daily basis to the core shed, located at the exploration camp. All core logging was undertaken at the exploration camp.

The core was logged by 3 geologists who had adequate knowledge about the local geological setting, styles of mineralisation and types of alteration present. All logging was performed in full compliance with the standard procedures approved by the company. A model log sheet was used in order to maintain consistency in the logging procedures and nomenclature.

1.4.3.6 Core Photos

Initially, each core box was photographed at actual size, and the photo files stored in the database.

The core was then photographed again at approximately 1/4 size (by drill run at 25cm intervals) in order to provide a more accurate record of the core. These photo files were then also stored in the database (see Photo 1.1 below).



Photo 1.1: Core Photo – full size (left) and Core Photo – 1/4 size (Right)

Where necessary, mineralised and altered intervals, or any other significant rock features were photographed in more detail (see Photo 1.2 below).

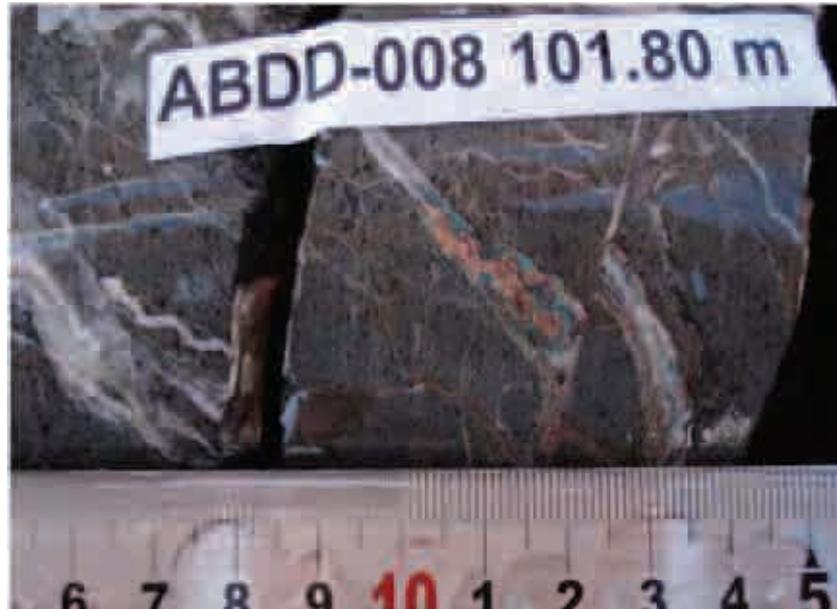


Photo 1.2: Detailed Photo of Mineralisation

1.4.3.7 Geotechnical Logging

The orientation of any rock fractures and veinlets etc. were logged and registered on the log and within the database, including a description of fracture features and rock conditions.

1.4.4 Bulk Density

The specific gravity of ore and host rocks was determined from both drill core and mineralised rock outcrop samples as follows:

Core Sample: The specific gravity of core samples was measured at 3.0-5.0m intervals down the hole, but in cases where the rock was considered homogenous, the interval was increased to every 10.0-30.0m.

Core samples of known volume (10cm cut length and core diameter) were weighed using SF-400 type electric laboratory scales, the accuracy of which is 1.0 gram. Each measurement was repeated 3 times and records were tabulated accordingly. The maximum observed variation of rock weight was 5.0g.

Surface Volcanic Rock: A total of 33 rock samples was collected from different surface volcanic rocks and oxidised mineral bearing outcrops in the central part of Khalzan Uul site. Specific gravity of each hand sample was determined by the water displacement method.

Their specific gravity ranged from 2.17 to 3.19t/m³, with an average of approximately 2.72t/m³.

1.4.5 Core Cutting, Sampling and Transportation

Core samples were taken over 1.0 to 2.0m intervals depending upon alteration and mineralisation. The core was then split into two with a diamond saw. The diamond saw was of local manufacture and utilised Chinese manufactured saw blades.

Each sample submitted for analysis weighed approximately 2.0 to 5.5kg. In order to implement quality assurance and quality control, either a blank, duplicate or standard sample was inserted into the sample stream at a rate one in every batch of 20 samples submitted for laboratory analysis; an example for Hole ADDH-003 is given in Table 1.3 below. The standard samples utilised in the QA/QC process were obtained from Aklabs in Australia.

Table 1.3: Example of Standards Used in 2008-2009 Drill Programme for Hole ADDH-003

<i>Hole ID</i>	<i>Sample Number</i>	<i>Standard</i>	<i>Au ppb</i>	<i>Cu % final</i>
ABDD-003	AB-2561	Standard (CDN-CGS-2)	961	1.17
ABDD-003	AB-2619	Standard (CDN-CGS-2)	986	1.17
ABDD-003	AB-2677	Standard (CDN-CGS-2)	956	1.18
ABDD-003	AB-2740	Standard (CDN-CGS-2)	976	1.19
ABDD-003	AB-2798	Standard (CDN-CGS-2)	965	1.17
ABDD-003	AB-2850	Standard (CDN-CGS-2)	971	1.17
ABDD-003	AB-2907	Standard (CDN-CGS-2)	936	1.18
ABDD-003	AB-2965	Standard (CDN-CGS-2)	952	1.17
ABDD-003	AB-3026	Standard (CDN-CGS-2)	974	1.19
ABDD-003	AB-3426	Standard (CDN-CGS-2)	958	1.18
ABDD-003	AB-3483	Standard (CDN-CGS-2)	963	1.19
ABDD-003	AB-3545	Standard (CDN-CGS-2)	995	1.16
ABDD-003	AB-3662	Standard (CDN-CGS-2)	970	1.21
ABDD-003	AB-3973	Standard (CDN-CGS-2)	979	1.18
ABDD-003	AB-4133	Standard (CDN-CGS-2)	987	1.19
ABDD-003	AB-4193	Standard (CDN-CGS-2)	1030	1.17

All samples were transported to Ulaan Baatar as per the internationally accepted procedures as is required for the appropriate chain of custody. Samples were divided into separate batches and packed in sacks, with each sack sealed with a tamper proof seal on which the sample number and quantity of samples were marked.

1.4.6 Assaying

All samples were submitted to the accredited “SGS Mongolia” laboratory for analysis. All copper analysis was performed by the AAS21 R method, whilst gold was analysed by fire assay utilising the FAE303 method.

WAI has not reviewed first hand, the methods by which the drilling was conducted, nor has observed the methods by which core logging and core sampling were undertaken. However WAI has reviewed the core logs and results of sampling and analysis and has no reason to believe that the drilling methods and the sampling protocols that were employed during the recent drill programme were not undertaken to a very high standard.

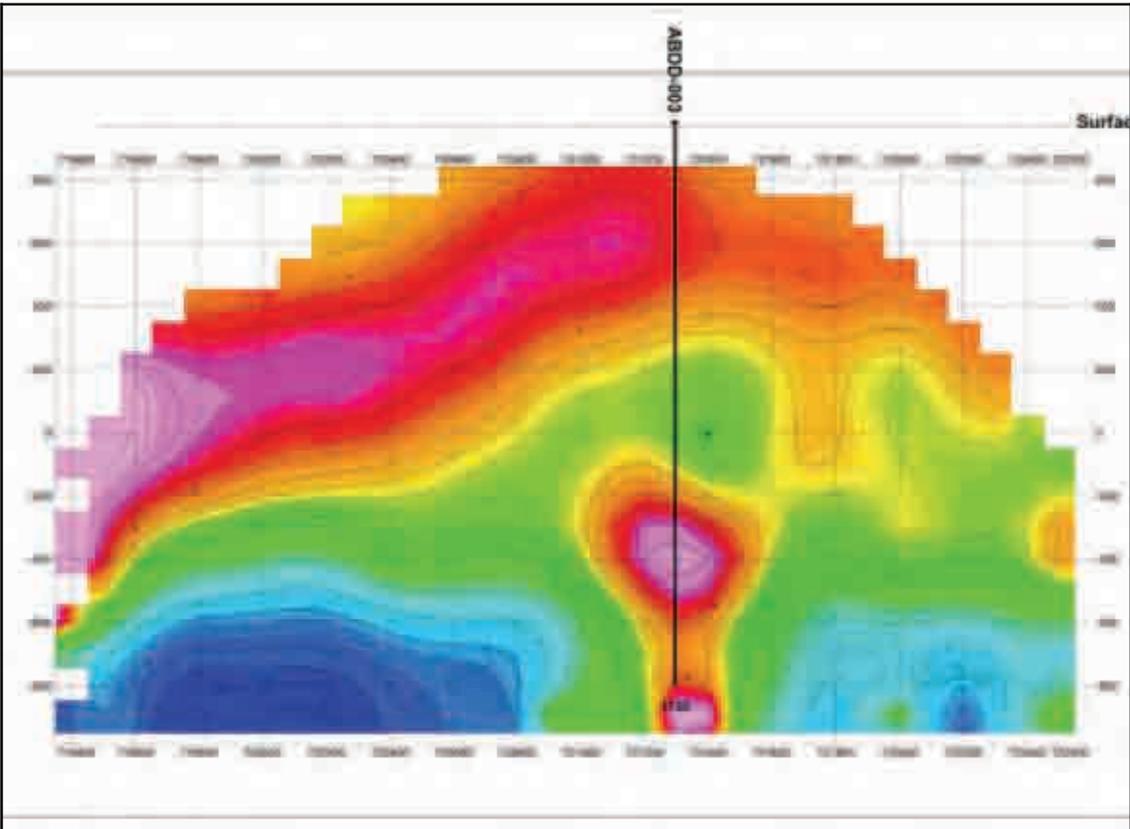
Furthermore the sample preparation and assaying of samples has been conducted by SGS Mongolia, an accredited laboratory and hence there is no reason to doubt the veracity of the assay results.

1.4.7 Interpretation of Drill Results

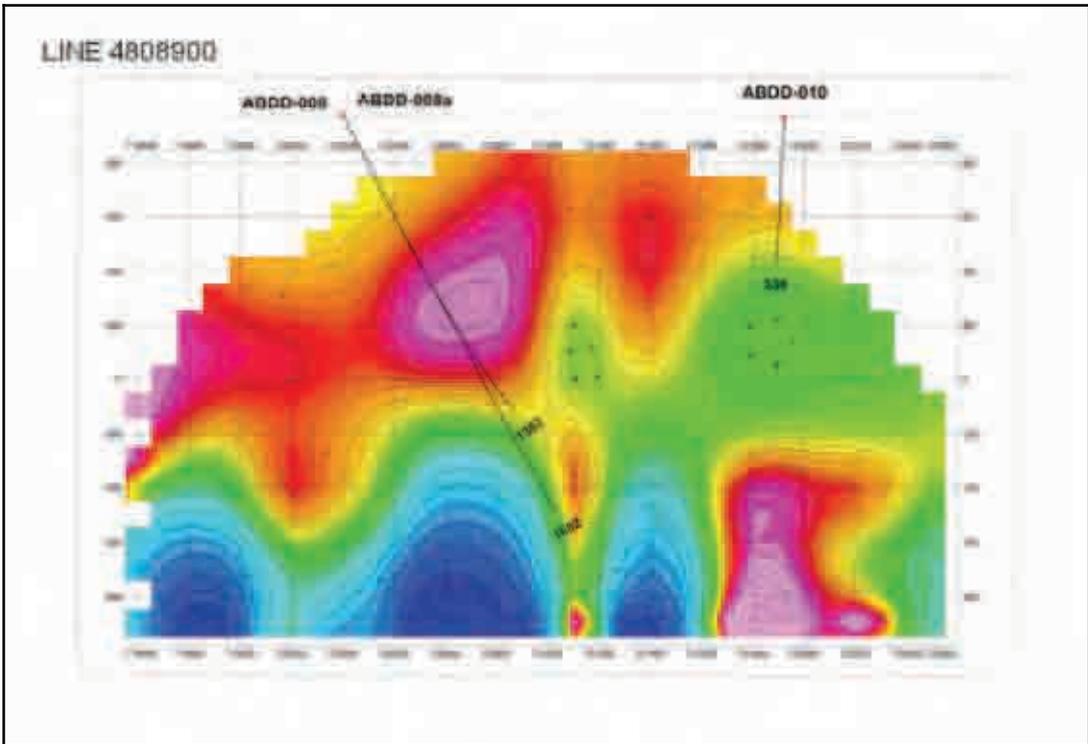
ABDD-003 (1555m): This hole intersected siltstone and sandstone with varying amounts of disseminated pyrite, quartz-carbonate veinlets and chlorite-epidote alteration. Assay results did not show any significant copper or gold grades.

ABDD-08A (1682m): This hole intersected a sedimentary, non volcanic sequence with chlorite-epidote and iron-oxide alteration without sulphide mineralisation. The siltstone and sandstone sections were characterised by quartz-carbonate veins and veinlets that suggest some hydrothermal activity.

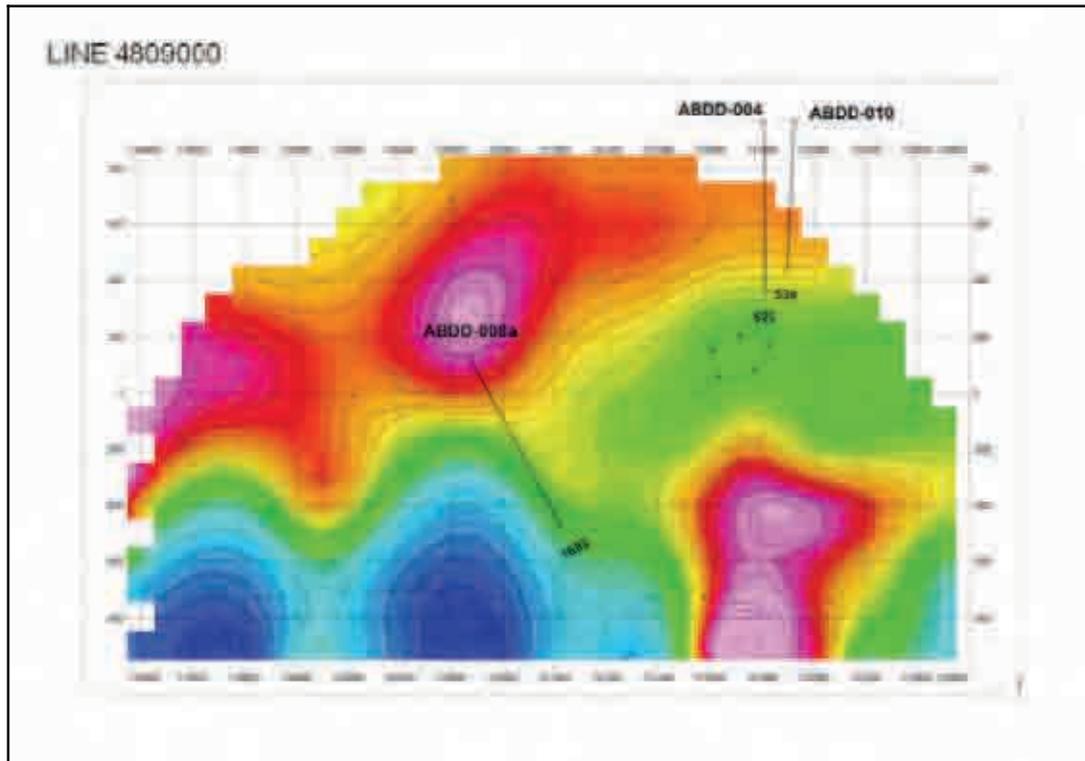
Two holes **ABDD-004 (622m)** and **ABDD-010 (539m)** were targeted at the most promising deep-seated IP anomaly in the south -eastern corner of the licence area. Due to very poor ground conditions, both drill holes failed to drill deep enough to intersect the target anomaly.



**Figure 1.21: Projection of BHs ABDD – 003
on Chargeability Cross Section (Line 4809300)**
(High chargeability in red; low in blue)



**Figure 1.22: Projection of BHs ABDD-008, 008A and 010
on Chargeability Cross Section (Line 4808900)**



**Figure 1.23: Projection of BH's ABDD-008A, 004 and 010
on Chargeability Cross Section (Line 4809000)**

The deep drilling at Alag Bayan during 2009 failed to intersect positive mineralisation associated with the IP anomalies identified by Govi Ex Mongolia" LLC (July 2009). The majority of the holes were abandoned by the drill contractor within what appears to be the transition zone/fault boundary zone between the Carboniferous and the Devonian.

Sections of the Alag Bayan core were studied by geologists from the Oyu Tolgoi geological department, in co-operation with the CAML geological exploration team and comparatively logged, together with collection of 10 thin sections for petrographic study.

The results of the comparison with the Oyu Tolgoi deposit suggests that the Carboniferous volcanic-sedimentary rocks represent 400-800m cover over what potentially may be the Devonian Cu-Au mineralisation-bearing part of the geological section.

At Oyu Tolgoi it is interpreted that there is a clear transition between the Carboniferous and the mineralised Devonian parts of the sequence; this transition includes brecciated volcanics and a clearly distinguishable "contact" zone. An example of such a "contact/transition" zone at Oyu Tolgoi and the successful intersection of the underlying mineralisation is shown in Figure 1.24 below. This may well be a similar case at Alag Bayan, but drilling has failed to break through to similar deep seated mineralisation.

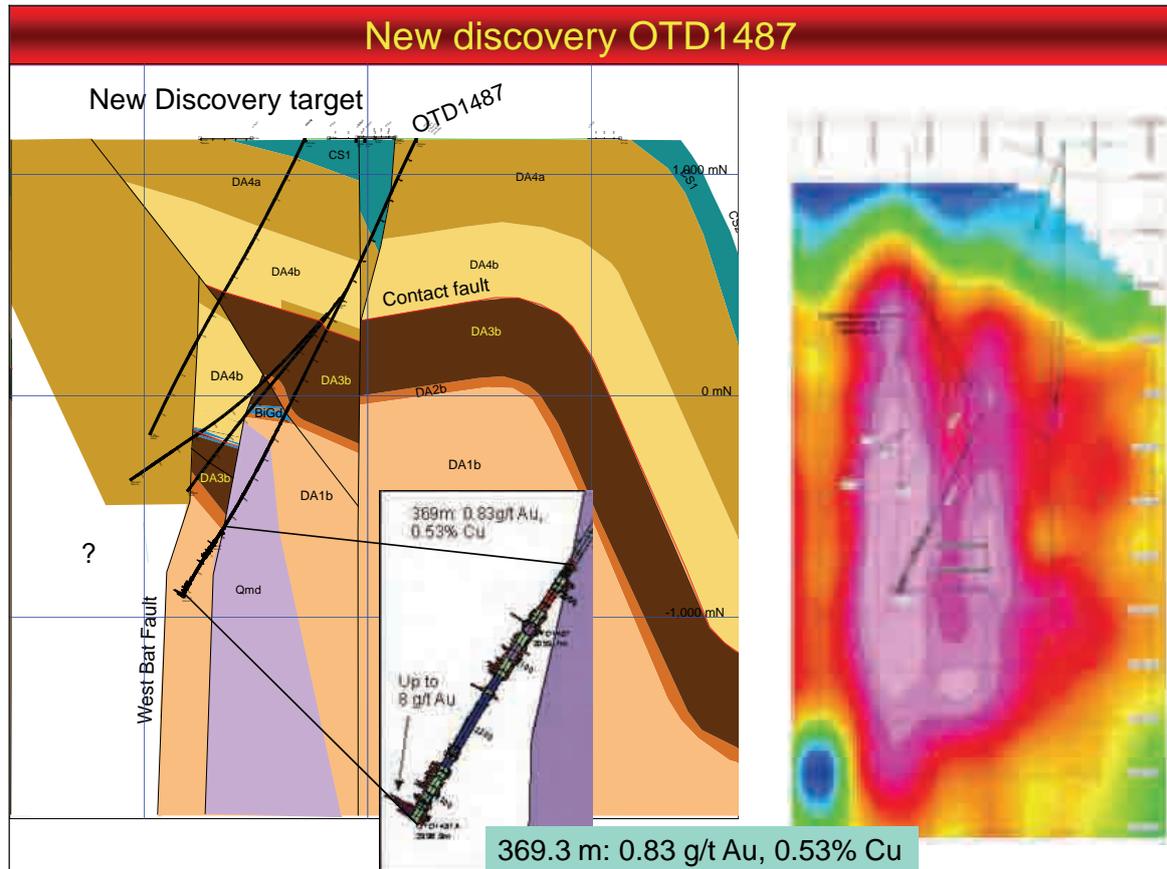


Figure 1.24: Contact Zone at Oyu Tolgoi between Carboniferous and Devonian and Underlying Identified Mineralisation

Clearly there are strong indications that the structural setting at Alag Bayan is analogous to that at Oyu Tolgoi. This can only be confirmed by drilling through the “contact/transition zone” which to date has proved impenetrable due to the very poor ground conditions. However, mineralisation if present appears to lie at depths greater than so far drilled and probably in excess of 1,500m.

1.5 Mineral Resources

1.5.1 Introduction

A Mineral Resource estimate has now been made for the near surface copper ore bodies, identified by the geological exploration work carried out between 2001 and 2007, with the database derived from the drill and trenching programme conducted during 2006-2007.

1.5.2 Resource Criteria

The following criteria were utilised for the resource estimate:

Table 1.4: Resource Criteria	
<i>Parameter</i>	<i>Criteria</i>
Cut off grade (COG)	0.1
Minimum thickness of ore body	2.0m
Maximum thickness of internal waste	3.0m*
Cut off grade (COG)	0.2% Cu and 0.3% Cu
Minimum thickness of ore body	2.0m
Maximum thickness of internal waste	4.0m*

Notes: *(metropencent is used when copper grade is higher than cut-off and ore interval thickness is less)

1.5.3 Ore Body Boundaries

Resource definition drilling was carried out along the 5 exploration lines numbered from I to VI in 2006-2007.

The cross sectional method was used for resource estimation and geological sections were drawn up for the 5 exploration lines.

The boundaries for the defined two ore bodies were constructed using the extrapolation method, based on results from surface trenches and resource definition drill holes completed during 2001-2009, for cut-off-grades (COG) of 0.1%, 0.2% and 0.3% Cu.

A plan showing the resource boundaries for ore bodies at 0.1% Cu is given in Figure 1.25, together with a typical cross section through ore body Nos. 1 and 2 in Figure 1.26 below. The depth of the base of resources is considered the 850masl elevation which lies approximately 140m below surface.

Ore body No.1 (South): is relatively thick and occupies a broad area. The key mineralisation was identified by drill holes ADH-006 and ADH-003, together with trenches Nos. TR-8 and TR-10.

Ore body No.2 (North): is relatively small and narrow. The key mineralisation was identified by drill holes ADH-002 and ADH-001, together with trench Nos. TR-7, TR-5 and T2.

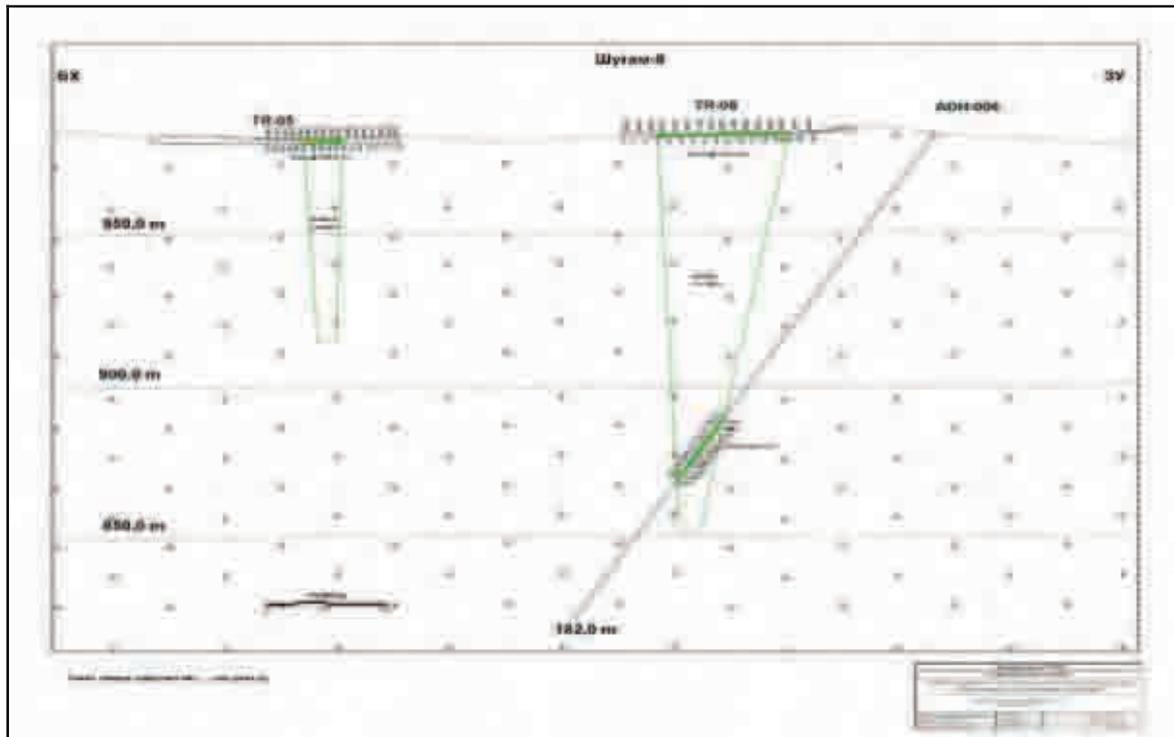


Figure 1.26: Cross Section II – Typically showing Ore Bodies Nos. 1 and 2 (0.1% Cu COG)

1.5.4 Estimate Methodology

The estimate involved the following methods:

- Weighted average method applied for calculating average metal grades;
- Cross sectional area calculated by hand and digitally;
- A specific gravity of 2.70t/m³;
- A total of 428.17m of samples were statistically investigated and frequency distribution histogram and cumulative frequency graphs plotted. The results show that there are no significant outliers in the sample population which may significantly influence the average value. Hence; no top cutting was applied to the sample population; and
- The frequency distribution of sample grade is assumed to be normal.

1.5.5 Mineral Resource Estimate (CAML 2010)

The in-situ Mineral Resource estimate (at a 0.1% COG) for the near surface copper ore bodies was submitted and approved by the Mineral Resource Agency of Mongolia on 27 February 2010.

WAI believes the results of the estimate are reasonable, but with the lack of available QA/QC data, together with the lack of direct evidence for the core recovery that was achieved during drilling by inspection of intact core; as well as the paucity and spacing of available drill and trench data, considers that further drilling should be undertaken to confirm the grades in intersections by twin drilling and on an infill spacing in order to improve confidence in the tonnage and grades.

The limited programme of near surface exploration carried out to date by CAML at Alag Bayan was done in order to secure an extension of its exploration licence. For this purpose the Mineral Resources were also prepared in accordance with the requirements of the Mongolian Mineral Resource Agency of Mongolia. Therefore, although copper Mineral Resources equivalent to the Soviet C₂ and C₁ categories have been approved for Alag Bayan, they have not been included here as they have not been prepared in accordance with an AIM approved standard. The calculated Mineral Resources at Alag Bayan are not considered material but are significant in demonstrating the near surface presence of mineralisation in the Alag Bayan licence area and in supporting the decision to explore further.

Furthermore, WAI considers that the Mineral Resources for these near surface ore bodies are relatively small given the estimated tonnage and grade of the copper.

1.6 Alag Bayan – Comparison with the Oyu Tolgoi Copper-Gold Porphyry Deposit

- Alag Bayan's regional position is determined by a north-easterly striking fault, which is believed to be a continuation of the major ore-controlling fault at Oyu Tolgoi. The latter intersects Carboniferous and mineralised Devonian horizons of the geological column;
- A deep-seated IP survey which was completed by GoviEx at Oyu Tolgoi and Alag Bayan demonstrated the evident potential of the deep-seated IP anomalies (2000m and deeper) and determined targets for deep drilling in the Oyu Tolgoi-Alag Bayan region. Historical IP surveys only penetrated depths of <700m.
- The large intrusive body and the most attractive deep-seated IP anomalies in the south-eastern corner of the Alag Bayan licence indicated by the GoviEx survey were not intersected/confirmed by the CAML drilling programme because of technical difficulties in penetrating through very poor ground conditions;
- The IP responses of the deep-seated anomalies in the south-eastern corner of the licence reflect the presence of significant sulphide mineralisation, which should be targeted by further deep drilling programmes;
- The western extension of the currently outlined IP anomaly is believed to have a high potential and it is proposed that it is subjected to a further detailed IP survey;
- Surface and subsurface copper-gold mineralisation is believed to be connected with deep-seated, not yet intersected copper-gold- sulphide mineralisation;
- Resistivity anomalies indicate the presence of deep vent/conduit structures through the licence area and especially in its south-eastern corner indicating, in turn zones of intensive hydrothermal activity that are believed to be responsible for the mineralising process at Alag Bayan;
- Drilling programmes at Alag Bayan have intersected only Carboniferous lithologies and failed to reach the most promising IP anomalies or the clearly identified contact with the mineralised Devonian part of the section; and
- Limited deep drilling at Alag Bayan has not yet resolved the mineral potential of the area and an intensive programme of even deeper drilling is mandatory if the mineral potential is to be resolved.

2. HANDGAIT

2.1 Background

The Handgait molybdenum deposit has undergone an extensive exploration programme involving geochemical and geophysical surveys, and most importantly, a major core drilling programme which to-date has delineated significant molybdenum porphyry/skarn mineralisation.

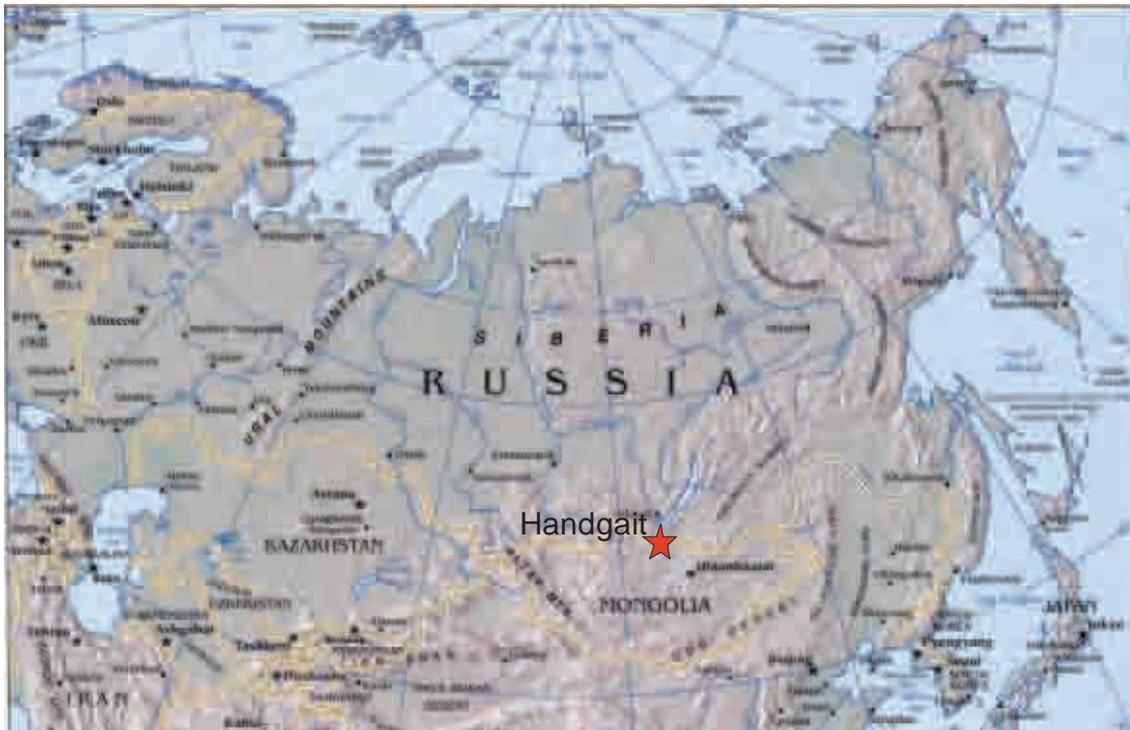


Figure 2.1: Location of Hangait in Northern Mongolia

2.1.1 Location, Access and Infrastructure

Handgait molybdenum deposit, which lies close to the Russian border, is situated in Selenge Soum, Bulgan Aimag, 65km west of the village of Tushig and 410km northwest of Ulaanbaatar. The location of the property within Mongolia is shown on Figure 2.1.

Access to the deposit is from the main highway north from Ulaanbaatar and then via dirt roads to the west. Total approximate driving time is about 8 hours.

The construction of an access road to the Handgait deposit began in July 2007 and some 22km of dirt road to the “Baruun hujirt” border crossing point has now been completed, including 5 small bridges over streams and swamps. In addition, 5km of road to the Bulagtai site as well as 3.6km of road to the Tarbagatai field camp have also been completed.

Road construction is carefully managed, minimising environmental impact where possible. Tree felling is monitored and the appropriate fees paid to the local government in compensation.

The infrastructure of the licence area is modest, although the Company established an excellent field camp at the base of the mountain with self-contained man-units, mess, offices and toilet facilities.

The area is connected with the Ulaan Ovoo coal mine in Tushig Soum by a gravel road, the quality of which has been improved. The coal mine benefits from a high voltage transmission line connected to the National Grid. One concrete and one wooden bridge exist over the Eg River and Jargalant River respectively. High voltage transmission lines exist between Khutag Undur in Tushig Soum and in Tarialan Soum to the Tavn gold mine.

The area is effectively unpopulated with the exception of a few small farms on the lower grassland areas. 90% of the population are Mongolian and reside in a 30km-wide strip of land in the south of Tushig Soum, whilst 10% of the population is Buryat people residing near lakes, open valleys and on the southern slopes of mountains.

2.1.2 Topography, Climate and Vegetation

The Handgait Licence area is located within forest and the forest-steppe zone of the Dzhida (Zedyn) mountain range, with elevations ranging between 800-1700m. The relative elevation varies from 200-700m resulting in a dissected, mountainous topography. The mountains have relatively flat tops, steep slopes and are entirely covered with ebony, pine, birch and aspen trees. The main surface water basin is the Zelter River and its tributaries. River valleys are very swampy and are covered with bushes and shrubs.

In general, this area represents a natural environment that is very rare in Mongolia, containing an abundance of wild animals and fish along with various types of fruits and nuts.

The climate of the area is harsh, with rain in the summer season and snow cover reaching 0.5m-1.0m in winter.

2.1.3 Mineral Rights and Permitting

2.1.3.1 Handgait Exploration licence (No.3991X)

The original Handgait Exploration licence (No.3991X) covered an area of 17.91km². The property is situated in Selenge Soum, Bulgan Aimag, and lies in the border zone of Mongolia-Russia (Figure 2.2). The co-ordinates are given in Table 2.1.

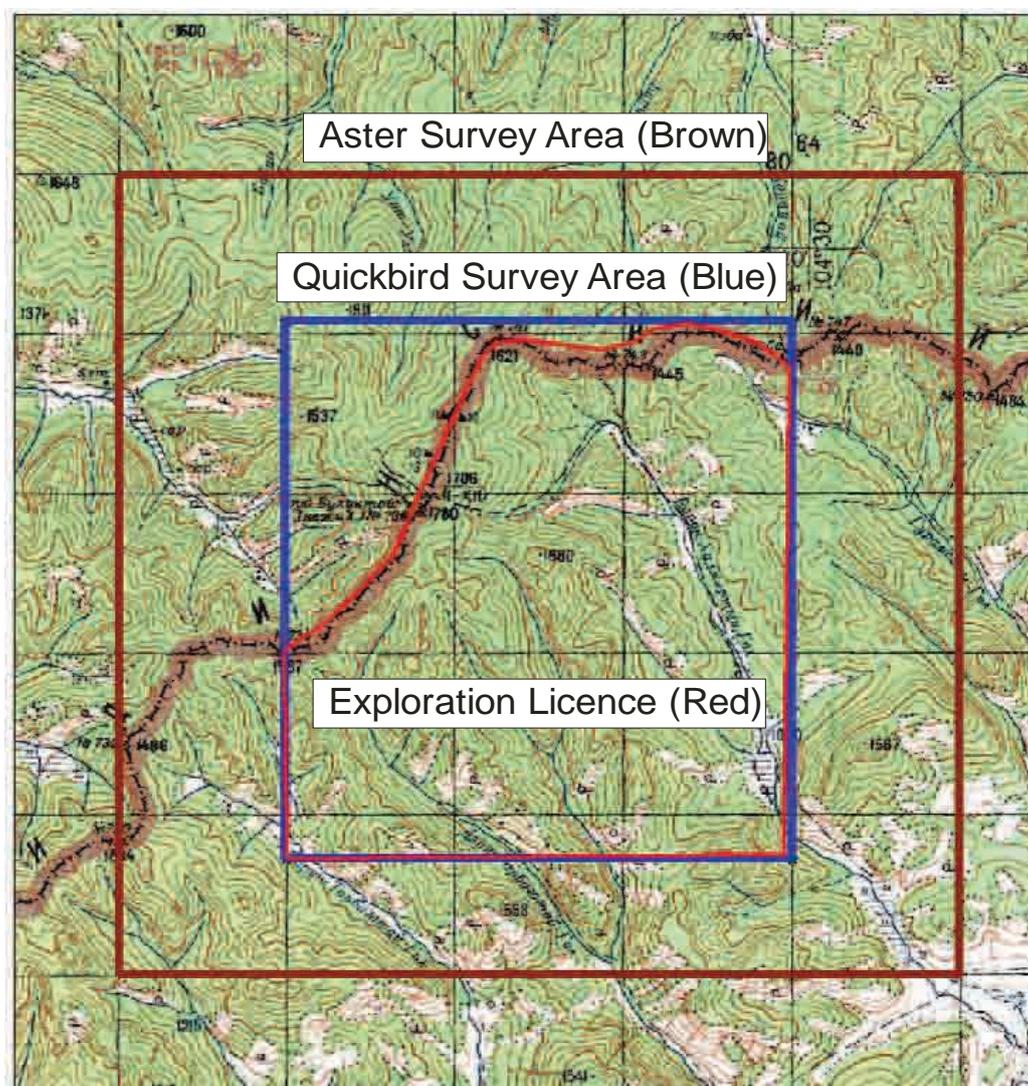


Figure 2.2: Handgait Licence Area
(Grid squares 2x2km)

<i>Corner Points</i>	<i>X</i>	<i>Y</i>
1	104°19'38"	50°11'43"
2	104°19'32"	50°18'58"
3	104°29'40"	50°19'01"
4	104°29'45"	50°11'46"

The licence was registered to Mongolian company “Monresources” LLC under the resolution No. 1001 of the Head of Cadastral Office of Mineral Resource & Petroleum Authority of Mongolia on 09 October 2003, and constituted the legal grounds for conducting exploration activities. The company had been conducting an exploration programme and small scale bulk sampling operations for the purpose of verifying exploration results from previous studies.

In 2007, as a result of Monresources LLC restructuring, CAML acquired 80% of Monresources. In late 2007, an extensive molybdenum exploration programme started on Handgait property. This included geological, geophysical and drilling projects. The Handgait Exploration Licence remained valid until 21 December 2009.

2.1.3.2 Mining Licence No.14992M

An application for conversion of the Exploration Licence to a Mining licence was submitted on 15 December 2008 to the Mongolian State Minerals Commission (MC), together with CAML’s Report entitled “Handgait Molybdenum Deposit: Exploration Programme Results for the Period 2007-2008”.

Following MC procedures and regulations, the Mining licence application for Central Handgait was reviewed by several appointed experts and CAML was issued with the Mining Licence No.14992M on 09 July 2009, covering an area of 1790.75ha for an initial period of 30 years, with the possibility of two 20 years extension periods. The coordinates of the Mining licence are given in Table 2.2 below.

Table 2.2: Hangait Mining Licence Coordinates

<i>Corner Points</i>	<i>X</i>	<i>Y</i>
1	104°26'00"	50°16'00"
2	104°21'55"	50°16'00"
3	104°21'59"	50°16'13"
4	104°22'06"	50°16'20"
5	104°22'20"	50°16'23"
6	104°22'23.34"	50°16'29.4"
7	104°22'30"	50°16'43"
8	104°22'38"	50°16'56"
9	104°22'48"	50°17'24"
10	104°22'54"	50°17'43"
11	104°23'05"	50°17'52"
12	104°23'14"	50°18'01"
13	104°23'18"	50°18'20"
14	104°23'25"	50°18'30"
15	104°23'36"	50°18'40"
16	104°23'50"	50°18'43"
17	104°24'14"	50°18'35"
18	104°24'40"	50°18'30"
19	104°24'52"	50°18'23"
20	104°25'05"	50°18'18"
21	104°25'11.5"	50°18'20.24"
22	104°25'22"	50°18'16"
23	104°25'43"	50°18'19"
24	104°26'00"	50°18'18"

CAML as the Hangait mining license holder is obliged to complete a Feasibility Study on the project by the beginning of 2011. CAML proposes that a contractor will be used for this work, which should start in August – September 2010.

WAI has checked the licence documentation and co-ordinates and considers them to be accurate and valid.

2.2 History and Previous Work

Geological studies of the area were initiated by A. N. Tolstikhin in 1919 during an exploration traverse from the Selenge river basin to Khuvsgul Lake along the Russian-Mongolian border.

Later, in the 1940's, geological studies began in Northern Mongolia with geological mapping at 1:1,000,000 and 1:200,000 scales.

Between 1980 and 1990, Buryatia Geologic Survey completed the upgraded border zone integrated geologic map scaled at 1:200,000. For this work, between 1960 and 1980, they conducted drilling and numerous geologic-geophysical studies of Bulagtai W-Mo deposit, that lies adjacent to the Handgait licence, in an attempt to find additional ore to be shipped to Pervomaisky molybdenum plant.

This is important for the exploration of Handgait mineralisation, in that many geological features of the Dzhida molybdenum district on the Russian side of the border, are relevant to the Mongolian side.

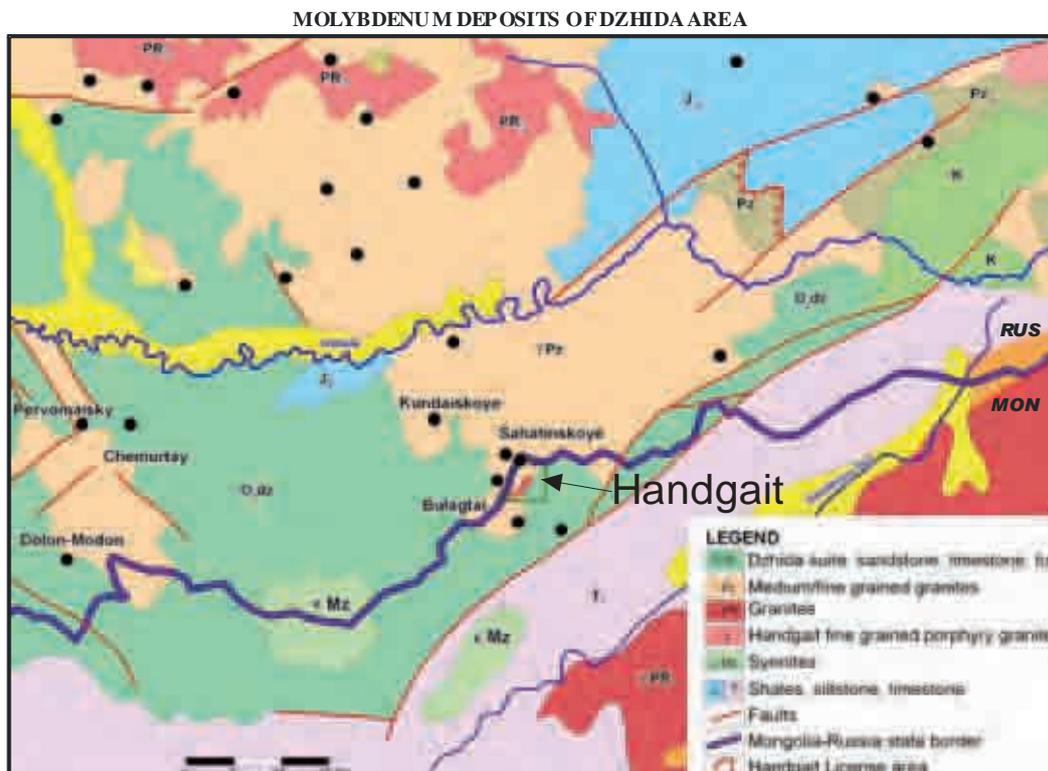
In 1973-1985, L.P.Alaev and E.S.Goldberg conducted the mapping and exploration programme over a 100km-wide zone of Mongolian territory adjacent to Buryatia (the so-called "sto kilometrovka"). They concluded that the Dzhida tungsten-molybdenum mineralisation did continue into Mongolia. They also conducted the initial sampling and reconnaissance mapping of Sokhatinka and Skarnovy molybdenum prospects, which are currently a part of CAML's multidisciplinary exploration and drilling programme.

Evidence from previous exploration at the site can be seen from several trenches, 20 shallow pits and two open pits with respective areas of approximately 30x15m and 20x10m.

2.3 Geology and Mineralisation

2.3.1 Regional Geology

Work by Badarch et al, 2002 has shown that the entire Mongolian territory can be divided into 84 geological terrains. The Handgait area is a part of the Dzhida island arc terrain which comprises the eastern Hovsugul area and extends into Russia to include the Dzida Mining District (Figure 2.3).



The northern boundary of the terrain with the Hamardavaa Block is not easily identified, but is assumed to comprise a southerly-directed thrust. The overall structure of the terrain is dominated by steeply dipping SE-directed thrusts and SE-vergent folds. The Dzhida island arc terrain is composed of several thrust sheets, containing Neo-Proterozoic dismembered ophiolite, melange with olistostromes and Cambrian-Lower Ordovician island arc and oceanic basalt, andesite, volcanoclastic

rocks and reef limestone, intruded by Ordovician granodiorites (Tomurhuu, 1999). Post-accretional assemblages include Silurian, Devonian, and Permian volcanic and sedimentary rocks and Devonian and Jurassic granite plutons.

2.3.2 Metallogeny

At least seven molybdenum-tungsten mines constitute the Dzhida Mining District on the Russian side of the border (Figure 2.4).



Figure 2.4: Schematic Plan of the Dzhida Mining District
 (Do not scale)

The largest, Pervomay underground mine, was in operation from 1941 to 1972, although it is now mined out. Pervomay mineralisation was confined to an upper part of the granitic pluton (J^3) and a narrow zone of calcareous shales (Cm-O). The morphology of the mineralised lens resembled a mushroom cap.

Over the period 1941-1972, about 30Mt of molybdenum ore hosted by granites, grading 0.1-0.12% MoS_2 were mined and processed yielding some 17kt of molybdenum concentrate.

The resources of five other mines (Malo-Oynogor, Dolon-Modon, Chemurtay, and Dzhidotsky) were evaluated and feasibility studies have been completed, but mining operations have not been undertaken due to a lack of investment incentives.

The Bulagtai deposit, which is located on the Russian-Mongolian border near the Handgait licence, represents one of the more intensively investigated areas of the Dzhida Mining District. Initial

exploration took place from 1933-1940 and resulted in the identification of rich quartz-molybdenite veins and a mineralised explosive breccia pipe. Photo 2.1 shows typical molybdenum stockwork mineralisation from an adit at Bulagtai.



Photo 2.1: Typical Molybdenum Stockwork Mineralisation at Bulagtai

The Bulagtai deposit contains about 60 molybdenite and hubnerite veins on the periphery of the stockworks as well as in the central part. Vein thickness varies from 10cm to 4m, and the strike length ranges from 10 to 350m. Quartz-molybdenite vein No.2 was mined in 1941-42. It produced 9,300t of ore with an average Mo grade of 0.236%. Vein sulphide mineralogy consisted of molybdenite, hubnerite, scheelite, bismuthinite, sphalerite, and galena.

Further exploration took place in the area during the early 1980's and comprised wide ranging exploration programmes including geological mapping, airborne geophysics, and ground gravimetric surveys at a scale of 1:50,000.

The main geological features of these mines have had a major impact on the exploration at Handgait on the Mongolian side of the border:

- Zones of veinlet-type mineralisation are linear and located in or near-the contacts of the granitic plutons;
- Stockwork-type mineralisation is located in highly fractured zones in the endo- and exo-contacts of granitic intrusives and envelopes the the intrusive, e.g. Pervomay mine;
- Stockworks are formed by a net of multidirectional molybdenum mineralised veinlets, and
- Mineralised breccias and pipe-like bodies occur together with disseminated, veinlets and stockwork type mineralisation.

2.3.3 Local Geology

The principal lithologies within the Handgait licence area are:

- Limestone, calcareous sandstone and shales of the Dzhida Formation of Cambrian-Ordovician age;
- Intrusive rocks such as plagiogranites, amphibole-biotite granites and grano-syenites that are assigned to the Dzhida granitic series of Devonian age; and
- Medium-and finely-crystalline porphyry granites that have been assigned to the Gudzhir granitic series of Jurassic age.

The licence area is strongly mineralised, and four molybdenum prospects have been identified to-date – Central Handgait, Tolgoi, Sogoot and Bulagtai. These prospects were delineated by CAML in the course of an exploration programme in 2007-2008.

Figure 2.5 below shows the main lithologies of the Handgait area and the principal prospect areas defined to-date.

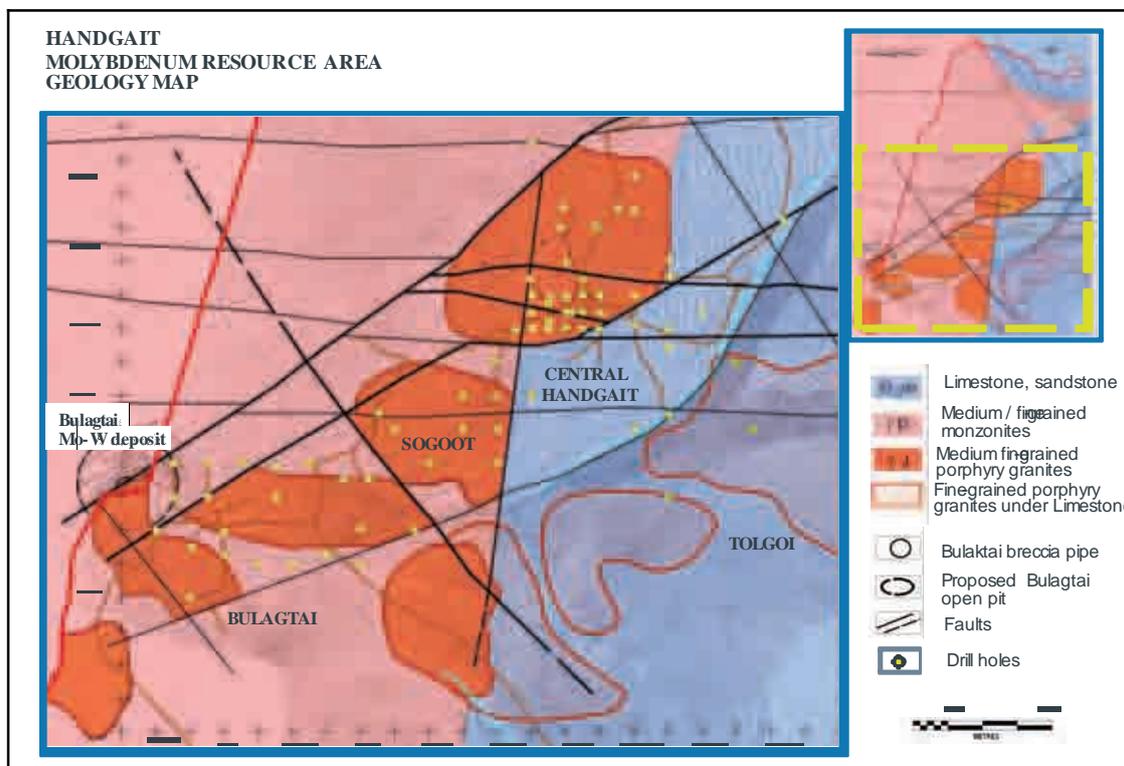


Figure 2.5: Main Lithologies and Deposits, Handgait

The main faults of the Handgait area have been interpreted as:

- Northwesterly striking (320° - 330° , usually, steeply dipping to the northeast) coinciding with folds in the Palaeozoic sedimentary intrusive terrain and oriented parallel to the regional Bulagtai thrust; multiple fracture systems of the same directions are recorded;
- Northeasterly striking (60° - 70°) and steeply dipping with accompanying fracture systems that control multiple Palaeozoic shear fracture zones with melanocratic dykes, and were re-activated during Mesozoic folding, and
- Multiple minor north-south and east-west striking faults that are oriented 45° to the direction of the Palaeozoic regional folding (Figure 2.5).

Mesozoic granites are characterised by two fracture systems typical of this period: northwesterly striking with a steep northeast dip, and northeasterly striking with a steep northwest dip.

The molybdenum-bearing medium-finely crystalline Jurassic granitoid intrusions were outlined and traced by limited ground mapping, drilling and predominantly IP and magnetic surveys. These have

defined a north-easterly striking intrusive zone, which is one of the main geological features of the Handgait area (Figure 2.5).

The IP method transmits an electrical current through the ground and measures the ground's ability to maintain an electrical charge. A high chargeability reading generally equates to a relatively high sulphide mineralisation content in the underlying rock. The chargeability values from 6 to 11mV/V are considered to be associated with molybdenum-bearing formations.

High chargeability 'shells' represent Mo-bearing zones that occur partly in endo-contact and around medium-fine grained granitoid intrusions. The 'shells' were outlined by IP surveys and Mo-in-soil anomalies and delineated by drilling (Figure 2.6).

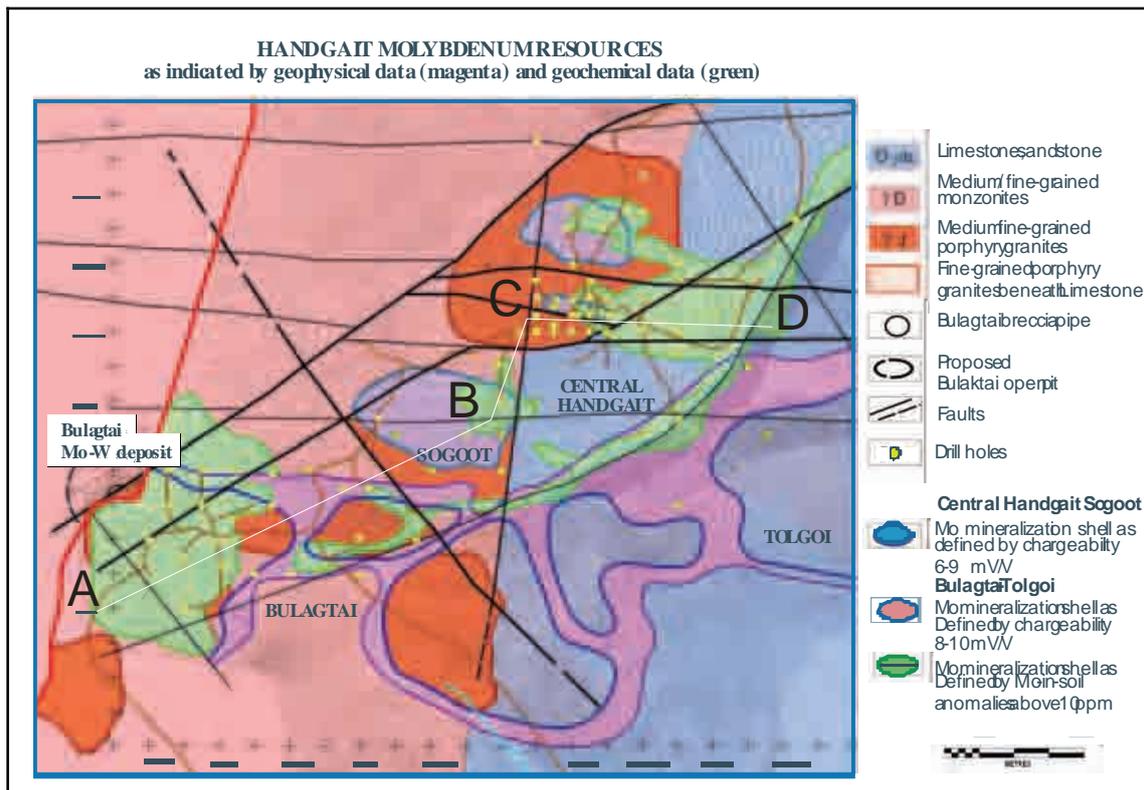


Figure 2.6: Handgait Mineralised Areas

Geological and IP long sections through the Handgait area (Figure 2.7 and Figure 2.8) demonstrate the correlation of mineralised intervals in drill holes. The variable morphology of the mineralised zones seen in each of the deposits reflects the type of mineralisation, i.e. vein-veinlet for Bulagtai and Sogoot, and primary epi-magmatic, disseminated mineralisation for Central Handgait.

Long sections clearly demonstrate the difference in the vertical levels of mineralisation – 1600m at Bulagtai in the west and around 1200m in the skarnified eastern part of Central Handgait (Figure 2.7). This difference provides evidence regarding the vertical zonation of the Handgait ore-generating system and supports the assumption of the possible presence of primary epi-magmatic disseminated mineralisation below the vein-veinlet type at Sogoot.

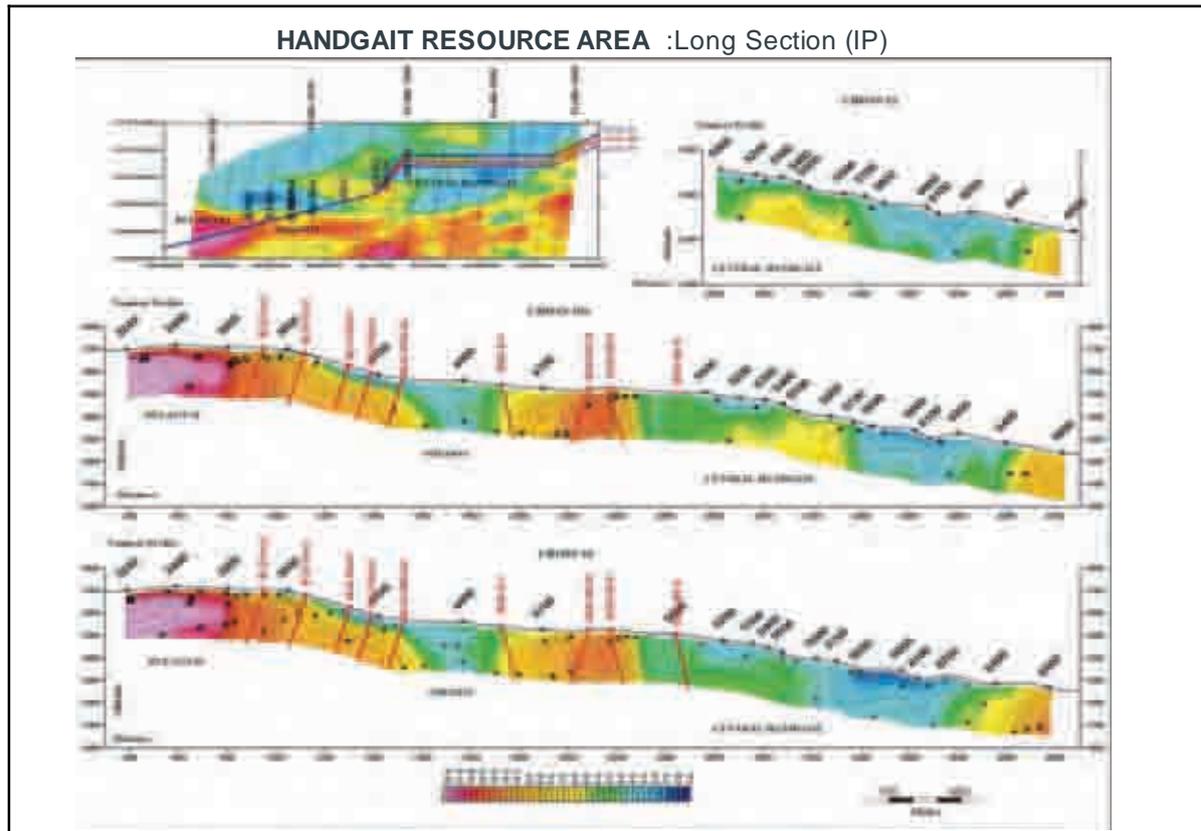


Figure 2.8: IP Long Section Through Mineralised Zones

The contact-metasomatic rocks are garnet-pyroxene-epidote skarns, and although mainly of the exo-contact type, skarnified granites are also found. In most places, skarns form 5m to 30m thick bands and lenses near the contact with granites, although in many other places they are remote from the contact zone.

Two types of granitic intrusive rocks have been identified *viz.* older, massive coarsely-crystalline Devonian granites, granodiorites, and granosyenites and younger finely- crystalline grained Jurassic leucocratic granite-porphyrries that contain molybdenite and disseminated magnetite. The highly-magnetic signature of the latter helps to distinguish them from the former. Both types of granite have pyritic impregnations. The vein facies of the Jurassic granites is represented by fine-grained granites and aplites.

Both Jurassic and Devonian granites contain several phases, but the heavily forested area and near-zero exposure makes it difficult to identify and correlate these phases.

The molybdenum mineralisation occurs exclusively in Jurassic finely-crystalline microcline-plagioclase granites and granite-porphyrries. Apart from these two granite types, there are other granites with more coarsely crystalline textures, and also quartz porphyry granites that have relatively sharp contacts.

Molybdenite occurs as rosettes and flakes measuring from a fraction of a millimetre to 2-5mm, sometimes forming clusters, measuring 2-3 and even 7-8cm, 70-80% of which are molybdenite aggregates (Photo 2.2).



Photo 2.2: Coarse-grained Molybdenum Mineralisation

There are also microscopic blades of molybdenite measuring from tenths to hundredths of a millimetre. The mineralisation is not evenly distributed, as “barren” blocks measuring 50-70cm, alternate with both low-grade and rich blocks, with a molybdenum content of up to 5-25%. However, in general, the molybdenum content fluctuates between 0.5% and 3%.

A distinct feature of Central Handgait granites comprises mineralised cavities that measure from 5 – 20mm. In addition, there are almost no fracture zones or vein silicification in the granites, although the few small quartz veins do not normally contain sulphide minerals. In some cases, molybdenite and pyrite form stringers or thin elongated lenses.

Apart from molybdenite, the ore contains pyrite and hubnerite, as well as grains of chalcopyrite and barite. There are also many small veins and grains of fluorite, which make Central Handgait similar to the high-fluorine molybdenum porphyry deposits.

The hydrothermal alteration includes sericitisation of biotite, argillic alteration of plagioclase and potassic alteration. The small number of mineralised fracture zones and breccias make Central Handgait different from the neighbouring Bulagtai deposit and is interpreted as representing a dry pre-hydrothermal stage of granite evolution.

Geological exploration at Central Handgait has delineated two distinct ore bodies. The first, Ore body No.1, is a regular mineralised body located near surface in the western part of Central Handgait. This ore body is horizontal and approximately 400m long, 150-200m wide, has a thickness of 7-71m (averaging 38m) and is located from 1-102m below surface. Low grade mineralisation occurs in the peripheral parts of the ore body.

Ore body No.2 is situated beneath ore body No. 1 and is located further to the east. It is approximately 1km long, 150-200m wide and has a thickness varying from 3-124m, averaging 58m.

In earlier investigations, whilst analysing soil anomalies, it was suggested that there may be larger mineralised zones to the north and the northwest of Central Handgait; also, mineralisation could be traced to the east from endomorphic skarns in the southwestern part of the deposit, where some molybdenum mineralisation was discovered.

In addition, a large (800-900m) southwesterly striking anomaly of a comparable intensity was detected by geophysical surveys in 2007. Here, on the righthand slope of the Handgait-Gol valley, amongst medium-crystalline Devonian granites, a body of fine-grained light-grey aplite-like granite has been delineated for 250-300m along the southern slope of the ridge, almost as far as the Bulagtai deposit.

Thus, two types of molybdenum mineralisation have been identified at Central Handgait:

Granite-hosted molybdenum lenses – occurring mostly in Jurassic granite porphyries, with subsidiary pyrite, chalcopyrite and bornite (isolated grains). The granite is a pinkish-grey, finely-crystalline rock containing fluorite. Finely-medium-crystalline mineralised granites could also comprise different intrusive porphyries as the geological logs recorded “hot” contacts between them. Molybdenite occurs in the form of blades, disseminations and large impregnations.

Limestone-hosted (Skarns) – calcareous sandstones and limestone occur in the northeastern and southeastern parts of the area. The intrusive contacts contain predominantly skarns of garnet-pyroxene-epidote composition. Jurassic medium- and finely crystalline plagioclase-microcline porphyry granites are the main host rocks for the mineralisation. Recent drilling has intersected molybdenum mineralisation hosted in a skarnified limestone-sandstone section in the eastern part of Central Handgait. Epidote skarnoids and garnet-amphibole-pyroxene-epidote skarns form near-contact bands and lenses from a few to hundreds of metres on the eastern and southeastern deposit flanks. Skarns are also often 10-30m from the contact.

In summary, granodiorites intruded the terrigenous rocks of the Dzhida suite and along with hornfels and skarns represent the host environment for the Mo mineralisation. Ore minerals occur mainly in veinlets and inside zones of intensive fracturing, which is typical of the whole volume of rock. A transition zone from granitoids to skarnified terrain has been identified in Central Handgait.

Thus, the Bulagtai deposit and Central Handgait represent two stages of paragenesis, with Central Handgait formed in an early magmatic stage, when molybdenum rosettes were disseminated throughout the 200m thick endo-contact zone of the Jurassic porphyry granite. In contrast, Bulagtai is at the other end of the spectrum with a fully developed hydrothermal system that includes veins, stockwork and a breccia pipe.

2.3.4.2 *Bulagtai*

The Bulagtai molybdenum-tungsten deposit occurs in the southern part of the northwesterly striking Bulagtai-Khurtuga mineralised belt. The belt, which continues into Mongolia, has a length of 100km and width of 10km, and is characterised by Jurassic granitic rocks, serving as a host for the molybdenum and tungsten mineralisation. Most of the deposits occur within the endo-contact and exo-contact zones of Jurassic granitic plutons. The structural control is an intersection of northwestern and east-west striking tectonic zones.

The Bulagtai deposit on the Russian side of the border is located in the exo-contact zone of a Jurassic medium-finely crystalline porphyry granite intrusion, associated with an explosive breccia pipe (Figure 2.9).

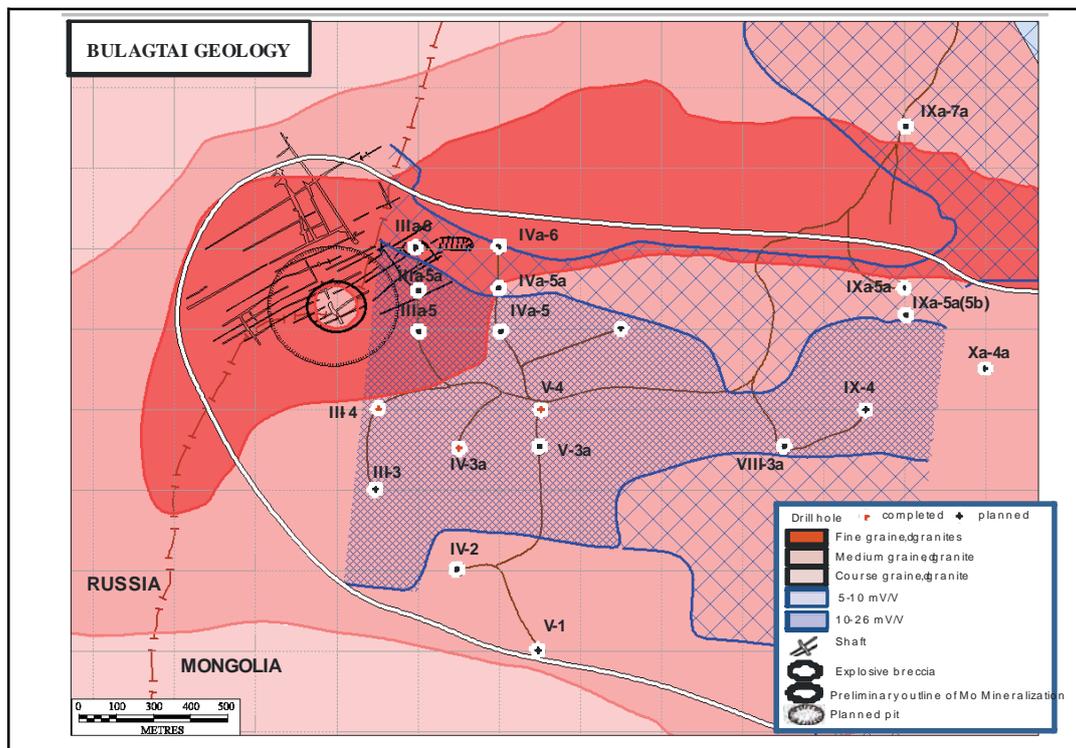


Figure 2.9: Geology of the Bulagtai Deposit

The mineralised stockwork and surrounding pipe-shape breccias of the Bulagtai structure were explored by trenches and underground workings. The mineralisation was intersected by Adit No 1 (Az. 210) at a depth of 75m below the surface and by horizontal holes that were drilled from the face of the adit.

Three types of molybdenum mineralisation are recognised at Bulagtai: breccia, stockwork, and veins (the breccia has been investigated only on the Russian side).

Breccia ores – developed in the central part of the breccia pipe and are associated with hydrothermal quartz cement. Also, the granitoid fragments are mineralised. Chaotically distributed quartz and quartz-fluorite veinlets, measuring from a few millimetres to 2-3cm, make up to 15-20% of the rock volume.

Stockwork ores – developed in the same area as the macro-breccias which they enclose, and can be traced for 350m in a northeasterly direction. In a northwestern direction, the axis extends for 100m to the the Russian-Mongolian border and a further 210m into Russia.

Veins – quartz-fluorite-molybdenite and quartz-K-feldspar-molybdenite veins, striking in various directions, vary in width from 0.5 – 50cm and in length from 0.5-10m. The majority of veins trend northwest and dip steeply to the northeast. The margins of the veins are mineralised with molybdenite and pyrite. Occasionally, almost pure molybdenite veinlets were recognised.

The Bulagtai deposit contains about 60 molybdenite and hubnerite veins which are located in the peripheral parts of the stockwork as well as its central part. Vein thickness varies from 10cm to 4m, and the strike ranges from 10 to 350m (Photo 2.3).



Photo 2.3: Vein Molybdenum-Quartz From Bulagtai

The Bulagtai stockwork hydrothermal deposit is located approximately 300-350m higher in elevation than the Central Handgait disseminated molybdenum deposit. As such, it is not unreasonable to assume that an unexposed source of molybdenum ore, similar to Central Handgait, exists at relatively shallow depth (300-500m) beneath and/or around the periphery of Bulagtai deposit.

The 2007-2008 geophysical survey outlined an intensive IP anomaly in the southern and southeastern part of the deposit that is x2.5 larger than the whole of Bulagtai, and given the high prospectivity of Central Handgait, it is likely that further mineralisation can be delineated at Bulagtai.

2.3.4.3 Tolgoi

A 1.2km² arsenic-lead-zinc soil geochemical anomaly had been outlined in the Eastern Tolgoi part of the Handgait mineralised system.

2.4 Current Exploration Activities

2.4.1 Introduction

CAML has undertaken a substantial exploration programme over the Handgait deposit and surrounding areas, including Tolgoi.

This has involved geochemical and geophysical surveys in 2007-2008, as well as an extensive core drilling programme and pre-stripping to define the broad outcrops of mineralisation at surface.

In addition, a number of satellite images of the Handgait licence area were produced including an image on a scale 1:100,000, and more detailed images at scales of 1:10,000 and 1:5,000. These were used for environmental monitoring and exploration programme management. A summary of the exploration works is given in Table 2.3 below.

Table 2.3: Summary of Exploration 2007-2008		
<i>Work Undertaken</i>	<i>Unit</i>	<i>Actual</i>
Prospecting	km	92.2
Geochemical sampling	pcs	5506
Geophysics	km	17.6
Diamond Drilling	m	12241.1
Coring	pcs	12079
Chemical Analysis	12079	
Topo Survey	ha	1774
Lab & office data processing	%	100
Environmental rehabilitation	area	7

2.4.2 Geophysical Surveys

The geophysical programme carried out by CAML on the Central Handgait, Sogoot, Bulagtai and Tolgoi sections of the Handgait area has included Induced Polarisation/Resistivity and Ground Magnetic surveys. The following sections summarise these surveys.

2.4.2.1 Induced Polarization/Resistivity Survey

The CAML IP/Resistivity survey covered a 13.2km² area on a grid of 100-200m by 25m or 63.4km of profiles and was performed in Pole-Dipole mode. The surveys were carried out by a modified sounding technique proprietary to GaiaScan Geophysics Ltd (B.C., Canada).

2.4.2.2 Ground Magnetic Survey

The CAML Ground Magnetic survey also covered a 13.2km² area on a grid size of 100m by 5m or 130km of profiles. It was performed with MM-61 magnetometers.

The full-scale data processing included a conversion from the accepted coordinate system (line/station) into the UTM system and preparation of the magnetic field maps.

2.4.2.3 Geophysical Data Interpretation

The presence of magnetite with the molybdenum-bearing granites proved a vital primary tool in defining broad areas of potential mineralisation (Figure 2.10).

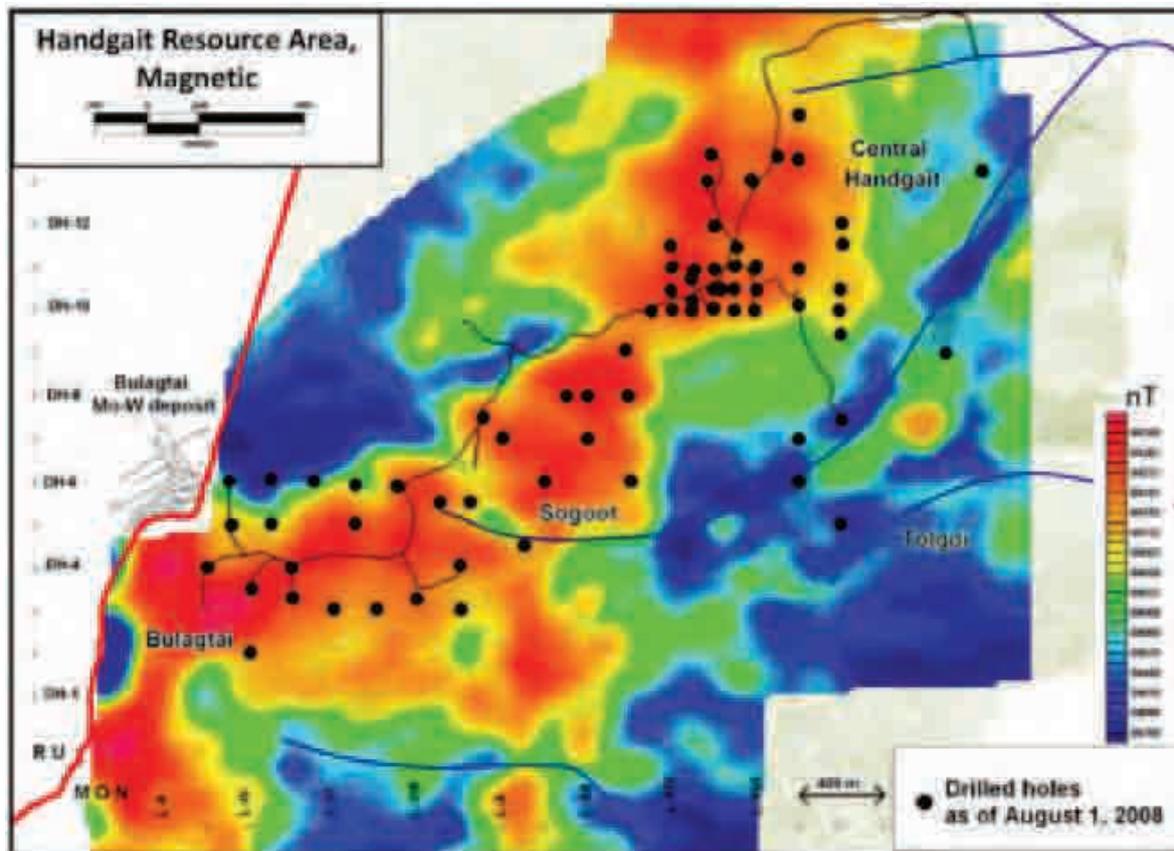


Figure 2.10: Magnetic Map of Handgait

With regard to IP, initial drillholes targeted overlapping polarization anomalies and Mo-in-soil geochemical anomalies and were drilled to the depth 150-200m in the southern part of Central Handgait. The drilling intersected mineralisation which is associated with an endo-contact zone of the Handgait intrusion of fine-grained granites and also that mineralisation is associated with a gradient zone of the polarisation anomaly. A further examination has shown that, molybdenum mineralisation is typically not correlated with the centre of an IP anomaly. This is explained by the predominance of pyrite in the central part of IP anomalies with molybdenite concentrated around the peripheries.

This strong link between the IP gradient data coupled with the overall magnetic responses has allowed CAML to delineate target maps for prospective molybdenum mineralisation with the key factor being the delineation of mineralisation shells defined by a chargeability range of 6-9mV/V.

Thus, interpretation of the geophysical data in the Handgait area provided the following conclusions:

- Jurassic fine-grained granite intrusives and specifically their endo-contact zones were defined on the basis of their high magnetic properties, mapped by the ground magnetic survey. Magnetic properties are remarkably low in Devonian leucocratic medium- and fine-grained leucocratic granite. This distinction in otherwise similar granites served very well to identify a northeast trending belt of Jurassic granites;
- Faults are traced between elongated low-magnetic and high-magnetic domains, and strings of high chargeability anomalies; and

- The exploration significance of IP anomalies is that ones with chargeability from 6 to 11mV/V outline prospective molybdenum zones scheduled for grid drilling. (Figure 2.11).

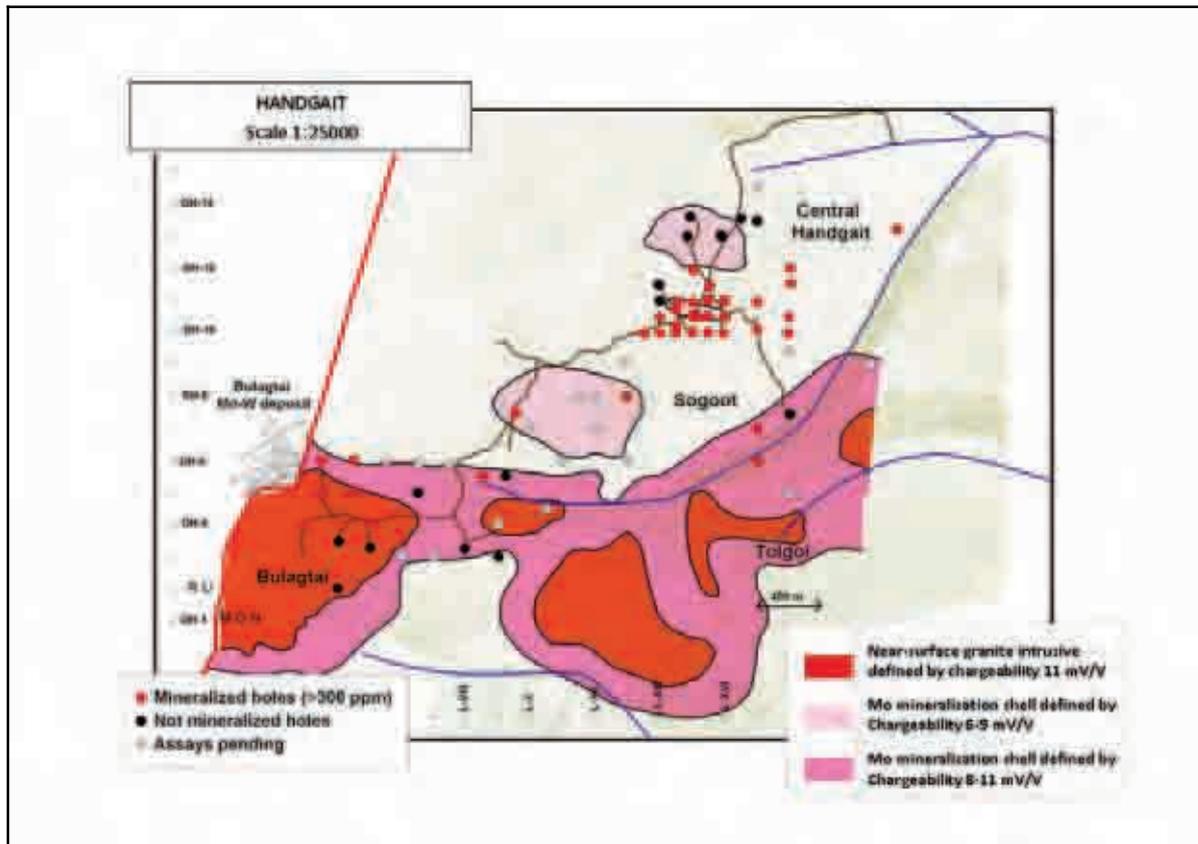


Figure 2.11: Target Selection Criteria

2.4.3 Geochemical Survey

Exploration lines were placed perpendicular to the strike of ore bodies and mineralised zones on a 100 x 50m grid spacing. A Mo-in-soil geochemical survey was conducted in the Handgait area in the summers of 2007 and 2008 by the Ulaanbaatar-based ShShDB LLC Consulting Company and Geomin LLC. The survey resulted in the collection of 5,056 soil samples being collected over the entire territory of the Handgait Licence Area.

The samples collected in 2007 were processed (including sample preparation) in Alex Stewart Assay and Environmental Laboratories in Kara Balta, Kyrgyz Republic. The samples collected in 2008 were processed (including sample preparation) in an SGS Laboratory in Ulaanbaatar (SGS Mongolia LLC).

Alex Stewart performed ICP-E1 (inductively coupled plasma spectrometry) and ICP-AES (atomic absorption) methods for 34 elements, whereas the 2008 samples also used ICP for 32 elements. Molybdenum-in-soil values were plotted as a geochemical map and interpreted in correlation with geological and geophysical data (Figure 2.12).

Soil geochemical anomalies at Bulagtai, Sogoot, Central Handgait and Tolgoi, range in size from 100-200m to 500-1,200m reflecting molybdenum-rich mineralisation close to surface. CAML adopted a sampling grid of 100m by 50m with a sampling depth dependent on the depth of B horizon which was variable, although ranged from 0.5 to 0.75m.

Exploration geochemistry publications indicate that a molybdenum-in-soil anomaly in a Siberian-type forested area, such as Handgait, is about twice the size of the mineralisation zone beneath. Based on drilling results, the length of mineralised lenses at Handgait varies from 150 to 400m which corresponds to soil anomalies varying from 300 to 800m.

2.4.4 Drilling Programme

2.4.4.1 Introduction

The drilling programme was designed to define molybdenum resources in several categories for three parts of the Handgait area: Central Handgait, Sogoot-Bulugtai and Tolgoi deposits. To date, 78 drill holes totalling around 12,241m of core drilling were completed for a budget of US\$2.8M.

The principal goal of the drilling was to define resources for the Central Handgait deposit, and to define preliminary estimates for the Bulagtai-Sogoot-Tolgoi area. Drill holes were targeted on Mo-in-soil anomalies of more than 10ppm and by chargeability anomalies with intensities between 6 to 11mV/V.

The Handgait drilling programme started in October 2007. Six drilling contractors, Mongolian and Korean were used by CAML, as indicated in Table 2.4. Drilling was performed using HQ (76mm) and NQ (59mm) double tube and Boart Longyear downhole gear. The core was of good quality and observed recoveries were very good.

<i>Crew Name</i>	<i>Downhole Gear Manufacturer</i>	<i>Rig Model</i>	<i>Rig Age</i>	<i>Drilling Started</i>	<i>Holes Completed</i>	<i>Total Drilled Depth,m</i>
Rhyolite	Longyear	L-38	1998	10/6/2007	23	4330
Top-kern-1	Longyear	L-38	1984	3/24/2008	9	1599
Top-kern-2	Longyear	L-38	4/24/2008	8	1431	
Uridongsu-1	Korea	L-44	1997	10/14/2007	18	3610
Uridongsu-2	Longyear	L-38	1998	4/22/2008	4	661
West-tech	Longyear	3/16/2008	5	937		
West-tech	Korea	CHD-4000	2000	7/18/2008	1	28
Erdenet	Longyear	12/17/2008	2	401		
Erdenet	CBA	500	12/17/2008	2	359	

A summary of the better drill results is shown in Figure 2.13 below.

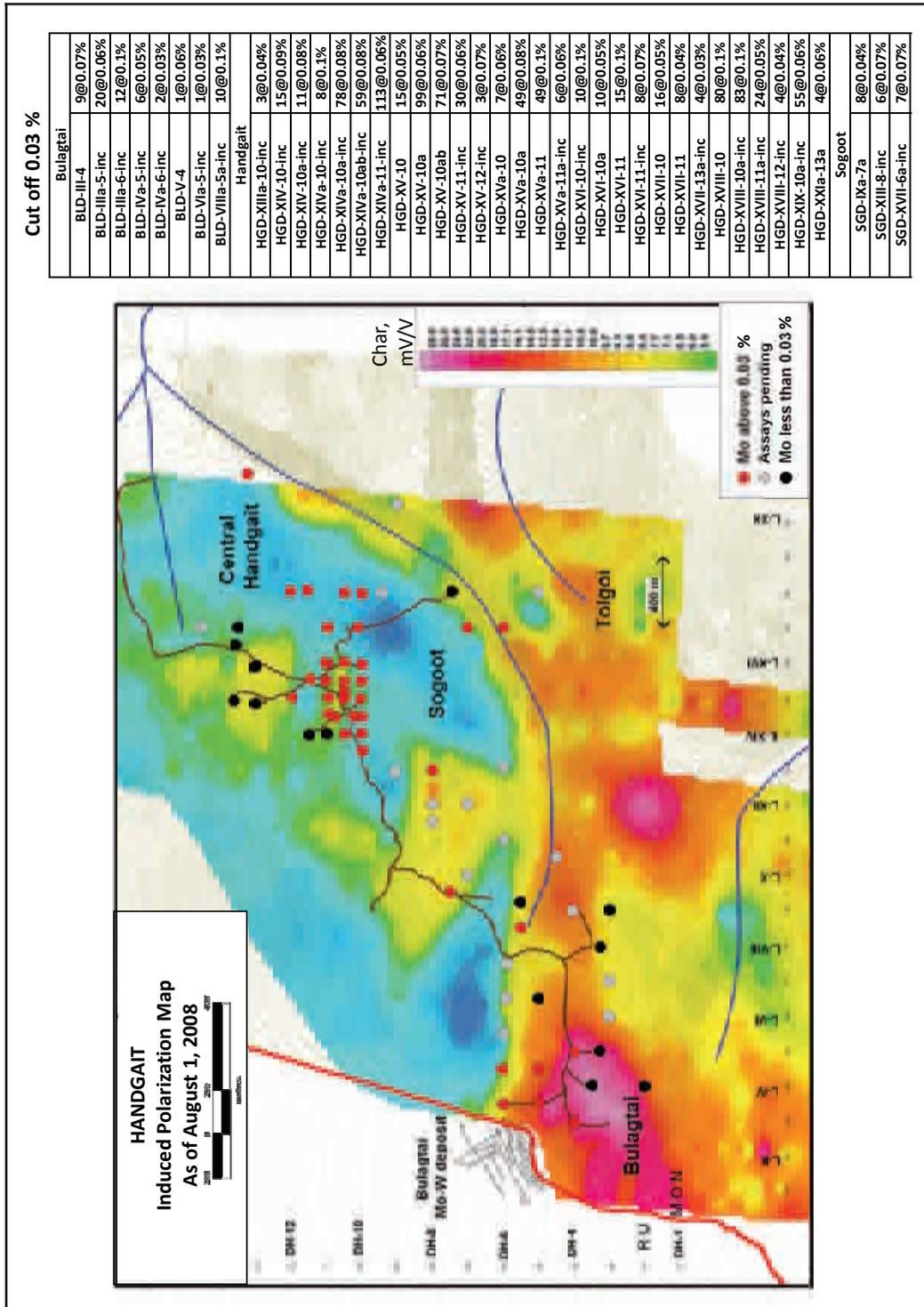


Figure 2.13: Summary of Better Drill Intersections

2.4.4.2 Drill Hole Location

Drill hole locations were determined using GPS and by instrumental survey tied to a known national grid, performed by Oyu Survey LLP contractor. CAML states the accuracy of GPS locations to be between ± 3 to 10m horizontal.

2.4.4.3 Down-Hole Survey

Between October 2007 and January 2008, 20 vertical drillholes were drilled in the Handgait Project area on which no down-hole surveys were performed. After that time, CAML implemented the drilling of inclined holes, and down-hole surveys to determine hole deviation were conducted on 31 holes during the period from the end of February 2008 until 16 June 2008.

2.4.4.4 Core Handling and Transport

Drill core was placed in wooden core boxes with an internal length of 0.6m. Each box holds five lengths of core to give a maximum core capacity of 3.05m. The tops of core boxes were sealed with plywood before transportation from a drill site to the core shed at the Handgait field camp. An adequate chain of custody was maintained during core transport.

2.4.4.5 Core Photography

In the core shed, the core was laid out by hole and all core photographed and the photos subsequently archived by CAML staff prior to cutting to provide an accurate record of the core.

The core was then marked up with indelible marker pen for splitting both on the core and the boxes, whilst the boxes themselves were permanently marked with hole number, box number and depth intervals with appropriately positioned wooden chocks.

2.4.4.6 Core Splitting

CAML used a standard electric diamond impregnated core saw for core cutting. The core was cut mid-line to ensure equal halves.

2.4.4.7 Core Sampling and Sample Transport

Once the core was cut, it was sampled by the geologist in charge of that hole. The sample interval used was typically 1m in length. Sample details (drill hole number, interval and lithology) were recorded in a ticket book and a ticket number placed in each sample bag.

Drill core was placed into numbered cloth sample bags which were then placed inside larger bags for transport to the Lab in Ulaan Baatar. MonResources sealed all samples with tamper-proof clip-lock seals. SGS or Actlabs supplied a written confirmation to MonResources that the samples arrive un-tampered.

2.4.4.8 Geological Logging

Diamond core was logged using a standard logging sheet by a team of two experienced geologists with a good understanding of the mineralisation types. The log contains additional columns for mineralisation and alteration styles, to allow a more pictorial representation of the key elements of each drill hole.

Geotechnical parameters were also recorded as these data will be required for mine design and feasibility studies.

2.4.4.9 Sample Storage

Core and preparation sample rejects was stored in a separate facility in Ulaan Baatar. Core boxes were arranged by drill hole, well labelled and each box sealed with a plywood top. Sample rejects were stored by drill hole in cloth bags. The storage shed appeared well organised, clean and secure (Photo 4.15).

2.4.4.10 Sample Preparation & Assay

One half of the split core was shipped to SGS Lab in Ulaan Baatar for sample preparation and subsequent assaying.

In total, 11,881 core samples were submitted to Actlabs and SGS Labs for AAS analysis and 710 control samples were inserted into the sample stream for the purpose of implementing QA/QC.

The first 17 holes at Handgait were assayed at Actlabs. The molybdenum at Actlabs was mistakenly assayed using an aqua regia acid digestion, which has significantly understated the actual molybdenum content. Check sampling using alternative methods suggests all previous molybdenum results have been understated by 5% to 25%.

As a result of this, CAML made a decision to switch to the SGS lab. All previous data were re-assayed. Core samples are assayed using an acid digestion, Soil samples are shipped for analyses to SGS laboratory in Tianjin, China for a multi-element Induced Coupled Plasma (“ICP”) assay techniques. Comparison of the SGS results on the control samples versus assigned CAML values have shown that SGS’s results can be accepted with about 95% confidence.

WAI considers that the sample collection, preparation, assay and storage procedures adopted by CAML for the exploration programme were first class and provide high confidence in the assays derived there from. CAML established a robust QA/QC protocol to ensure that all stages of exploration were good quality and conform to industry-recognised best practices.

2.4.5 Tolgoi

Work at Tolgoi has revealed that a good correlation exists between the arsenic geochemistry and hydrothermal alteration and allows projection of other areas of alteration in the poorly outcropped areas to the north, northeast and south of the road.

The gold-arsenic soil geochemical anomalies were checked by drilling to a depth of 200m (holes 18-5, 20a-7, 20a-9, 24a-15a, 17-14, and 19a-4).

The results from this work showed that soil geochemical sampling at Tolgoi was effective from the perspective of targeting drill holes for the discovery of gold mineralisation (Figure 2.14).

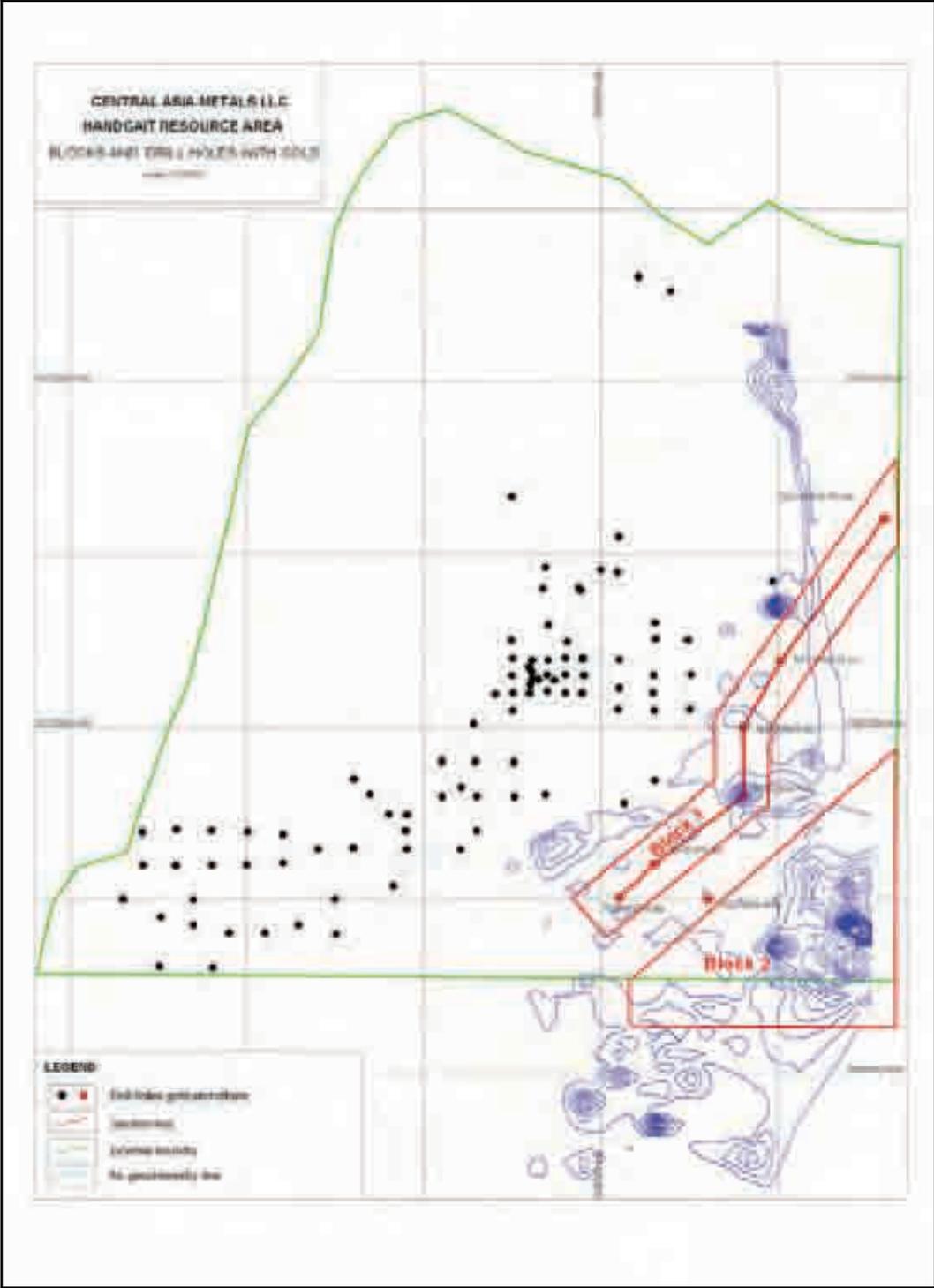


Figure 2.14: Tolgoi Arsenic Anomalies and Block 1 Drill Hole Profile

A cross-section using 6 holes (Figure 2.15) shows a mineralised zone that should be investigated further.

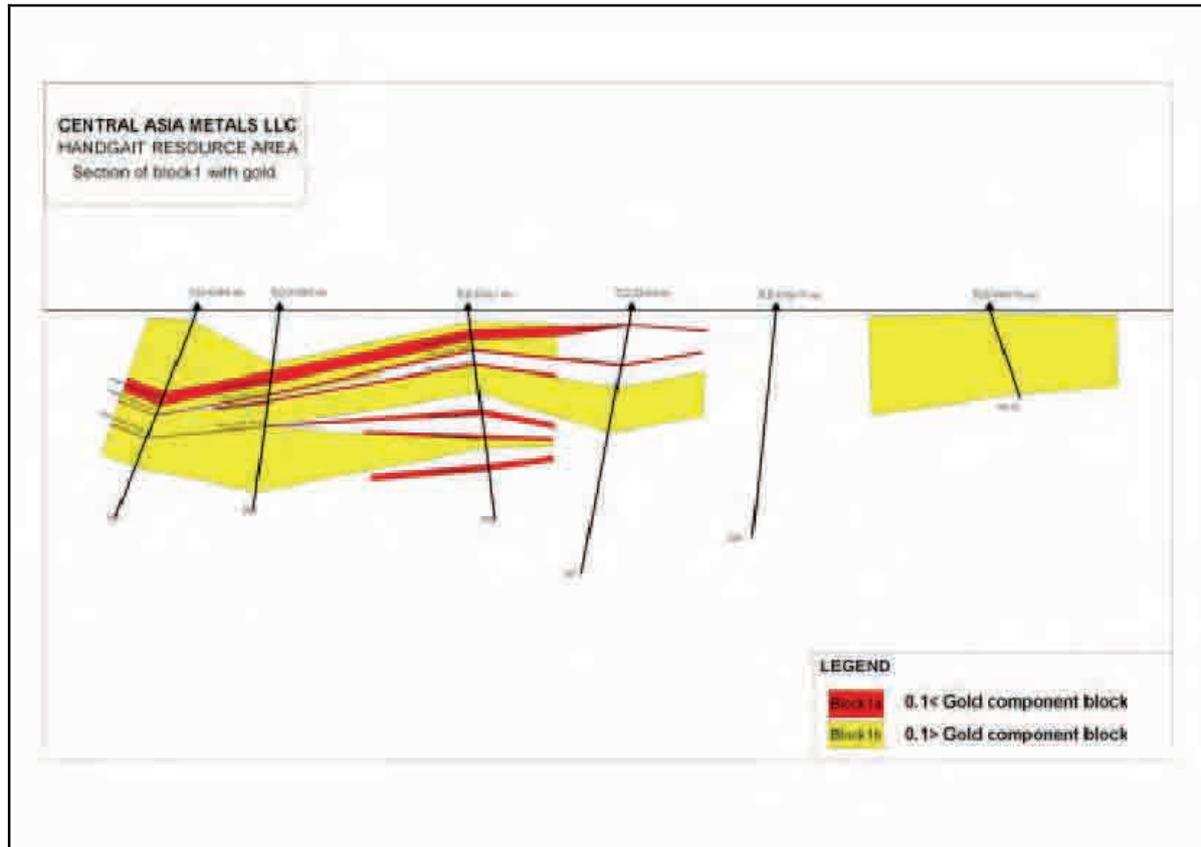


Figure 2.15: Schematic Section showing Results of Tolgoi Exploration Drilling

Two drill holes (TLDXVIII-5 and TLDXIXa-7) intersected several gold-bearing intervals with 0.01-0.47g/t with two intervals containing 2.1 and 5.1g/t. These occurrences may provide an important link to the gold mineralisation at Tarvagatai licence located immediately south of the property.

2.5 Mineral Resources

2.5.1 Introduction

Additional data from the 2008 exploration programme became available in January 2009 which necessitated the update of the Handgait molybdenum resources including Central Handgait (West and East), as well as Bulagtai and Sogoot sections which were not reported before.

Of the total of 94 holes drilled in 2008, 66 drill holes were used for the resource update including 24 for West Central Handgait, 14 for East Central Handgait, 14 for Bulagtai and 14 for Sogoot. A total of 12,241.1m of drilling was undertaken producing some 12,079 samples which were assayed for Mo. Kazakhstan Mineral Company, produced a Micromine[®]-based wireframe model of the updated resources.

2.5.1.1 Geological Control

Following receipt of all assays, a better understanding of the geologic controls present at Central Handgait and Bulagtai has been gained. It is clear that the mineralisation occurs within contact zones of highly magnetic granite intrusions. Core assays, Induced Polarization and Mo-in-soil anomalies confirm this control (Figure 2.16). This observation is less certain for Eastern Central Handgait which was mainly defined by assay results and partly by the ore-controlling skarn alteration.

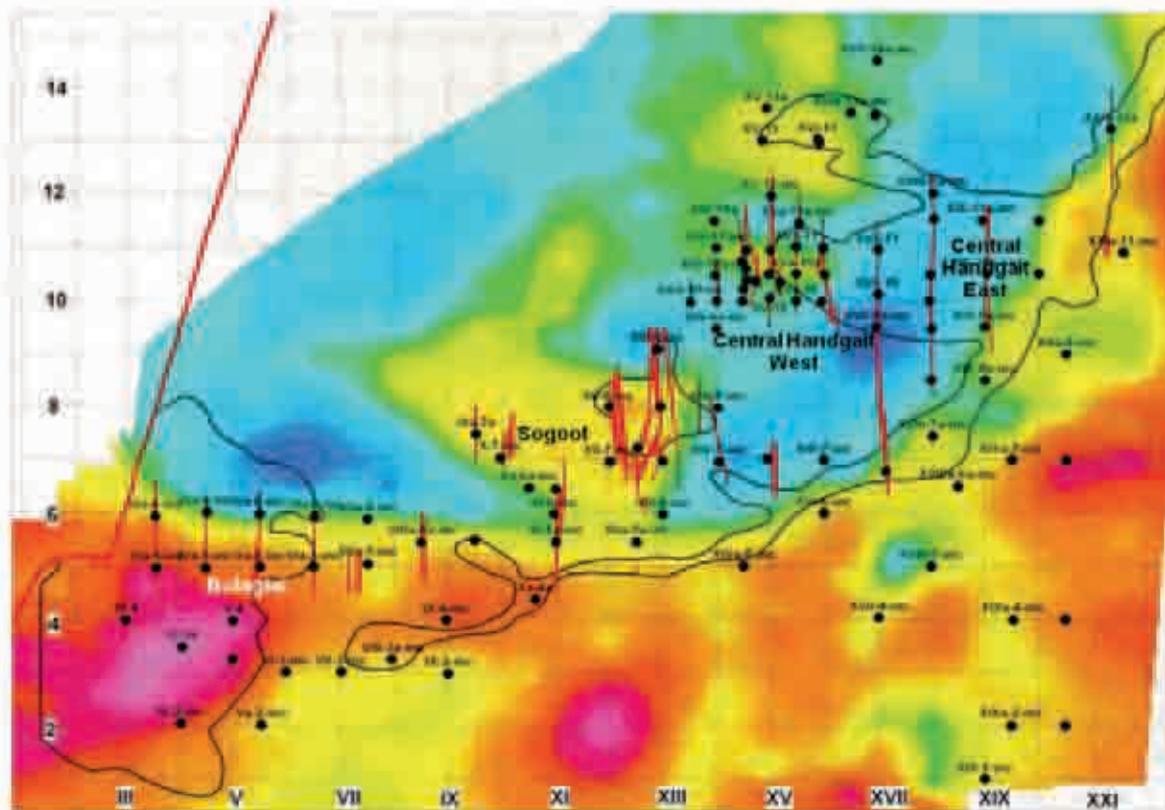


Figure 2.16: Mineralised Zones Related To IP & Geochemical Anomalies

The Bulagtai deposit contains several veinlet and disseminated mineralised zones that are located within the contact zone of a granitic intrusion, as a net of multidirectional quartz-molybdenum veinlets. The thickness and grade of the mineralised zones was determined and up-dated by recently received core assays (Figure 2.17 and Figure 2.18). Geological control for the resource is associated with propylitic alteration and IP gradient zones.

Geochemical anomalies also represent an important ore-controlling factor as has been demonstrated at Bulagtai and Sogoot where the geochemistry reflects more intensive mineralisation in respect to grade and vertical extent. In addition, potassic alteration has also been used for the extension of the mineralised zones beyond the assay intervals that were intersected by drilling.

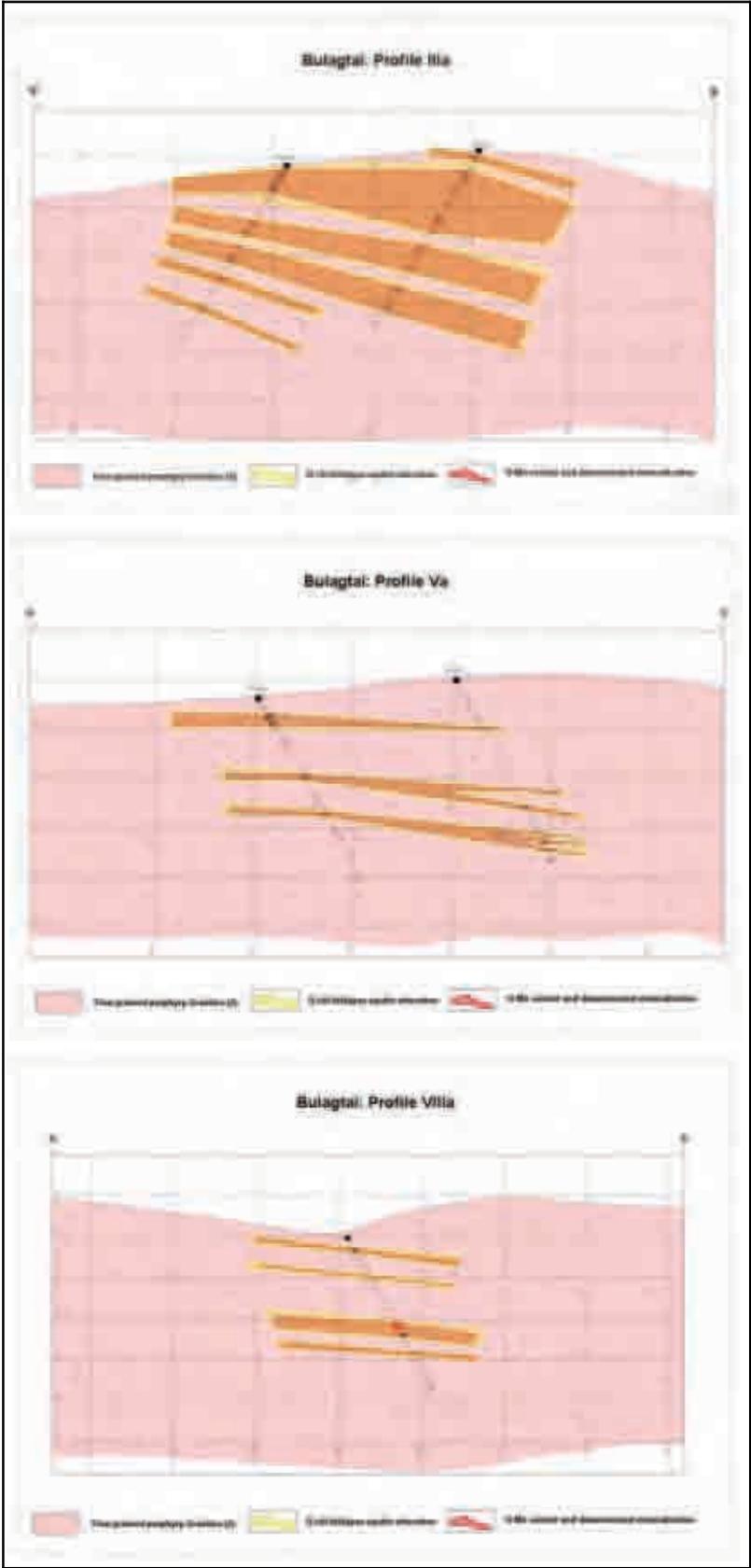


Figure 2.17: Schematic of Bulagtai Resource Profiles

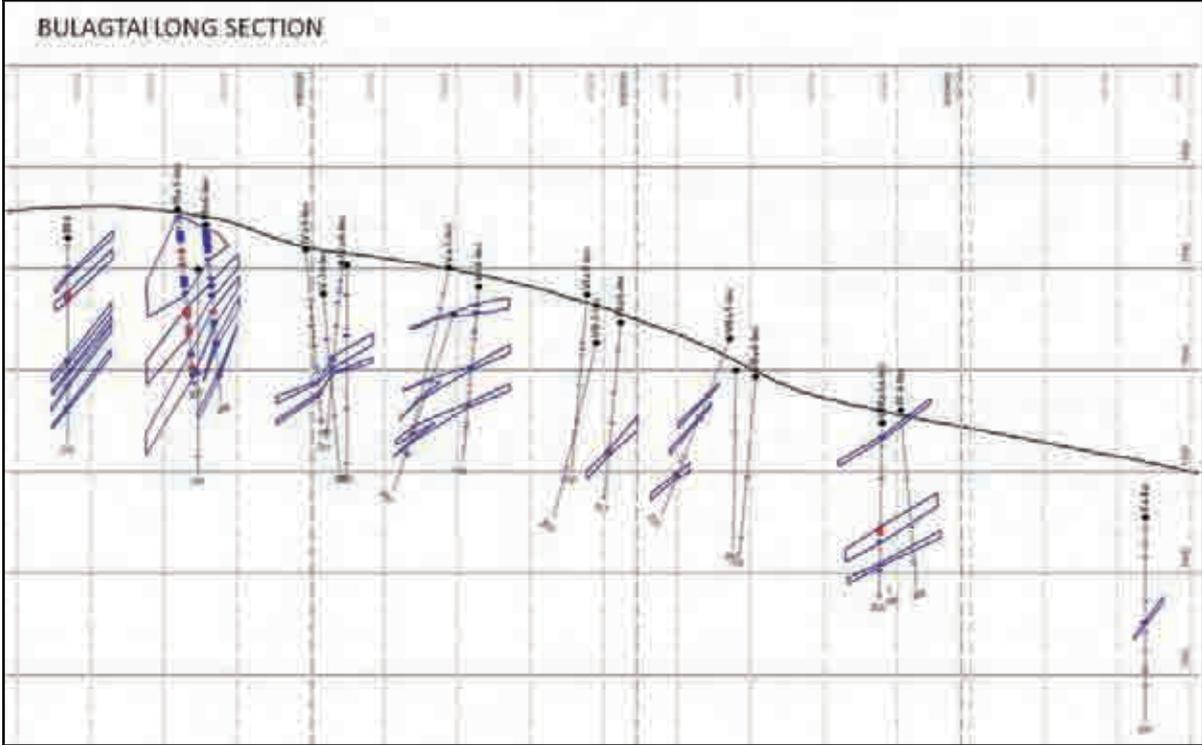


Figure 2.18: Long Section through Bulagtai Mineralisation

In addition to the ore controlling factors detailed above, dolerite dykes play a role in the mineralisation seen at Sogoot (Figure 2.19).

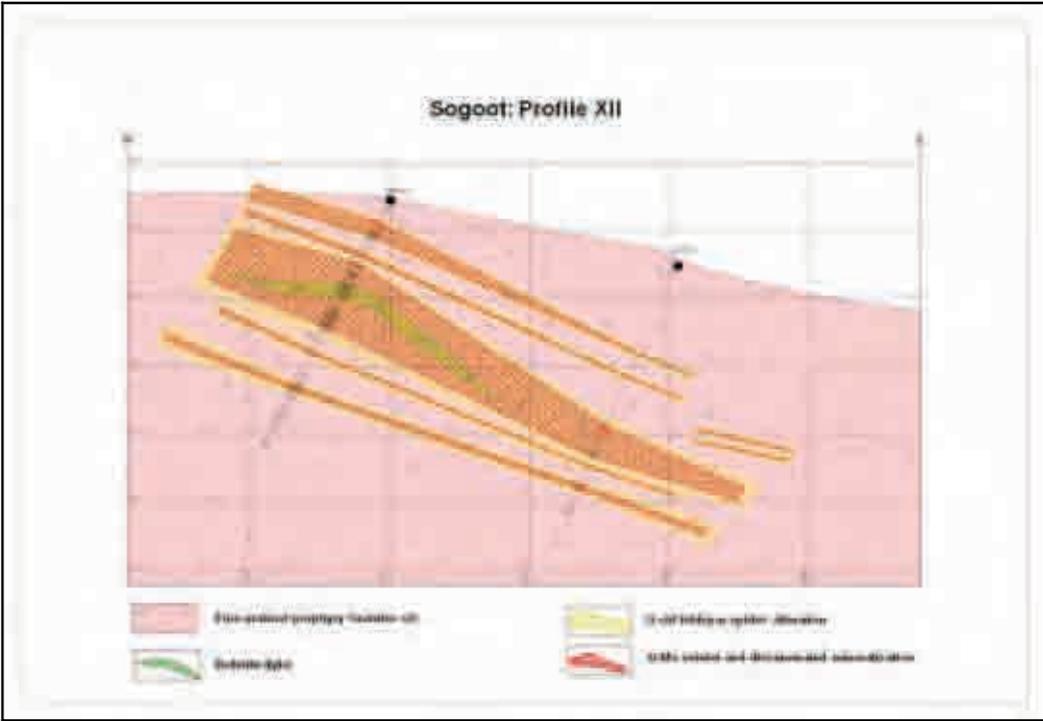


Figure 2.19: Profile through Sogoot Mineralisation

2.5.1.2 Current Mineral Resource

The Mineral Resource estimate for the Bulagtai-Sogoot area uses the November 2008 database which contains 28 drill holes. Utilising 5m composites, the blocks within an interpreted 3 dimensional solid domain were coded with Mo grade, bulk density and classified into Inferred category.

The Mineral Resources tabulated below (Table 2.5) for Bulagtai and Sogoot were compiled at a 0.01% Mo cut-off grade, but are also shown at a selection of others.

Table 2.5: Bulagtai-Sogoot Resource Estimate (January 2009) (Prepared in accordance with the guidelines of the JORC Code (2004))					
<i>Cut-off, %</i>	<i>Volume (m³)</i>	<i>Tonnage (Mt)</i>	<i>Grade Mo%</i>	<i>Classification</i>	<i>Mo (t)</i>
SOGOOT					
0.025	2,433,450	6.57	0.043	<i>Inferred</i>	2,857
0.0125	8,338,400	22.51	0.026	<i>Inferred</i>	5,754
0.01	9,649,850	26.054	0.024	<i>Inferred</i>	6,151
BULAGTAI					
0.025	2,783,400	7.52	0.05	<i>Inferred</i>	3,736
0.0125	6,218,950	16.79	0.032	<i>Inferred</i>	5,424
0.01	7,173,450	19.37	0.03	<i>Inferred</i>	5,715

Inaccuracies may be due to rounding.

The Inferred resources estimated for Bulagtai and Sogoot are generally lower grade than those seen at Central Handgait. The *Inferred* resource at two cut-offs is shown below:

***Inferred* – 45.4Mt @ 0.027% Mo (0.01% Mo COG)**

***Inferred* – 14Mt @ 0.047% Mo (0.025% Mo COG)**

The Handgait resources summary (Table 2.6) shows figures based on several cut-offs. Using a 0.025% Mo cut-off, the following summary for the Handgait West and East was calculated:

***Measured + Indicated* – 18.2Mt @ 0.058%Mo**

***Inferred* – 46.5Mt @ 0.054% Mo**

The above totals show that the inclusion of the recent drill results has increased the *Measured* and *Indicated* tonnage by some 6Mt, but decreased the grade slightly, and decreased the *Inferred* tonnage by approximately 5Mt (also with a subsequent slight decrease in grade).

Table 2.6: Central Handgait Resource Up-date, January 2009					
Prepared in accordance with the guidelines of the JORC Code (2004)					
<i>Cut-off, %</i>	<i>Ore (m³)</i>	<i>Ore (t)</i>	<i>Grade Mo%</i>	<i>Classification</i>	<i>Mo (t)</i>
EAST HANDGAIT					
0.025	11,907,350	34,174,094.5	0.049	<i>Inferred</i>	16,579.22
0.0125	23,500,050	67,445,143.5	0.033	<i>Inferred</i>	22,552.98
0.01	26,355,500	75,640,285	0.031	<i>Inferred</i>	23,477.23
0.025	4,002,500	11,487,175	0.058	<i>Indicated</i>	6,645.91
0.0125	5,695,800	16,346,946	0.046	<i>Indicated</i>	7,559.81
0.01	5,940,200	17,048,374	0.045	<i>Indicated</i>	7,638.86
0.025	141,300	405,531	0.08	<i>Measured</i>	322.43
0.0125	141,300	405,531	0.08	<i>Measured</i>	322.43
0.01	141,300	405,531	0.08	<i>Measured</i>	322.43
0.025	16,051,150	46,066,800.5	0.051	Total	23,547.51
0.0125	29,337,150	84,197,620.5	0.036	Total	30,434.91
0.01	32,437,000	93,094,190	0.034	Total	31,437.91
WEST HANDGAIT					
0.025	4,580,250	12,366,675	0.068	<i>Inferred</i>	8,348
0.0125	6,463,150	17,450,505	0.053	<i>Inferred</i>	9,282
0.01	7,069,000	19,086,300	0.05	<i>Inferred</i>	9,464
0.025	1,330,450	3,592,215	0.054	<i>Indicated</i>	1,947
0.0125	1,821,150	4,917,105	0.045	<i>Indicated</i>	2,192
0.01	1,905,650	5,145,255	0.043	<i>Indicated</i>	2,218
0.025	1,012,300	2,733,210	0.062	<i>Measured</i>	1,682
0.0125	1,296,750	3,501,225	0.052	<i>Measured</i>	1,834
0.01	1,328,200	3,586,140	0.051	<i>Measured</i>	1,844
0.025	6,923,000	18,692,100	0.064	Total	11,977
0.0125	9,581,050	25,868,835	0.051	Total	13,309
0.01	10,302,850	27,817,695	0.049	Total	13,526

Inaccuracies may be due to rounding.

WAI notes that by using a higher cut-off grade, Central Hangait contains ore with grades approaching 0.1% Mo. Central Handgait in the short term offers the best opportunity to delineate ores with these grades, but further drilling is required to quantify this zone.

2.5.2 Exploration Results

As part of the assessment of the whole tenement, CAML has attempted to semi-quantify potential exploration results, linking the known drilled mineralisation to soil geochemical data and importantly, the chargeability data where the interval between 6-11mV/V has been proven to define mineralised terrain (Figure 2.20).

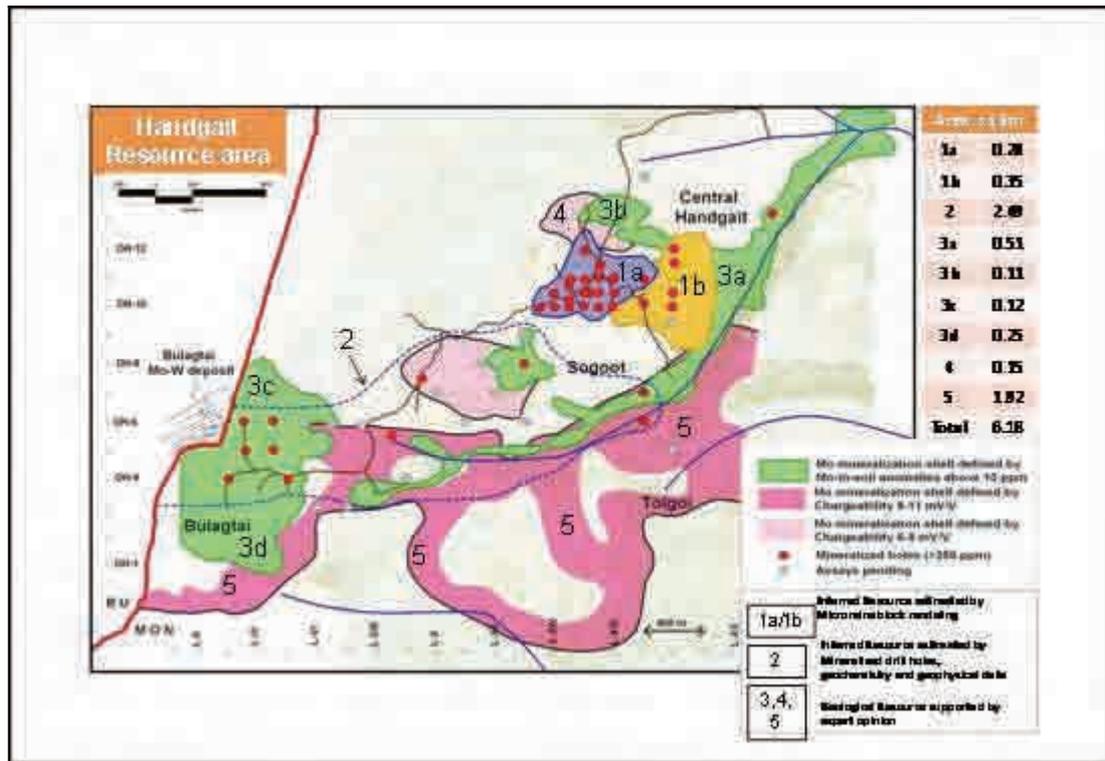


Figure 2.20: Handgait Resource Area

For this speculative estimate, CAML has been relatively conservative in assigning a modest thickness for each area of 28.5m, a relatively low SG of 2.6t/m³, and an average grade for each zone of 0.07% Mo.

The results of this study are shown in Table 2.7 below.

Table 2.7: Exploration Results			
<i>Area</i>	<i>Area (km²)</i>	<i>Volume (m³)</i>	<i>Mo (t)</i>
Central Handgait 1a + 1b	0.63	17,923,824	32,621
Bulagtai + Sogoot 2	2.49	70,841,780	128,932
3a	0.51	14,509,762	26,408
3b	0.11	3,129,557	5,696
3c	0.12	3,414,062	6,214
3d	0.25	7,112,628	12,945
4	0.15	4,267,577	7,767
5	1.92	54,624,987	99,417
Total	6.18	175,824,177	320,000

The concept of estimating a speculative exploration results for a property is always fraught with problems and the Handgait resource area is no different. WAI believes that it does show the overall potential of the area and is based on sound exploration philosophy. However, WAI counters this with some caution in that Area 5 remains almost untested and Area 2 only has limited data. Only continued exploration work will allow some of these speculative resources to be realised.

2.6 Mining

At this time, WAI has not reviewed any preliminary mining data for the Project. However, as a general statement, the depth and potential size of mineralisation, coupled with the local topography lend themselves well to an open pit(s) operation.

At this time, WAI does not see any major problems with developing an open pit mining operation with associated infrastructure at Handgait.

2.7 Metallurgy

2.7.1 Introduction

The Handgait Deposit has been subject of extensive metallurgical testing by Eastern R&D Base Metals Institute (VNIITsVETMET), Ust-Kamenogorsk, Kazakhstan and by the Central Research Laboratory of Erdenet Mining and Concentrating Combine, Erdenet, Mongolia in 2007 and again in 2008.

Results included recoveries of 82% Mo from an average sample grade of 0.16%, 81.5% Mo from an average sample grade 0.3% Mo, and recently 89.44% Mo from an average sample grade of 0.088% Mo.

2.7.2 Summary of VNIITsVETMET Testing

The grade of the molybdenum sample for the VNIITsVETMET test is 0.16%. The other main components of the sample are as follows (%): SiO₂ 70.98; Al₂O₃ 13.62; Fe 0.99; MgO 0.13.

The molybdenum ore sample is represented by very hard rock with abrasiveness below the average. The host rock is a massive-textured granodiorite, consisting of quartz, potassium feldspar, plagioclase, and very minor hornblende and biotite.

VNIITsVETMET has developed a process flowchart for ore concentration by flotation, which includes the following stages:

- two stages of rougher flotation with milling of 1 stage tailings;
- cleaner flotation; and

- three scavenger flotations with milling of the concentrate of the 1st scavenger flotation.

During processing of the ore as per the designed flowchart, the grade of molybdenum in the concentrate reached 49-51 % at a recovery rate of 81.6-82%.

2.7.3 Erdenet Testwork

2.7.3.1 2007 Testwork

The Erdenet testwork was based on a sample with a molybdenum content of 0.3% and copper content of 0.15%.

At the time of the study, molybdenite was deemed to be the only mineral of commercial value in this ore sample. Chemical and mineralogy analyses show that 5-7 ore minerals constitute about 2% of the sample mineral composition and the bulk of ore (98%) consists of the main rock-forming minerals, i.e. potassic feldspar, plagioclase, quartz.

The rock hardness coefficient of molybdenum ore for Handgait was determined using Bond work index as 11.55kw*hr/t, which corresponds to average hardness.

Grinding tests to -74µm found that the optimum time was some 23 minutes. Similarly, comparative tests were carried out using foaming agents of two types. The obtained results show that MIBK produced better results as compared to Aerofroth foaming agent manufactured by Cytec, a US company.

From the testwork, flotation of the Handgait ore sample is recommended with the following reagent consumption:

- Rough flotation: diesel fuel = 40g/t, pH = 11, xanthate = 40g/t, MIBK = 24g/t; and
- Fine flotation: MIBK = 12g/t.

The Mo concentrate obtained by flotation from this laboratory testwork programme has the following characteristics:

- Yield: 0.74%;
- Mo content: 37.33%; and
- Recovery: 81.47%.

Recommendations from the testwork programme suggested undertaking flotation tests using sodium silicate as a gangue material suppresser, and that the overall quality can be increased by cleaner flotation. However, overall, the above testwork proved positive and further testwork was recommended.

WAI considers that the testwork done in 2007 was generally positive, and the Handgait ores appear to behave in a predictable fashion, although the head grade of samples used in the testwork is well above the likely run-of-mine ore grade.

2.7.3.2 2008 Testwork

In 2008, 7 metallurgical holes were drilled to depths ranging from 70.1-100.6m using PQ and HQ size rods for a total of 579.7m of core in the Central Handgait area (Figure 2.21). Metallurgical samples were taken from the ore intervals and a single composite sample of 2,200kg was submitted to Erdenet for testwork. The head grade of this sample was 0.088% Mo, close to the average grade of the deposit.

A description of the sample indicates molybdenum mineralisation hosted by pinkish fine-grained granite. Molybdenite impregnations are mainly of 0.1-2.0mm in size, rarely up to 5mm, tend to be evenly distributed within the host rock, but can be in a form of more massive concentrations with comparatively higher grades.

A standard crushing → grinding → flotation route was employed using the Beraflot selective collector which produced a >50% molybdenum concentrate. Two versions of the process flowchart were developed, producing a 50.44% Mo concentrate at 89.44% recovery.

WAI considers that the results from the most recent testwork done on a sample with average grade close to the resource average are very encouraging and indicate that Handgait ores are likely to be readily treatable by conventional methods.

2.8 Environmental Issues

CAML, through Monresources LLC, is working to an “Environmental Protection and Rehabilitation Plan” for the Handgait exploration area, dated 10 April 2008 which sets out a number of environmental protection measures:

- Monresources shall strictly adhere to the all applicable Laws and Regulations of Mongolia including Minerals Law, Land Law and Water Law.
- Monresources shall organize a meeting with local government officials, appropriate executives and local people to introduce the project characteristics, applicable laws and regulations and implementation methods before commencement of the field exploration. Monresources shall also execute and undersign the Cooperation Agreement on mutual assistance and consent of both parties with equal rights including environmental protection and other issues.
- All employees of Monresources shall be provided with health & safety training and get acquainted with regulations on environmental protection before commencement of field exploration.
- During this drill session, Monresources shall not carry out any activities related to the use of subsoil except for drilling and after finishing of drilling, each drillhole shall be sealed with grout and terraced and covered with soil.
- If it is required to move between holes by auto vehicle, old roads and passages shall be used. If no old road or passage is present, then the Company should make every effort to use major roads instead of developing new branch roads.
- Exploration camps shall be constructed far from water wells, salt marsh, rivers, streams and springs in order to prevent such water sources from pollution and animals and livestock watered from these water sources from disturbance. Also camps shall be settled far from winter quarters of local herders to avoid fire and to avoid soil and grasslands being degraded.
- Monresources shall avoid historical places, monuments and tombs and shall not trespass on cultural places and disobey traditions and customs. Where necessary, all such issues shall be discussed with local citizens.
- All drilling consumables such as fuel and lubricants shall be kept in safe places in accordance with applicable laws and regulations.
- Monresources shall work together with local government and environmental agencies and regularly inform them about damage to environment and environmental pollution.
- Monresources shall provide the environmental inspector of the soum and other authorized officials full access for site inspection. After finishing certain geological exploration phases, all exploration areas shall be handed to local environmental inspectors and other authorized officials upon appropriate inspection and approval.

The Plan goes on to state that according to the Minerals Law, Monresources shall deposit 50% of the budgeted cost (1.3M MNT) of Environmental Protection and Rehabilitation plan to the bank account of Governor’s Office of Selenge soum as a guarantee for fulfillment of its obligations arisen in connection with environmental protection which is refundable upon fulfillment of the obligation stated herein. In case Monresources failed to fulfill the obligations herein, the deposit shall not be refundable and the local government shall expend this money for rehabilitation activities arisen in connection with the exploration work.

Furthermore, Monresources shall not be responsible for any damage to the environment (test pit, trench, adit, etc) caused during the prior exploration works and surveys in the licenced area, or any damages resulted from ongoing or prior activities carried out by legal persons other than Monresources.

Staff from WAI have visited the site on two occasions and both times have been impressed by the level of care the Client is exercising in managing the exploration programme, particularly with regard to the construction of roads, camps and drill pads.

In general, the footprint of these has been kept to the minimum size possible, particularly with regard to the number of trees felled (CAML pay a fee for every tree felled).

3 EREEN

3.1 Background

3.1.1 Location, Access and Infrastructure

The Ereen property, approximately 42km from the centre of Mandal soum, Selenge aimag is located to the northwest of Ulaanbaatar. The location of the Ereen deposit is shown in Figure 3.1.

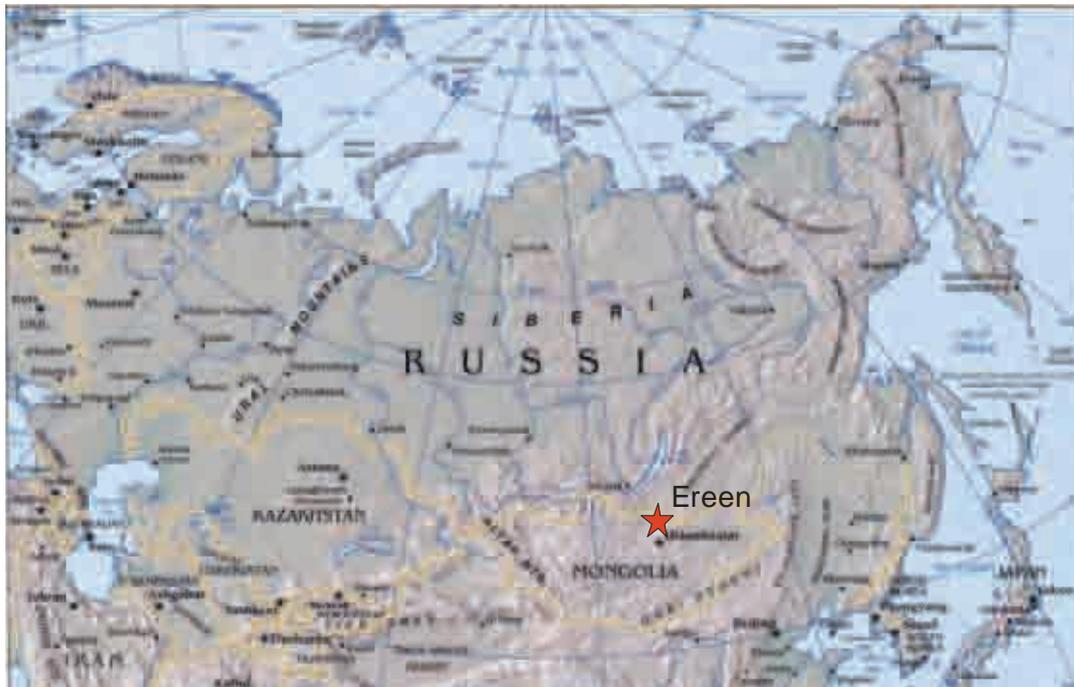


Figure 3.1: Location of Ereen, Mongolia

The licence area is located approximately 140km to the northwest of Ulaanbaatar and approximately 35km to the south of Zuunharaa which is one of the largest stations on the Trans-Mongolian Railway. Bornuur town is connected to Ulaanbaatar by paved road (105km). The main towns in the area are served by good infrastructure including power, water and communications.

There are two main access routes to the Ereen site; by paved road from Ulaanbaatar to Bornuur (110km) and then approximately 50km on unpaved road to the site, or 136km to the north of Ulaanbaatar on Boroo Gold Mine's improved earth road, and then approximately 30km by unpaved road to the site. Either way, total driving time is around 3 hours.

The existing field camp is well constructed with office space, mess, accommodation and full core preparation and storage facilities. The site also has satellite communications and generator power electricity.

3.1.2 Topography, Climate and Demographics

The topography in the immediate vicinity of the Ereen site is relatively rugged with steep sided, variably vegetated slopes dissected by narrow stream valleys. Further to the west, the valleys broaden out and, typically, grasslands prevail.

The climate of the Ereen area is harsh, with rain in the summer season and snow cover reaching 0.5m-1.0m in winter.

There are no habitations in the immediate licence area, though there are semi-nomadic herdsmen on the plains to the west.

3.1.3 Mineral Rights and Permitting

The Ereen Project comprises five mining licences. Full details of the licences are provided in Table 3.1 and Table 3.2 and Figure 3.2 below.

CAML has concluded negotiations with the Mongolian State bodies to convert the three original exploration licences into mining licences, which were approved on 20 June 2010. The mining licences are granted for a 30-year period after the date of issue. WAI has inspected the licence documentation, including coordinates, and believes it to be in order.

Table 3.1: Ereen Licence Details						
<i>Licence No.</i>	<i>Holder</i>	<i>Interest (%)</i>	<i>Type</i>	<i>Valid Until</i>	<i>Area (ha)</i>	<i>Comments</i>
6-5086	Zuun Mod UUL LLC	85	Mining	30 June 2040	1,184.08	Partially replacing exploration licence No.3441x(E) to the north, west and south of the Baavgait deposit.
2616A (M)			Mining	25 Sept 2030	50	Located within the Ereen quartz vein deposit.
4265A (M)			Mining	11 April 2032	50	Located within the Baavgait gold deposit area.
6-5088			Mining	30 June 2040	665	Located to the east, north and south of the Ereen deposit.
6-5087			Mining	30 June 2040	1,058	Located between Baavgait and Ereen after dividing exploration licence 3441X.

Table 3.2: Ereen Licence Co-ordinates

<i>Licence</i>	<i>Easting</i>	<i>Northing</i>	<i>Licence</i>	<i>Easting</i>	<i>Northing</i>
65088	106° 33' 16.26''	48° 38' 31.86''	65087	106° 31' 16.27''	48° 39' 1.85''
65088	106° 33' 16.25''	48° 36' 31.86''	65087	106° 31' 16.27''	48° 38' 31.86''
65088	106° 32' 37.25''	48° 36' 31.86''	65087	106° 31' 46.26''	48° 38' 31.86''
65088	106° 31' 46.26''	48° 36' 11.85''	65087	106° 31' 46.26''	48° 36' 11.85''
65088	106° 31' 46.26''	48° 37' 1.85''	65087	106° 31' 24.26''	48° 36' 2.86''
65088	106° 32' 26.25''	48° 37' 1.85''	65087	106° 30' 1.26''	48° 36' 28.55''
65088	106° 32' 26.26''	48° 37' 21.86''	65087	106° 30' 1.26''	48° 39' 1.85''
65088	106° 31' 46.26''	48° 37' 21.86''	4265A	106° 29' 20''	48° 37' 0''
65088	106° 31' 46.26''	48° 38' 31.86''	4265A	106° 29' 20''	48° 37' 20''
65086	106° 30' 1.26''	48° 39' 1.85''	4265A	106° 30' 0''	48° 37' 20''
65086	106° 30' 1.26''	48° 37' 21.86''	4265A	106° 30' 0''	48° 37' 0''
65086	106° 29' 0' 21.2	48° 37' 21.88''			
65086	106° 29' 21.2''	48° 37' 1.88''			
65086	106° 30' 1.26''	48° 37' 1.85''			
65086	106° 30' 1.26''	48° 36' 28.52''			
65086	106° 27' 31.2''	48° 37' 14.87''			
65086	106° 27' 31.2''	48° 39' 1.88''			

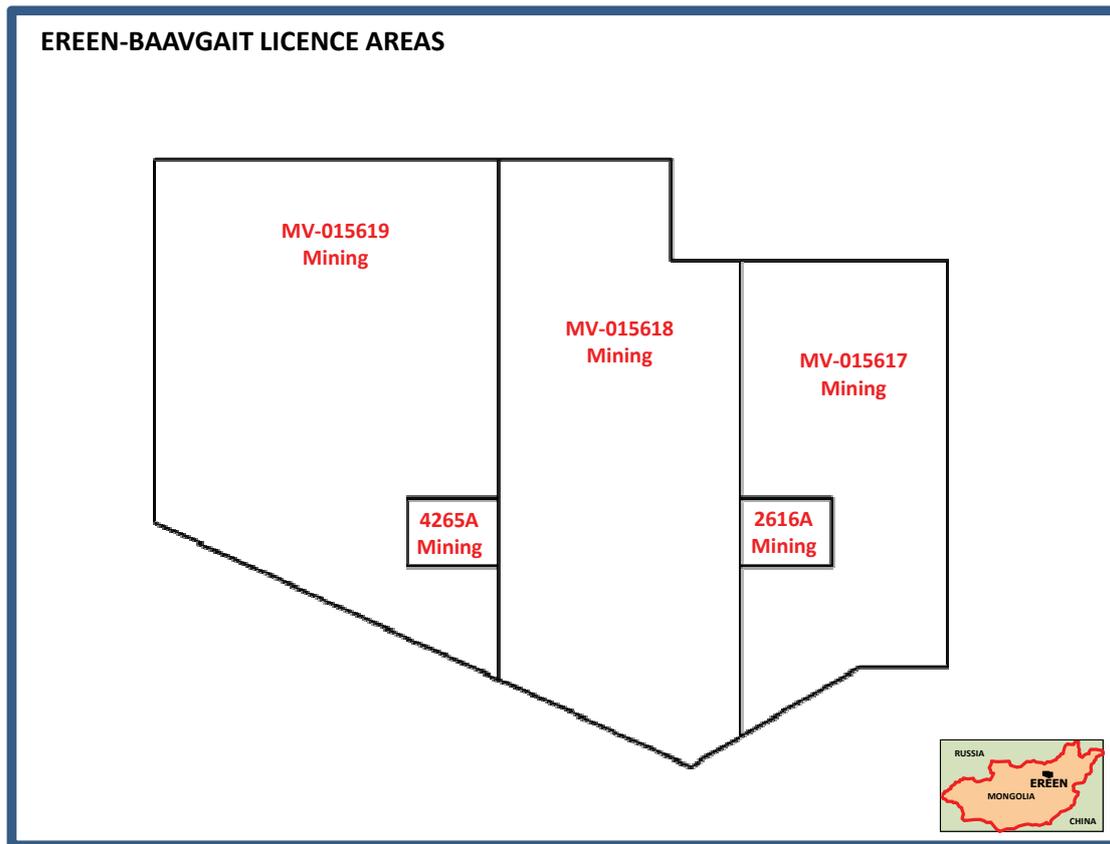


Figure 3.2: Location of the Ereen Mining Licences

3.2 History and Previous Works

3.2.1 Previous Exploration Work

The Ereen gold deposit was discovered in 1912; in 1915 Mongolor prospector's co-operative, regarded as the first Mongolia gold mining company, started gold mining at the Ereen site and at the Zuun Mod gold deposits.

Between 1957 and 1958, Mongolian and Russian geological teams conducted exploration mapping at a scale of 1:200,000 over the area, and in parallel, work at the Zuun Mod group of deposits under the supervision of V.N. Loghinov.

From 1959 to 1962, detailed exploration was focused on evaluating reserves of the Ereen vein system as well as more general exploration over other prospects in the area.

Between 1973-1995, further exploration was undertaken both regionally and at the deposit.

3.2.2 Mining Works

The Ereen deposit was first exploited by underground methods, between 1915-1919; by the Mongolor joint venture. More recent activity on a relatively small scale was undertaken by Chinese migrant workers who exploited the steeply dipping narrow veins from a series of levels up the hillside.

During WAI's 2007 and 2010 site visits, these miners were active on CAML'S licence. WAI has not seen any records, but production is believed to be low. It is understood that these illegal miners will be evicted prior to the commencement of production.

3.3 Geology and Mineralisation

3.3.1 Regional Geology

The Ereen deposit lies within the North Khentei gold belt, which is bounded to the northwest by the Bayangol fault system and to the southeast by the Yeroogol (or Sujigtei) fault system (Figure 3.3). Both fault systems have a similar southwest-northeast trend (generally 045°).

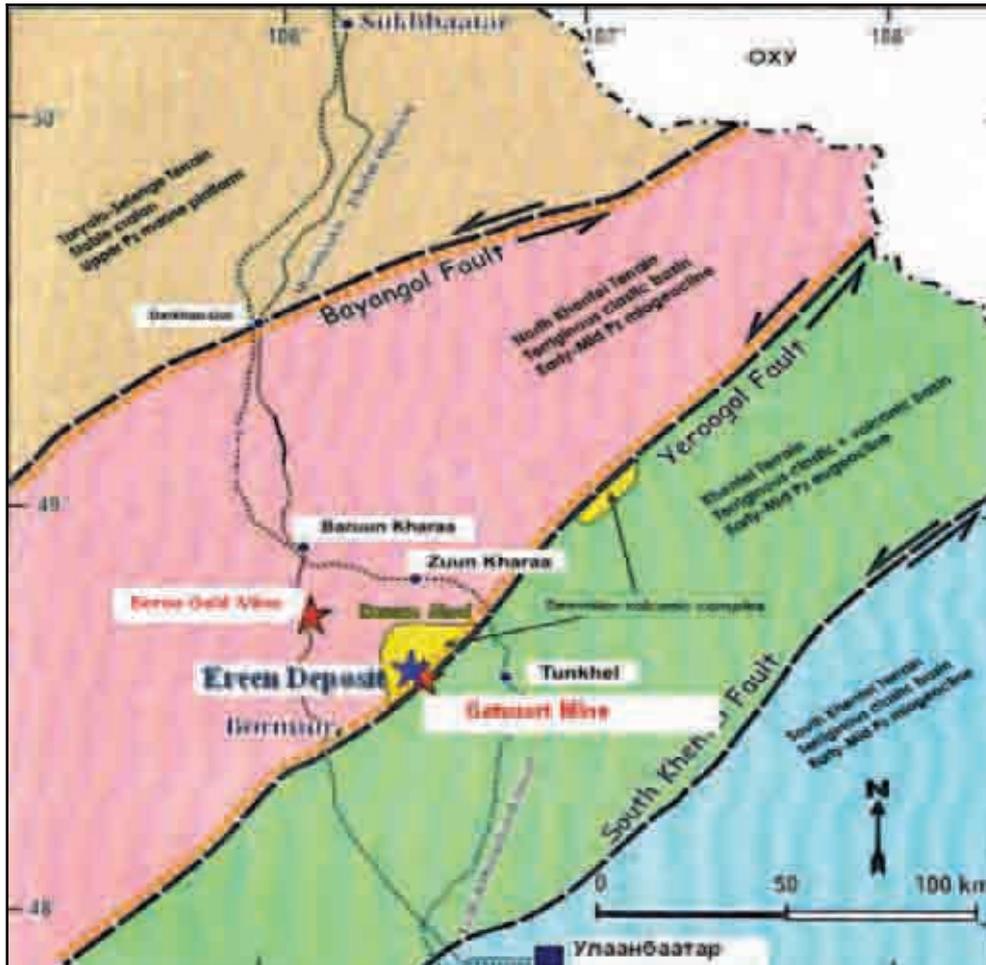


Figure 3.3: Regional Geology around Ereen

The North Khentel gold deposits and occurrences typically comprise a range of mesothermal prospects from individual quartz veins with coarse gold and low-sulphide veins to disseminated fine gold in sulphidised rocks (disseminated gold-sulphide).

The Bayangol and Sujigtey (Yeroogol) fault zones or suture zones are believed to be the principal structural elements for gold of the Bayangol terrain. This hypothesis is based on the distribution of gold placer deposits and lode gold occurrences, as well as gold and arsenic anomalies in stream sediments. (Figure 3.4)

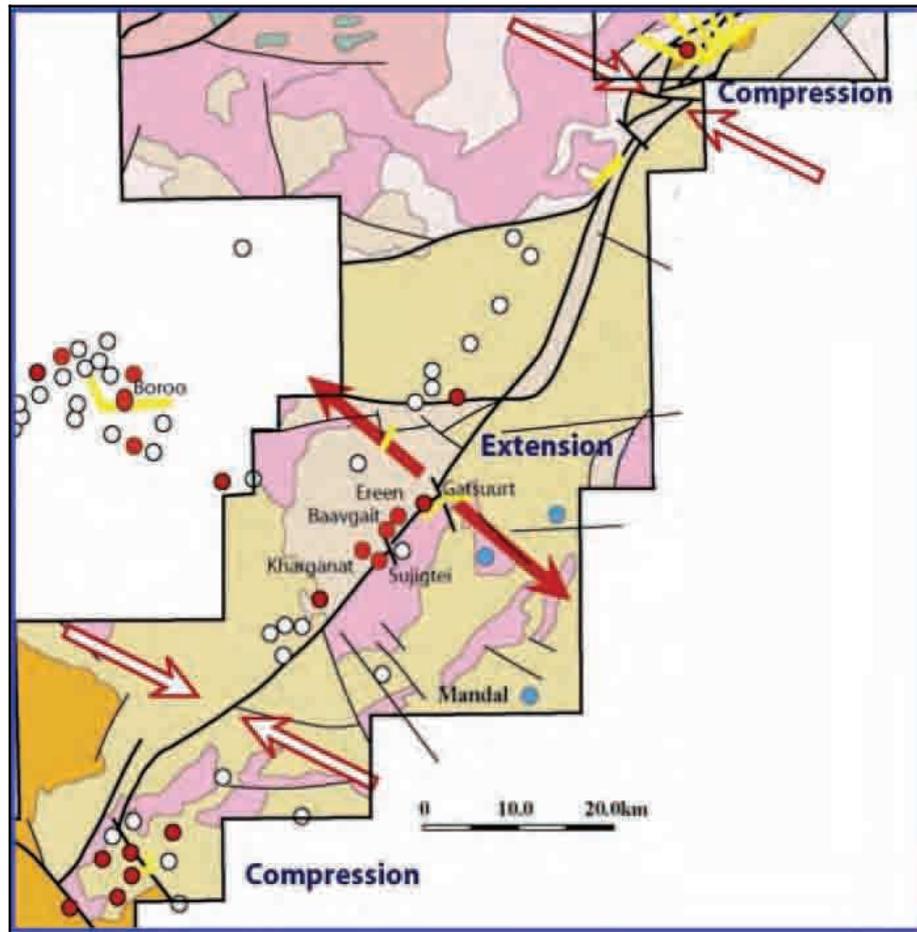


Figure 3.4: Mesothermal Gold in Extensional Environment

Ereen occurs near to the principal gold deposit in the district, Gatsuurt Mine, developed by Centerra Gold Corporation (1.2Moz of contained gold), and Boroo mine (10,169,000t @ 3.5g/t Au, 1Moz of contained gold).

The Sujigtei fault separates Devonian rhyolites (which host Ereen) in the west from Palaeozoic granites in the east. Well understood ore-controlling factors at Gatsuurt could be similar to those at Ereen.

3.3.2 Ereen Local Geology

3.3.2.1 Ereen

Previous mining data suggested that the Ereen deposit consisted of two quartz veins, localised in Devonian rhyolites surrounded by weak alteration halos.

Vein 1, which has a length of 500m and width from a few centimetres to 1m (average 0.25-0.35m), strikes to the northeast and dips gently (35-45°) to the southeast. Gold grades vary from trace to 409g/t along the strike and depth extension of the vein. Better grades (from 14g/t to 363.4g/t Au) were distributed in the middle and deeper parts of the vein, with near-surface grades (down to 40m) considered uneconomic.

Ore minerals are pyrite, arsenopyrite, tetrahedrite, chalcopyrite, sphalerite, galena, scheelite, malachite, azurite, limonite and free gold. Free milling gold is associated with quartz, galena and arsenopyrite. The average size of visible gold was 1mm.

Vein 2 is located in the northeast part of the deposit, strikes northeast and dips gently (12°) to the northwest. It has a strike length of 200m and an average thickness of 0.4m. Trenching was undertaken in 1959-1960 and showed the average thickness of the vein to be 1m on surface and to be surrounded by a 7m wide silicified halo. Gold grade varied from 0.5g/t to 2.7g/t on the surface.

3.3.2.2 Baavgait

The deposit was exploited by underground means during 1913-1919 by “Mongolor” joint venture which identified 2 quartz veins localised in Devonian rhyolites.

The east-west striking “Main” vein dipped to the north at 40- 45°, is 100m long and 1.5-2.0m thick; and the average grade varied from 15g/t to 25g/t Au and from 25g/t to 30g/t Ag. Higher gold grade was concentrated in vein selvages in association with sulphides. Ore mineralogy is similar to Ereen, but native silver was also identified at Baavgait.

The second vein is located sub-parallel to the “Main” vein, strikes NW-SE and dips to the northeast at 50°. However, it was reportedly narrow and was never exploited.

Exploration at a scale of 1:2000 was conducted between 1959-1962, old dumps were re-explored, sampled, documented, old trenches were cleaned out, surveyed and sampled. This prospectors’ cooperative sank 3 drifts which were 262m, 230m and 21m in length and a number of auxiliary drifts/entries/and raises were mined. The thickness of the vein in the upper horizon was 1.7m. The vein typically strikes to the NW at 280° and dips to NE at 40°.

Figure 3.5 shows the local geology around Ereen and Baavgait, whilst Figure 3.6 shows the location of the underground workings at Baavgait.

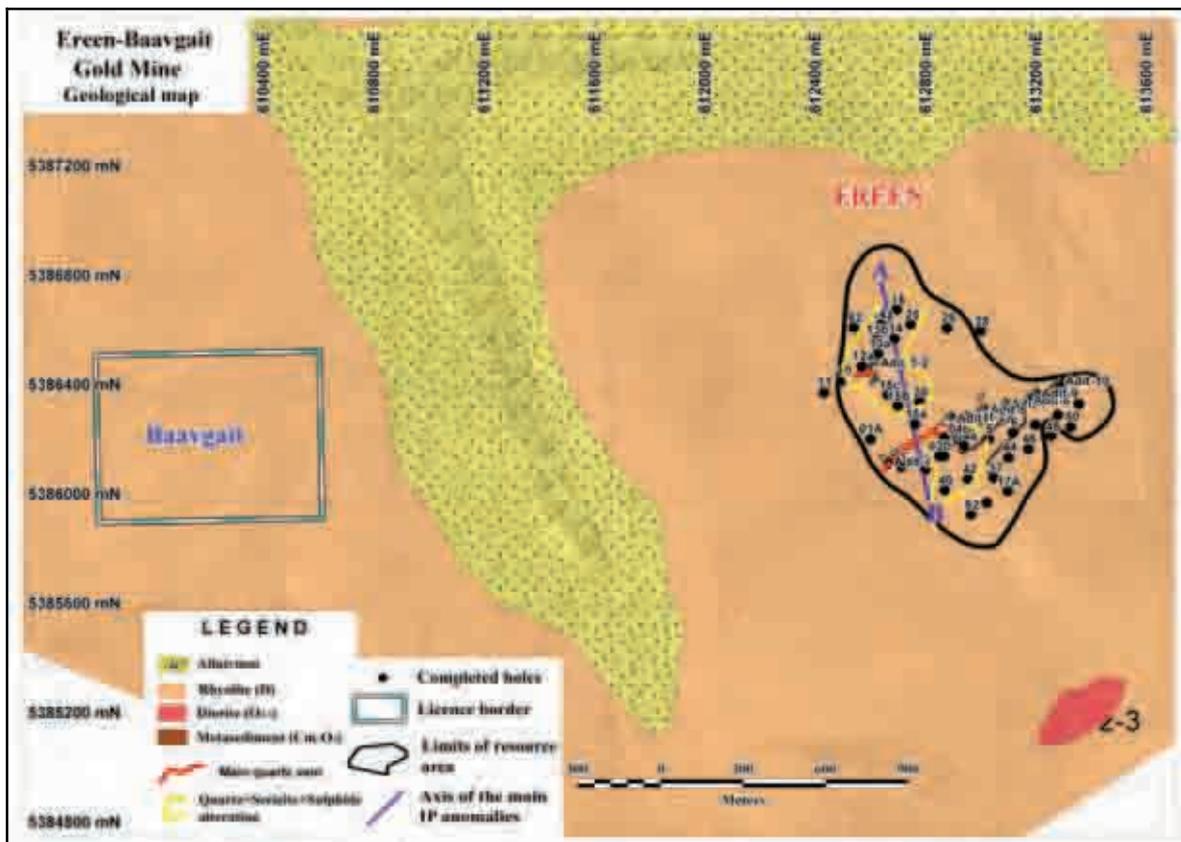


Figure 3.5: Ereen-Baavgait Local Geology

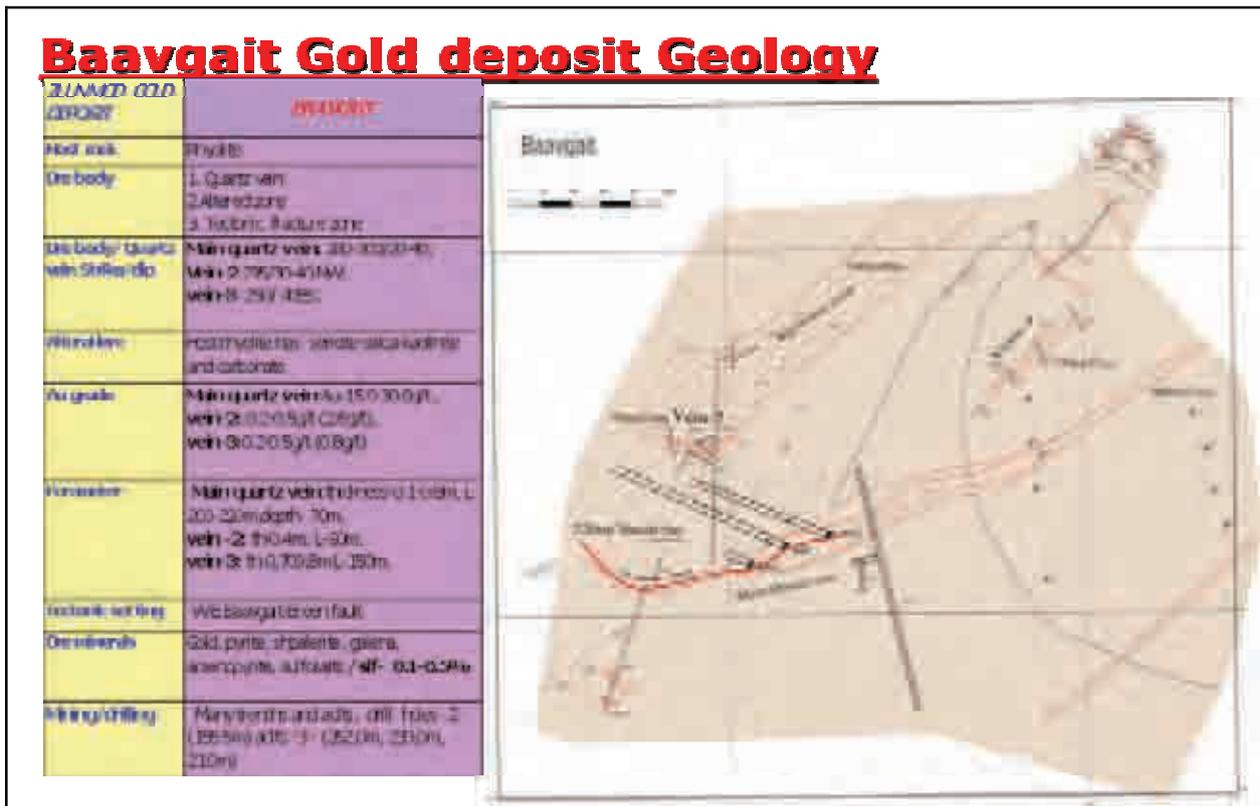


Figure 3.6: Schematic showing Location of Underground Adits at Baavgait

The Baavgait deposit has similar geology to Ereen, being associated with a large tectonic belt, trending northeast-southwest, located within the central part of Zuunmod quartz porphyry massif. The deposit is made up of quartz veins, together with a silicified zone containing gold-bearing sulphides associated with the fault zone or the rock affected by hydrothermal alteration.

Ore bodies are located along fractures inside the rhyolite porphyry, which is a direct continuation of that seen at Ereen. Hydrothermal alteration consists of sericitisation, silicification, pyritisation, carbonatisation. In rare cases, epidote and chlorite can be seen.

The width of the zone affected by hydrothermal alteration is typically 5-10m. The ore body associated with this alteration strikes to the NE at 14°, and dips to the SE at 31°; and is found over a distance of 258m.

3.4 Previous Work by CAML

3.4.1 Introduction

CAML has instigated a major exploration programme over the Ereen (and Baavgait) projects utilising soil geochemistry, core drilling and geophysics (in 2007) including magnetic and IP surveys at a scale of 1:10,000 which covered the principal areas of the Baavgait and Ereen gold deposits by average gradient and dipole methods. Underground sampling of historic adits was also undertaken.

These works are designed to target:

- Two main Au-quartz veins with Au grades in Vein No 1 from trace to 400g/t and in Vein No 2 averaging 14g/t;
- Au-bearing disseminated sulphide mineralisation with intensive alteration including potassic, quartz-sericite, propylitic and chlorite alteration zones with pyrite and arsenopyrite; Au grade in silica zone between 0.1-8.2g/t Au, in chlorite zone from 0.5-2.7g/t Au; and
- Au-bearing tectonic fracture zones.

3.4.2 Geophysical Surveys

3.4.2.1 Methods

Induced Polarisation (IP) was utilised to determine the boundaries of the sulphide mineralisation. A grid spacing of 200 x 50m was used with a line length of between 1,500-3,000m.

The ground magnetic survey, which was conducted by GEOSAN LLC, used a grid spacing of 100 x 50m and was performed using proton survey equipment GSM-19T manufactured by “Scintrex” in Canada.

3.4.2.2 Results

Ereen Northern and Southern Bodies

The results of the IP survey conducted in 2007 have shown a north-northwesterly striking anomaly, which has been subsequently proved by drilling to coincide with the Ereen gold mineralisation (Figure 3.7).

The Ereen IP anomaly outlines a mineralised area and reflects a considerable sulphide presence. The anomaly (Figure 3.7) is characterised by NNW strike and is inclined towards the same direction. IP profiles demonstrate that the IP gradient, rather than the anomaly itself, controls mineralised intervals as seen in exploration drill holes. The southern, western and north-eastern extensions of the anomaly were targets for a detailed IP survey conducted in September 2008.

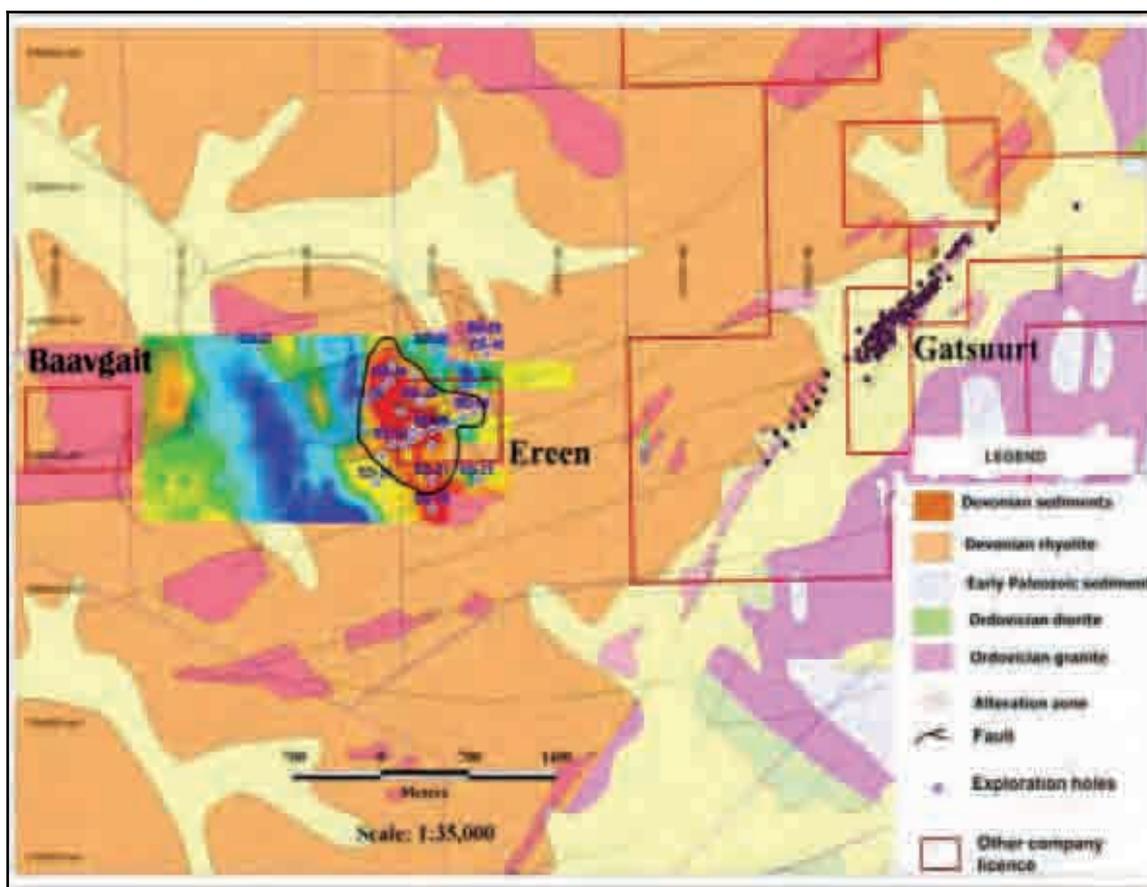


Figure 3.7: 2007 IP Survey Results

The IP chargeability anomaly outlines the Ereen gold mineralisation as demonstrated on the IP map at a depth of 50m (Figure 3.8), which includes the anomaly itself and surrounding zones of anomaly gradients.

The resistivity pattern reflects deep-seated zones of intensive silicification that can be developed along the structures.

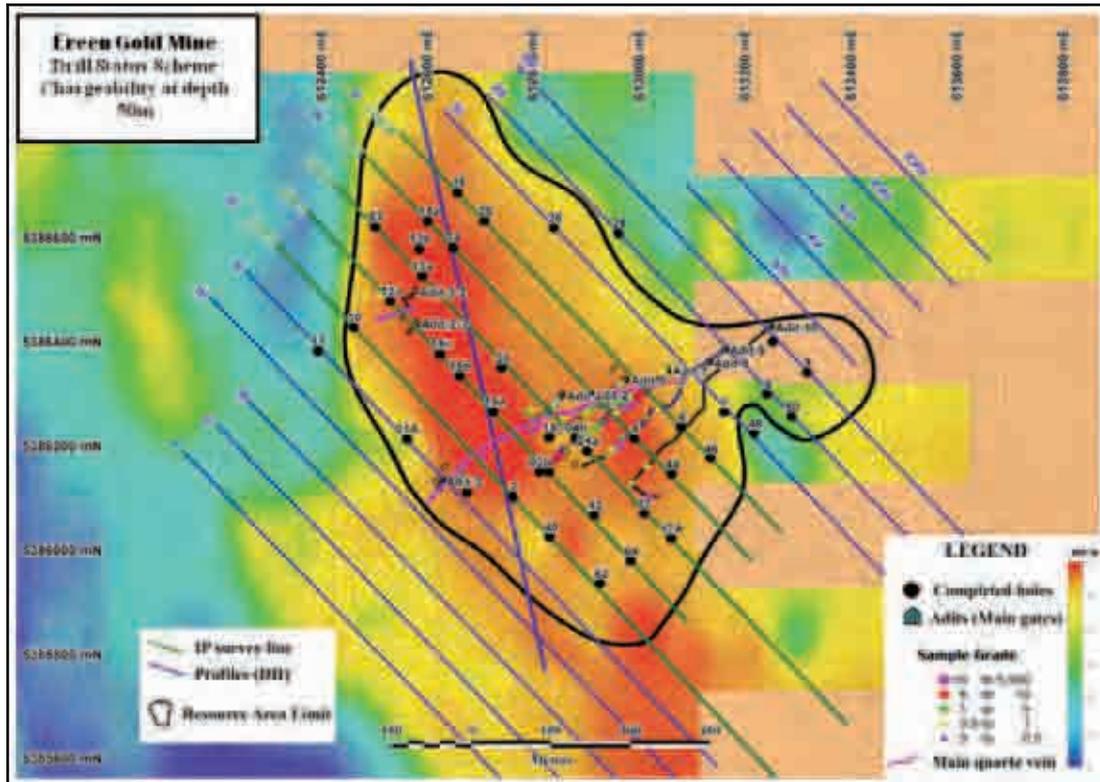


Figure 3.8: Ereen IP Chargeability Anomaly and Drillhole Locations

Resistivity zones most probably reflect east-west striking deep-seated intensive silicification, which follows the southeast dip direction of the main gold-bearing quartz vein system. The resistivity pattern also demonstrates a necessity to continue an IP-resistivity survey in a southerly direction.

Ereen South Eastern Extension

The recognition of the potential of the Ereen south-eastern extension for gold-bearing sulphide mineralisation is based on the spatial coincidence of high intensity magnetic and IP anomalies. The IP and magnetic anomalies of the main Ereen area can be traced to the south east for more than 800m with widths varying from of 260-500m (Figure 3.9); the 3D view of basic block model is shown in Figure 3.10.

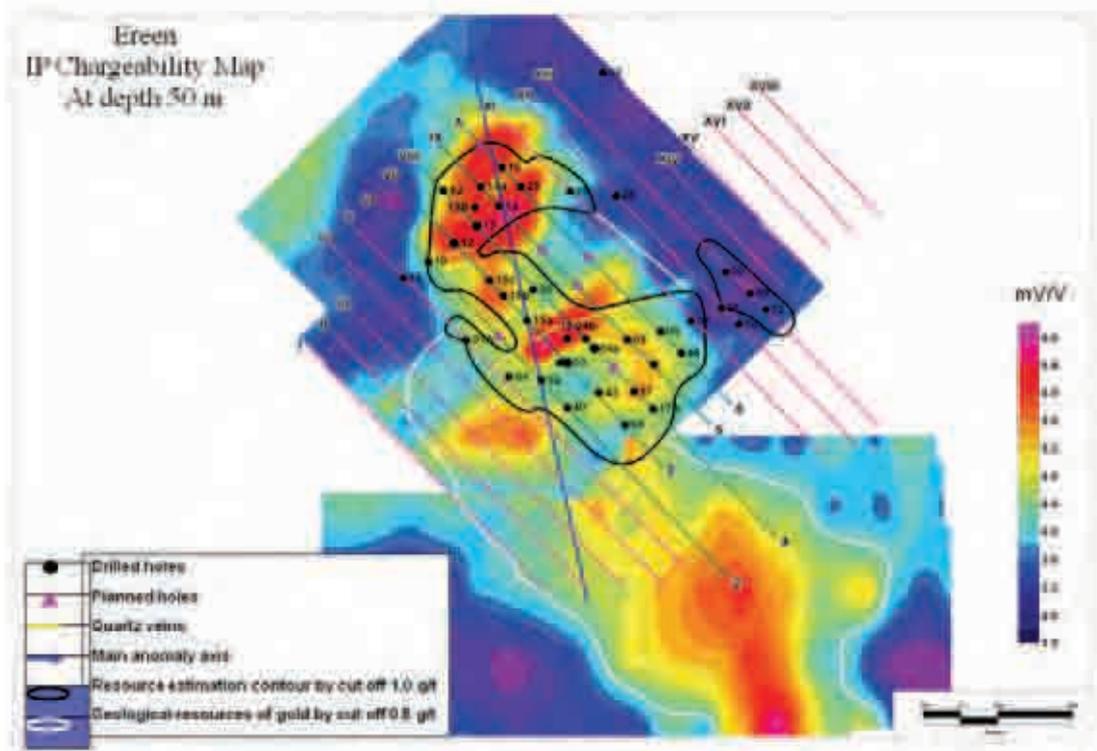


Figure 3.9: Ereen Chargeability Survey Showing South Eastern Extension

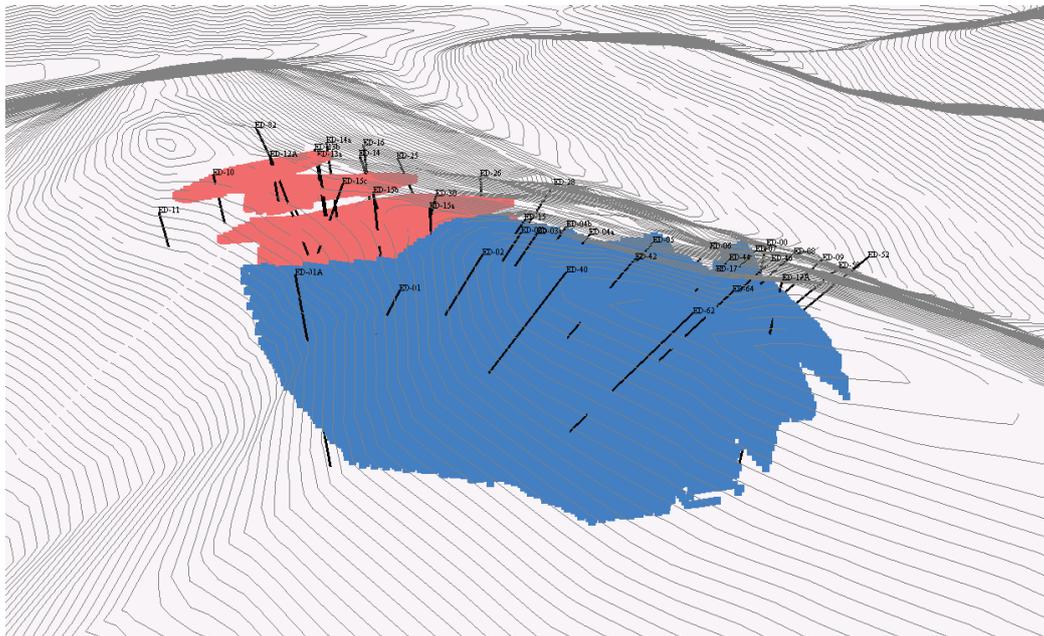


Figure 3.10: Ereen Resource Area Block Model (3D View)

South Eastern Extension (Blue)

3.4.2.3 Soil Geochemistry

A geochemical survey was conducted between May and September 2007 with 365 stream and soil samples collected in and around the Ereen – Baavgait area. The soil sample results are shown on Figure 3.11 below.

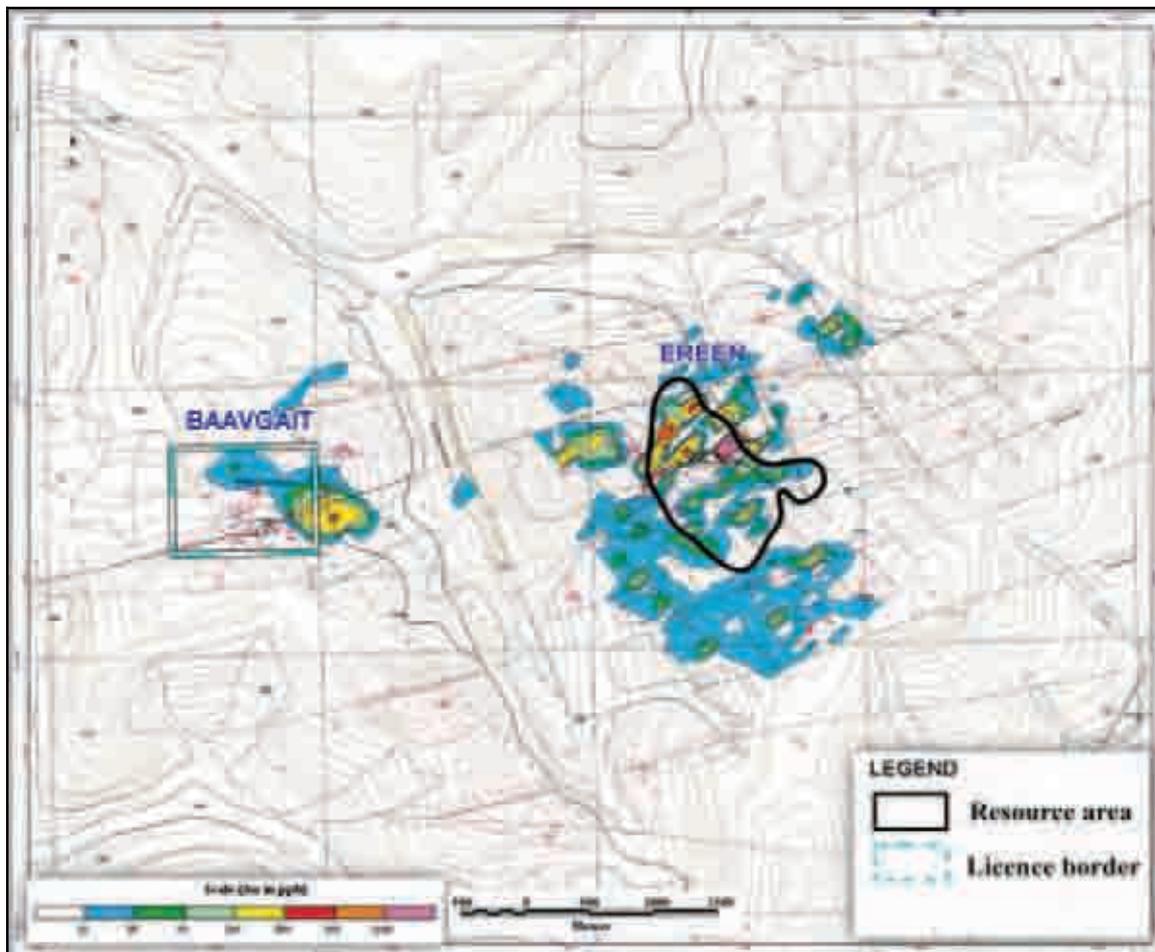


Figure 3.11: Soil Geochemistry Results

At that time, five geochemical associations were identified: Au-As, Pb-Zn-Cu, Ba-Sr-Be, Mn-K-V-Cr, and Ti-Na. A multi-stage gold deposition is reflected in this complex correlation pattern, with low Au grades (≤ 20 ppb) correlating with Ba, K, Mn; medium level grades – with Cu, Cr; and high grades mostly with As and locally with Pb-Zn.

The Ereen deposit geochemical anomaly, which has a north eastern strike, has a Au-Pb-Zn-Cu signature and occurs inside the zone of north-easterly striking regional fault.

Gold-in-soil anomalies occur in the northern part of the Ereen area and coincide with intense mineralisation as defined by drilling and with a deep-seated IP anomaly. Thus, the geochemical anomalies of the Ereen area are considered to be highly indicative of mineralisation and are open for further exploration to the northeast and southwest.

The Baavgait geochemical anomaly is hosted by intensely altered rhyolites traced for nearly 1000m in an east-west direction with approximately 100m thickness, though the anomaly remains open to the west and east.

3.4.3 Drilling Programme (2007-2008)

3.4.3.1 Introduction

Drilling at Ereen started in September 2007 and continued throughout 2008; three drilling contractors, Mongolian, Korean and Canadian companies were used by CAML. Drilling was performed using HQ (76mm) and NQ (59mm) double tube core barrels and Boart Longyear downhole gear. The core was

of good quality and observed recoveries were very good. The preferred contractor was the Canadian company Landdrill, which drilled 35 out of the 44 holes.

The aim of the drilling programme was to outline resources, with drill holes targeted by intensive gold-in soil anomalies and by chargeability anomalies.

In all a total of 44 drill holes totalling 10,000m of drill core were completed. From this work, the mineralised area was broadly defined.

WAI considers that the drilling contractors who operated at Ereen appeared to be highly professional, producing and handling core and down hole surveying in a diligent manner.

3.4.3.2 Geological Logging

Diamond core was logged using a standard logging sheet by a team of two experienced geologists who had a good understanding of the mineralisation types. The logs contain additional columns for mineralisation and alteration styles to allow a more pictorial representation of the key elements of each drill hole. The core was logged in a newly built large, heated, core laboratory. The core loggers paid special attention to hydrothermal alteration types in order to determine the paragenesis.

3.4.3.3 Core Sampling and Sample Transport

Once the core was cut, it was sampled by the geologist in charge of the hole. The sample interval used was typically 2m in length. Sample details (drill hole number, interval and lithology) were recorded in a ticket book and a ticket number placed in each sample bag.

Drill core was then placed into numbered cloth sample bags and these were inserted inside larger bags for transport to the lab in Ulaan Baatar. CAML sealed all samples with tamper-proof clip-lock seals and Actlabs supplied a written confirmation to CAML that a batch of samples had arrived with tamper proof seals intact. This provided CAML with an independent record detailing an appropriate chain of custody.

3.4.3.4 Sample Storage

Core and preparation sample rejects were stored in a separate facility in Ulaanbaatar. Core boxes were arranged by drill hole, well labelled and each box sealed with a plywood top. Sample rejects were stored by drill hole in cloth bags. The storage shed was well organised, clean and secure.

3.4.3.5 Sample Preparation and Assaying

The original drill core was cut with a diamond saw at the site before being shipped to ActLabs in Ulaanbaatar for sample preparation and subsequent assaying. One half of the core was used for assaying; whilst the other half remained as a duplicate at the Ereen core storage facility. The core storage boxes were numbered and sealed with the plastic and plywood.

CAML inserted 1 standard and 1 blank to every twenty samples as a part of the QA & QC procedures. Blank samples were used to test the sample contamination during the sampling, preparation and analytical process.

The standards were purchased from the Actlabs Ltd, an ISO 17025 and CAN-P-1579 certified laboratory located at 36 Engels St., Bayangol District, Ulaanbaatar, Mongolia. A number of gold standards were chosen for the Ereen programme and each one was analysed by CAML several times. The average deviation and standard deviation were calculated for each standard and subsequently used to evaluate the accuracy of the results via time plots.

The sample preparation was done at ActLabs in Ulaanbaatar, Mongolia. Core samples were assayed using an acid digestion process followed by AAS. The sample preparation and assay preparation facilities were staffed by experienced personnel and the laboratory manager had a solid understanding of QA & QC issues.

The quality of the analytical work performed was reviewed. The results were considered to be acceptable. The standards performed well, with only 5% failing. The accuracy of Actlabs gold results was considered acceptable.

WAI considers that the check analyses of duplicates performed at the different labs at that time were within accepted limits.

3.4.3.6 Ereen Drilling Results

The drilling programme was initiated to verify the ore zone identified by earlier geologists and the latest geophysical and geochemical anomalies.

As a result, the following holes were found to be mineralised (Figure 3.12): ED-14, ED-12a, ED-25, ED-16, ED-40, ED-64, ED-62, ED-30, ED-15, ED-15b, ED-15a, ED-42, ED-13b, ED-14a and ED-17.

Holes ED-03, ED-04 and ED-13, drilled in winter, were re-drilled in order to increase the depth; the maximum depth was 135m prior to re-drilling. These re-drilled holes were renamed ED-04a, ED-03a and ED-13a. Later, these holes were relocated by 30-50m and drilled in order to verify the mineralisation, alteration and geophysical section and numbered ED-04b, ED-03b and ED-13b.

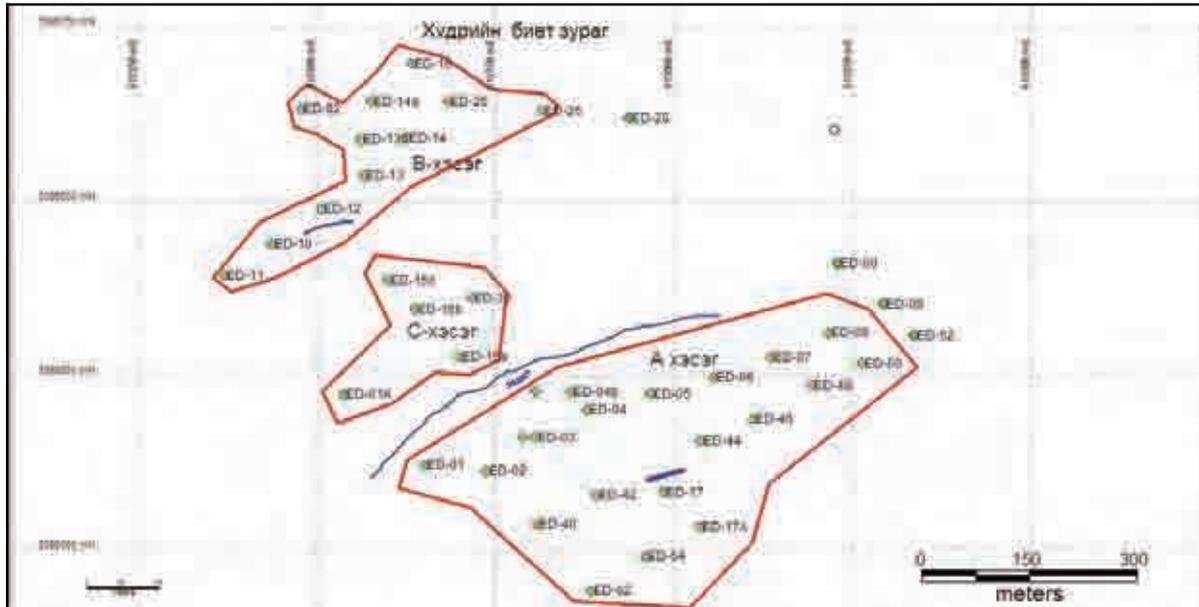


Figure 3.12: Mineralised Zones, Ereen

Some of the good gold intersections included:

ED-17 45-46m, 1m @ 2.54g/t; 94-98m, 4m @ 1.75g/t, and 210-217, 7m @ 1.66g/t.

ED-40 206-215m, 9m @ 3.37g/t (included three intersections >5g/t Au which have been ascribed values of 5g/t). Photo 3.1 shows coarse gold in a silicified zone at 212m in ED-40.

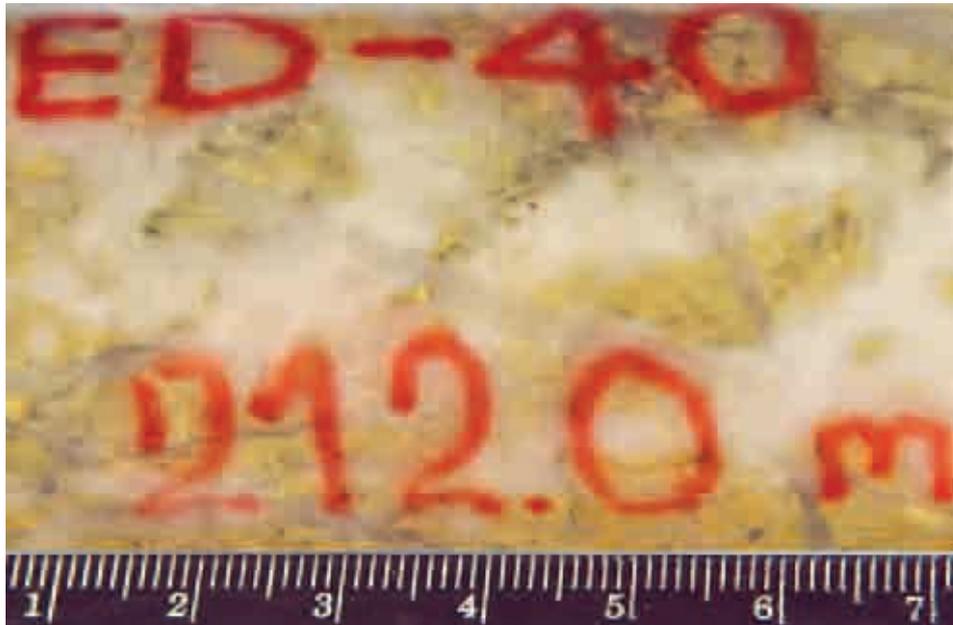


Photo 3.1: Coarse Gold in Silicified Zone, ED-40

One of the principal results of the drilling was the realisation that the gold mineralisation was related to the gradients of the IP anomaly and not the high intensity centre of the anomaly which may well be related to sulphidic mineralisation.

From these works, it was possible to divide the mineralisation up into three parts as follows:

Part A or Orebody 1 – this mineralisation zone in the southeast of the area was defined by holes: ED-01, ED-02, ED-03, ED-04, ED-04a, ED-05, ED-06, ED-07, ED-08, ED-17, ED-17a, ED-40, ED-42, ED-44, ED-46, ED-50, ED-62 and ED-64. Holes ED-00, ED-09 and ED-52 were excluded from this list since they contained no considerable mineralisation and ore bearing alteration was insignificant. CAML considered that deeper (350-450m) holes should be drilled in order to verify the presence of mineralisation.

Part B or Orebody 2 – this zone in the northwest of the area was delineated by drill holes: ED-13a, ED-13b, ED-14, ED-14a, ED-16, ED-25 and ED-82. Also 3 more drill holes ED-10, ED-11 and ED-12 were drilled but no prospective gold mineralisation was observed, though CAML believes that these holes were not drilled deep enough to intersect gold mineralisation. The main orebody B was characterised by the results of drillholes ED-25, ED-16 and ED14a. In addition, further drill targets were considered to lie at depth, peripheral to holes ED-26 and ED-28.

Part C or Orebody 3 – although there is no indication of outcropping mineralisation, results of a few holes, drilled to verify the geophysical anomaly, showed prospective gold mineralisation. It is possible that a 1-5m thick orebody with grades higher than 5g/t Au may be present as indicated by holes ED-15c, ED-15a, ED-15b and ED-30, and as such continued drilling was recommended in this zone.

WAI considers that the exploration works undertaken at Ereen at that time showed significant mineralisation in and around the existing known vein gold mineralisation. Exploration work had delineated a mesothermal quartz vein system with volcanic-hosted disseminated mineralisation associated with quartz-sericite-carbonate and intensive silicification alteration zones. The area has approximate dimensions of 750 x 650m and assay results indicated gold mineralisation averaging >2g/t Au.

Geophysical and geochemical data appear coincident, though drilling has shown that it was the gradient areas of the IP anomalies which appeared most prospective. This has meant that some early holes did not intersect mineralisation, but the more recent holes in the programme were better targeted.

From this drill programme, the mineralisation remained open at depth and was not properly closed off laterally. Furthermore, no drilling was undertaken at Baavgait, or in the zone between the two prospects which may yield additional mineralisation.

3.4.4 Drilling Programme (2009)

Further drilling was conducted at Ereen and Baavgait during 2009, by the Canadian drill contractor Landdrill, utilising the same equipment as was utilised in the 2008 programme. WAI understands that CAML adopted exactly the same logging, core cutting, sampling and analysis methodology that is described in section 5.4 above. The location of the drill holes (planned for and drilled in 2009) is given in Figure 3.13 below.

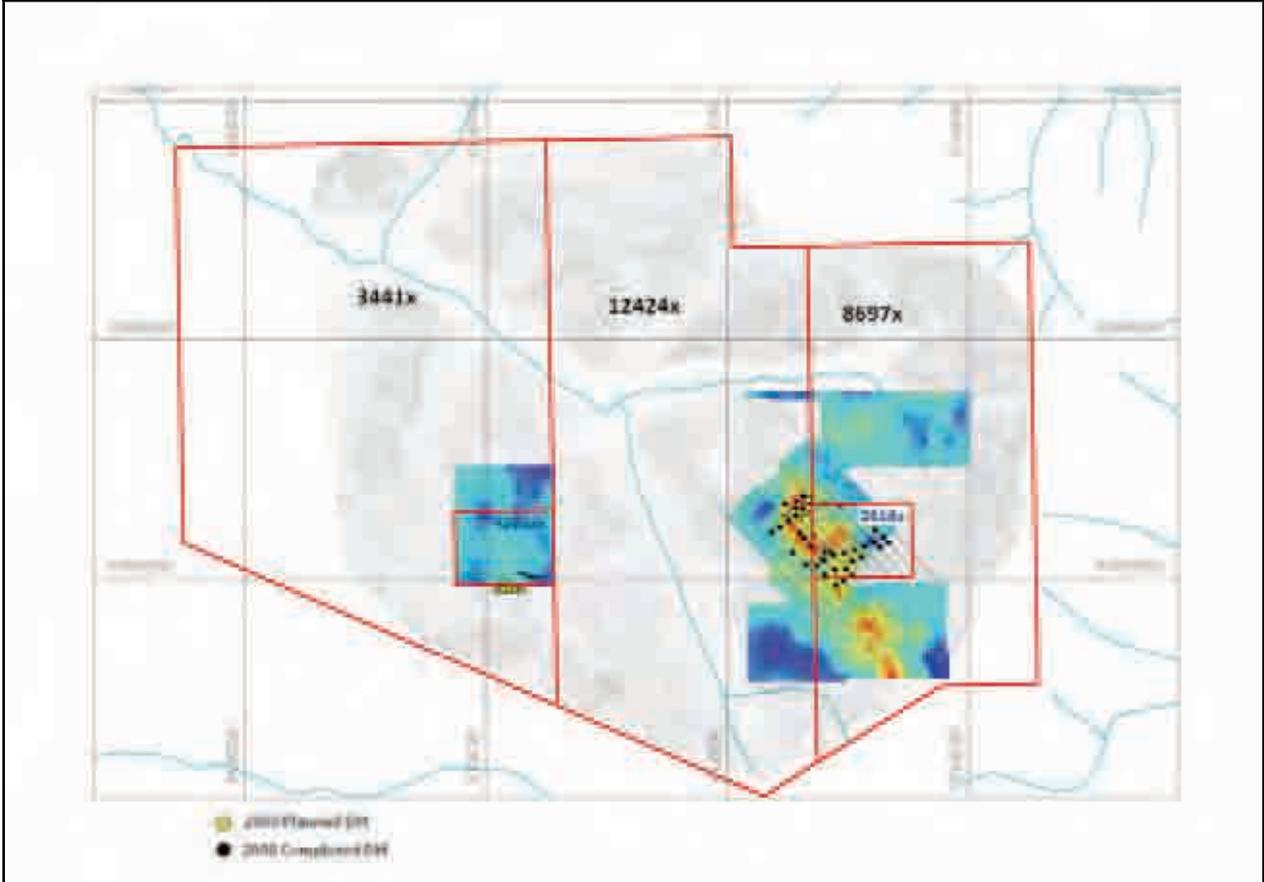


Figure 3.13: Location of 2009 Drill Holes at Ereen and Baavgait
(Marked as yellow dots now completed – Scale between grid lines 2km)

A total of 4 additional holes were drilled at Ereen totalling 1,249.55m and 5 holes drilled at Baavgait totalling 542.85m. The drill programme is summarised in Table 3.3 below.

Table 3.3: Summary of Drilling (2009)						
<i>Month Drilled</i>	<i>Number of drill hole</i>	<i>Depth of Drill Hole</i>	<i>Recovery</i>	<i>Direction</i>	<i>Dip angle</i>	<i>No. of Samples</i>
June 2009	ED-12-1	299.50	98.20	140	-60	212
	ED-13-1	340.00	96.30	140	-60	279
	ED-13-2	310.20	98.90	140	-60	212
	ED-14-2	299.85	96.80	140	-60	219
Sub total		1,249.55				922
July 2009	BD-4	300.00	97.80	250	-60	196
	BD-5	59.10	98.95	250	-60	33
	BD-6	62.30	95.30	250	-60	44
	BD-3	61.10	98.00	250	-60	54
	BD-7	60.35	95.20	250	-60	40
Sub total		542.85				367
Total		1,792.40				

3.4.4.1 Baavgait Drilling Programme

Five holes (Hole Nos. BD 3-7) were drilled to intersect the structure identified in the exploration adits and defined by a strong chargeability anomaly.

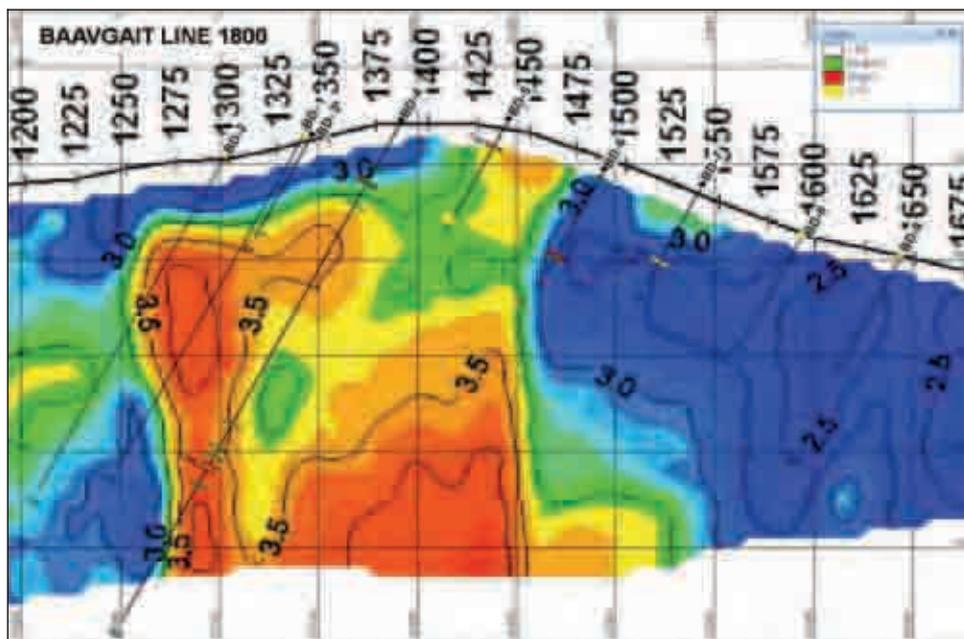


Figure 3.14: Cross Section showing Location of Drill Holes in Relation to Chargeability Anomaly

At Ereen four holes were drilled numbered ED-12-1; ED-13-1; ED-13-2 and ED-14-1 (see location plan in Figure 3.15). A summary of the best intersections is given in Table 3.4 below.

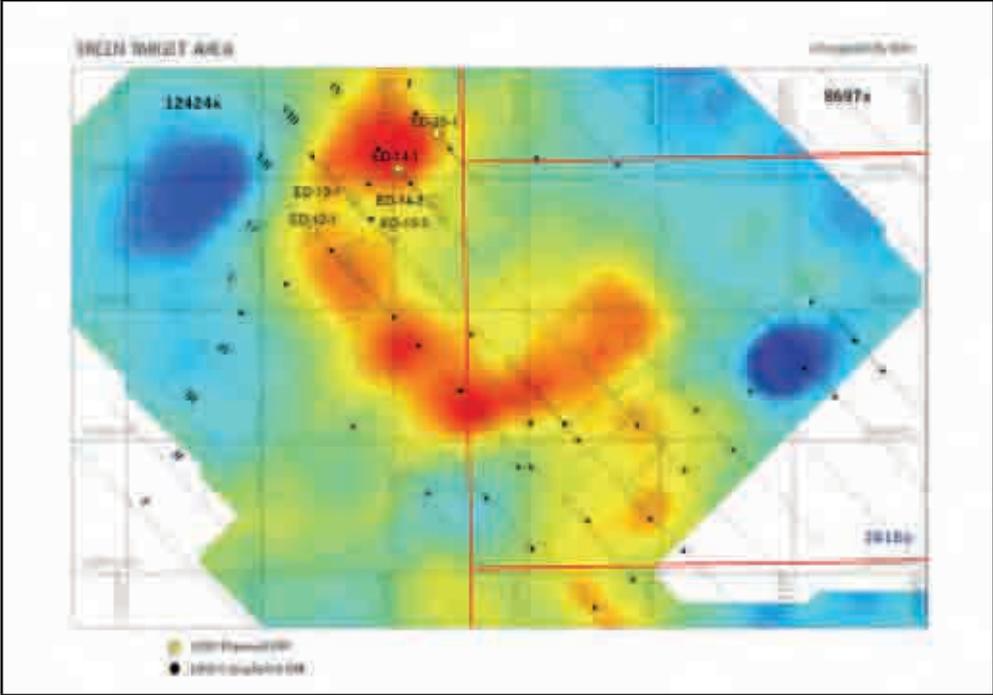


Figure 3.15: Location of 2009 Drill Holes at Ereen (Yellow dots)

Table 3.4: Summary of 2009 Drill Hole Intersections

<i>Hole Number</i>	<i>From (m)</i>	<i>To (m)</i>	<i>Width (M)</i>	<i>Au g/t</i>	<i>Comments</i>
ED-12-1	30.0	32.0	2.0	3.85	Light rhyolite; moderately to weakly silicified and sericitic. Numerous narrow quartz veinlets.
		including	1.0	5.78	
ED-12-1	54.0	56.0	2.0	0.75	Light rhyolite; weakly silicified; no sulphide impregnation.
		including	1.0	1.04	
ED-12-1	68.10	68.8	0.7	0.35	Light rhyolite; weakly silicified, potassic feldspar.
ED-12-1	77.8	79.0	1.2	0.53	Light rhyolite; moderate to weakly silicified; weakly oxidised in fractures; comprises impregnations of sulphides.
ED-12-1	87.0	88.0	1.0	0.31	Light green rhyolite
ED-12-1	105.0	106.0	1.0	0.42	Weakly silicified and potassic alteration; impregnations of sulphides.
ED-12-1	147.4	148.0	0.6	5.06	Light yellow rhyolite; moderately silicified and sericitised.
ED-12-1	197.0	198.0	1.0	1.53	Green to light rhyolite; many narrow quartz veinlets and weakly oxidised in fractures.
ED-12-1	227.0	229.0	2.0	0.99	Light rhyolite; narrow quartz veinlets with impregnations of sulphides.
		including	1.0	1.52	
ED-12-1	271.0	273.0	2.0	0.54	Light rhyolite.
ED-12-1	280.0	285.0	5.0	1.19	Light to grey rhyolite; moderately to weakly silicified.
		including	1.0	2.68	
ED-13-1	17.0	18.0	1.0	0.5	Light brown rhyolite porphyry; moderately oxidised in fractures; weakly silicified; quartz veins and veinlets.
ED-13-1	68.0	69.0	1.0	0.45	Reddish light rhyolite; weakly to moderately k spathised and silicified
ED-13-1	107.0	108.0	1.0	0.34	Reddish grey rhyolite porphyry; many quartz vein and veinlets; weak potassic-alteration, weakly oxidised in fractures and veinlets.
ED-13-1	112.0	115.0	3.0	0.68	
		including	1.0	1.29	
ED-13-1	118.0	120.0	2.0	0.32	
ED-13-1	122.0	123.0	1.0	0.33	
		including	1.0	0.66	
ED-13-1	141.0	144.0	3.0	0.66	Light grey rhyolite porphyry; weak potassic alteration; and silicified; many quartz vein and veinlets
		including	1.0	1.09	
ED-13-1	188.0	190.0	2.0	0.83	Light rhyolite; weakly to moderately silicified and weak potassic alteration; many narrow quartz vein and veinlets; some stockworks.
		including	1.0	1.36	
ED-13-1	193.0	200.0	7.0	1.88	
		including	4.0	2.89	
ED-13-1	206.0	210.0	4.0	2.05	
		including	3.0	3.99	
ED-13-1	218.0	226.0	8.0	0.86	
		including	1.0	1.57	
		including	2.0	1.14	
ED-13-1	249.0	250.0	1.0	0.62	Light brown rhyolite; weakly silicified; sulphides.
ED-13-1	270.0	272.0	2.0	0.43	Light brown to light grey rhyolite; weakly silicified; many narrow quartz veinlets; weakly oxidised fractures.
ED-13-1	310.0	312.0	2.0	0.65	Light rhyolite porphyry. Potassic alteration and silicification; cut many narrow quartz vein and veinlets; quartz veinlets following sulphidation; @308-313m weakly oxidised in fractures.
		including	0.3	1.14	

3.5 Mineral Resources

3.5.1 Kazakhstan Mining Company (2008)

A preliminary Mineral Resource estimate was made for the Ereen deposit by Kazakhstan Mineral Company, based in Almaty, in October 2008, utilising the Micromine[®] version 10.1 software.

3.5.1.1 Summary of Results

Given the relatively limited data available at that time, it was not possible to derive a geostatistical (kriging) estimate for Ereen, although the commonly used IDW2 method proved acceptable.

However, the existing density of the exploration grid (pattern) determined that the majority of the Mineral Resource was classified at *Inferred* status (more than 98%) (In accordance with the guidelines of the JORC Code (2004)), though the deposit showed sufficient magnitude and tenor to warrant further study.

Thus, using a 1g/t Au cut-off, an *Inferred* resource of 9.7Mt @1.73g/t Au was estimated, with a further 57kt @ 1.43g/t Au in *Measured + Indicated* (See Table 3.5 below).

Additional geological resources were estimated for the Ereen south-eastern extension of 34.1t Au (1.1 Moz Au) @ an average grade of 1.57g/t Au (0.5g/t Au cut-off) and 24t Au (771,670oz Au) @ 1.0g/t Au cut-off). These figures are based on an area of 756,140m² and an average mineralised interval thickness of 10.65m.

The preliminary resource estimate prepared by Kazakhstan Mining Company indicated the approximate scale and grade of the Mineral Resource which was still open both along strike and down dip. WAI reviewed the resource methodology and was satisfied that given the exploration nature of the data, the procedures adopted were appropriate and results obtained accurately derived.

However, it was evident at that time that considerable additional drilling was required to both expand the resource base and infill the existing drill pattern to provide more confidence in the resource base.

<i>Cut-off grade</i>	<i>Volume (m³)</i>	<i>Ore (t)</i>	<i>Au (g/t)</i>	<i>Category</i>	<i>Metal (kg)</i>
3	217,075	586,102.5	3.672	<i>Inferred</i>	2,152.4
2.5	392,225	1,059,008	3.246	<i>Inferred</i>	3,437.1
2	1,053,300	2,843,910	2.564	<i>Inferred</i>	7,293.2
1.5	1,926,275	5,200,943	2.191	<i>Inferred</i>	11,396.4
1	3,609,850	9,746,595	1.73	<i>Inferred</i>	16,861.4
0.5	7,307,700	19,730,790	1.211	<i>Inferred</i>	23,888.7
0.3	9,308,850	25,133,895	1.04	<i>Inferred</i>	26,126.9
0	9,844,250	26,579,475	0.996	<i>Inferred</i>	26,461.5
					0
3	0	0	0	<i>Indicated</i>	0
2.5	225	607	2.68	<i>Indicated</i>	1.6
2	225	607	2.68	<i>Indicated</i>	1.6
1.5	7,275	19,642	1.721	<i>Indicated</i>	33.8
1	18,725	50,557	1.408	<i>Indicated</i>	71.2
0.5	63,525	171,517	0.822	<i>Indicated</i>	141.1
0.3	68,875	185,962	0.789	<i>Indicated</i>	146.6
0	93,250	251,775	0.638	<i>Indicated</i>	160.5
					0
3	0	0	0	<i>Measured</i>	0
2.5	0	0	0	<i>Measured</i>	0
2	0	0	0	<i>Measured</i>	0
1.5	0	0	0	<i>Measured</i>	0
1	2,550	6,885	1.443	<i>Measured</i>	9.9
0.5	13,825	37,327	0.873	<i>Measured</i>	32.6
0.3	23,125	62,437	0.705	<i>Measured</i>	44
0	26,925	72,697	0.624	<i>Measured</i>	45.3

Inaccuracies may be due to rounding.

CAML completed a short programme of drilling in 2009, which consisted of 4 additional holes at Ereen totalling 1,249.55m and 5 holes at Baavgait totalling 542.85m. This additional drilling was required to enable an application to be made to the Mongolian authorities for a mining licence, which WAI understands is in due process of acceptance.

The short drilling programme at Ereen did not intersect mineralisation that has materially altered the Mineral Resource estimate above which was completed by Kazakhstan Mining Company in 2008. Therefore this statement remains current.

3.6 Mining and Metallurgy

No work has been undertaken on the potential mineability of the mineralisation, though the geometry, size and depth of the mineralisation with respect to the topography would tend to indicate an open pit operation.

WAI is not aware of any testwork results for the Ereen mineralisation.

3.7 Environmental Issues

The “Environment Protection and Rehabilitation Plan” was introduced to all contractors at the exploration site which promoted good environmental practice. In particular, it stipulated the following:

- Minimise the number of roads in the area;
- Avoid disturbance of any archaeological remains present;
- During the drilling programme, no discharge to the Zuun mod and Ereen rivers and streams should be made;
- After exploration drilling is completed, the surface around the site should be returned as near as possible to the original with seeding where necessary; and
- Cap drill holes unless a requirement to leave open is necessary whereby they would be made safe.

As part of this programme, CAML in the form of “Zuunmod Uul” LLC, shall deposit 50% (600,000 MNT) of the budgeted cost stated in ‘The Environment Protection and Rehabilitation Plan’, to the bank account of The Governor’s Office of Mandal soum, Selenge aimag as a guarantee for the fulfilment of its obligations arising in connection with environmental protection on a refundable basis. This amount will be refunded provided that there is no damage, and that the drill sites are properly re-instated to the satisfaction of the Mandal soum administration or state environmental inspector.

PART 7

HISTORICAL FINANCIAL STATEMENTS

The following auditors' reports and historical financial statements for the years ending 31 December 2009 (Section A), 31 December 2008 (Section B) and 31 December 2007 (Section C) have been extracted without amendment from CAML's statutory annual accounts. Page references therein are to the full statutory annual accounts.

Section A – Year ended 31 December 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRAL ASIA METALS LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Central Asia Metals Limited for the year ended 31 December 2009 which comprise Group and Parent Company Statements of Financial Position, the Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Changes in Equity, the Group and Parent Company Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's loss and the group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Emphasis of matter

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group is dependent on further successful fund raising from the completion of an initial public offering on AIM or on proceeds from sale of specific non – core assets. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Nick Blackwood (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

5 August 2010

Statement of Financial Position at 31 December 2009

	Note	Group		Company	
		As at 31 December 2009	2008	As at 31 December 2009	2008
		\$	\$	\$	\$
Assets					
Non-Current Assets					
Property, Plant and Equipment	6	2,089,040	4,143,661	23,893	82,359
Intangible Assets	7	11,542,686	14,904,286	1,175,636	1,302,000
Investments	8	—	—	295,853	405,853
Trade and Other Receivables	9	603,488	1,745,669	33,663,353	34,031,823
		<u>14,235,214</u>	<u>20,793,616</u>	<u>35,158,735</u>	<u>35,822,035</u>
Current Assets					
Inventory	10	275,986	475,266	—	—
Trade and Other Receivables	9	742,296	1,168,029	388,280	264,223
Cash and Cash Equivalents	11	1,325,088	4,629,560	1,194,527	4,375,857
		<u>2,343,370</u>	<u>6,272,855</u>	<u>1,582,807</u>	<u>4,640,080</u>
Assets of the disposal group classified as held for sale	18	3,646,307	—	110,000	—
		<u>5,989,677</u>	<u>6,272,855</u>	<u>1,692,807</u>	<u>4,640,080</u>
Total assets		<u>20,224,891</u>	<u>27,066,471</u>	<u>36,851,542</u>	<u>40,462,115</u>
Equity attributable to owners of the parent					
Ordinary Shares	12	389,461	292,208	389,461	292,208
Share Premium	12	53,460,880	46,944,935	53,460,880	46,944,935
Treasury Shares	12	(1,723,416)	—	(1,723,416)	—
Other Reserves	13	5,044,551	829,229	1,496,277	672,000
Retained Earnings		(40,927,071)	(25,925,365)	(18,571,501)	(8,229,796)
Total Equity		<u>16,244,405</u>	<u>22,141,007</u>	<u>35,051,701</u>	<u>39,679,347</u>
Non-Current Liabilities					
Trade and Other Payables	15	—	19,522	32,160	30,065
Provision for Liabilities and Charges	17	441,257	1,231,263	—	—
		<u>441,257</u>	<u>1,250,785</u>	<u>32,160</u>	<u>30,065</u>
Current Liabilities					
Trade and Other Payables	15	1,460,604	2,024,254	767,681	752,703
Borrowings	16	1,000,000	1,650,425	1,000,000	—
		<u>2,460,604</u>	<u>3,674,679</u>	<u>1,767,681</u>	<u>752,703</u>
Liabilities of disposal group classified as held for sale	18	1,078,625	—	—	—
		<u>3,539,229</u>	<u>3,674,679</u>	<u>1,767,681</u>	<u>752,703</u>
Total Liabilities		<u>3,980,486</u>	<u>4,925,464</u>	<u>1,799,841</u>	<u>782,768</u>
Total Equity and Liabilities		<u>20,224,891</u>	<u>27,066,471</u>	<u>36,851,542</u>	<u>40,462,115</u>

The notes on pages 20 to 53 are an integral part of these consolidated financial statements. The financial statements on pages 13 to 53 were authorised for issue by the Board of Directors on 5 August 2010 and were signed on its behalf by;

Nick Clarke
Chief Executive

Nigel Robinson
Chief Financial Officer

Consolidated Income Statement for the year ended 31 December 2009

	<i>Note</i>	\$ 2009	\$ 2008
Continuing operations			
Revenue	5	1,140,979	2,722,032
Cost of Sales	20	(1,116,343)	(4,413,337)
Gross Profit/(Loss)		<u>24,636</u>	<u>(1,691,305)</u>
Other income	16	1,089,062	—
General and administrative expenses, including:			
– Impairment of Inventory	10	(95,056)	(1,240,137)
– Exchange rate differences	21	(6,207,184)	(1,182,696)
– Other General & Administrative Expenses	20	(9,327,613)	(9,872,875)
Total General and administrative expenses		<u>(15,629,853)</u>	<u>(12,295,708)</u>
Other expenses	22	(95,040)	—
Finance Costs, net	28	(390,511)	235,004
Loss before Income Tax		<u>(15,001,706)</u>	<u>(13,752,009)</u>
Income Tax	19	—	—
Loss for the year		<u>(15,001,706)</u>	<u>(13,752,009)</u>
Loss Attributable to:			
– Owners of the parent		<u>(15,001,706)</u>	<u>(13,752,009)</u>
Loss per share attributable to the equity holders of the company during the year			
Basic loss per share	23	<u>\$0.46</u>	<u>\$0.48</u>

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement and statement of comprehensive income. The Company's loss in 2009 is \$10,341,705 (2008: \$4,376,790).

Consolidated Statement of Comprehensive Income for the year ended 31 December 2009

	\$ 2009	\$ 2008
Profit/(Loss) for the year	(15,001,706)	(13,752,009)
Other comprehensive income:		
Currency translation differences	3,391,045	310,845
Other comprehensive income for the year, net of tax	<u>3,391,045</u>	<u>310,845</u>
Total comprehensive income for the year	<u>(11,610,661)</u>	<u>(13,441,164)</u>
Attributable to:		
– Owners of the parent	<u>(11,610,661)</u>	<u>(13,441,164)</u>

Consolidated Statement of Changes in Equity for the year ended 31 December 2009

<i>Group</i>	<i>Share capital</i>	<i>Share Premium</i>	<i>Treasury Shares</i>	<i>Other Reserves</i>	<i>Retained Earnings</i>	<i>Total</i>	<i>Non-controlling Interests</i>	<i>Total Equity</i>
	\$	\$	\$	\$	\$	\$	\$	\$
At 31 December 2007	280,520	41,131,593	—	(153,616)	(12,173,356)	29,085,141	140,549	29,225,690
Total comprehensive income	—	—	—	310,845	(13,752,009)	(13,441,164)	—	(13,441,164)
Transactions with owners								
Issue of Shares	11,688	5,813,342	—	—	—	5,825,030	—	5,825,030
Issue of Share Options	—	—	—	672,000	—	672,000	—	672,000
Reduction in non-controlling interests	—	—	—	—	—	—	(140,549)	(140,549)
Total transactions with owners	11,688	5,813,342	—	672,000	—	6,497,030	(140,549)	6,356,481
At 31 December 2008	292,208	46,944,935	—	829,229	(25,925,365)	22,141,007	—	22,141,007
Total comprehensive income	—	—	—	3,391,045	(15,001,706)	(11,610,661)	—	(11,610,661)
Transactions with owners								
Issue of Shares	71,906	4,817,704	—	—	—	4,889,610	—	4,889,610
Issue of Share Options	—	—	—	805,677	—	805,677	—	805,677
EBT shares granted	25,347	1,698,241	(1,723,416)	18,600	—	18,772	—	18,772
Total transactions with owners	97,253	6,515,945	(1,723,416)	824,277	—	5,714,059	—	5,714,059
At 31 December 2009	389,461	53,460,880	(1,723,416)	5,044,551	(40,927,071)	16,244,405	—	16,244,405

Company Statement of Changes in Equity for the year ended 31 December 2009

<i>Company</i>	<i>Share capital \$</i>	<i>Share Premium \$</i>	<i>Treasury Shares \$</i>	<i>Share-based payment reserve \$</i>	<i>Retained earnings \$</i>	<i>Total Equity \$</i>
At 31 December 2007	280,520	41,131,593	—	—	(3,853,006)	37,559,107
Total comprehensive income	—	—	—	—	(4,376,790)	(4,376,790)
Transactions with owners						
Issue of Shares	11,688	5,813,342	—	—	—	5,825,030
Issue of Share Options	—	—	—	672,000	—	672,000
Total transactions with owners	11,688	5,813,342	—	672,000	—	6,497,030
At 31 December 2008	292,208	46,944,935	—	672,000	(8,229,796)	39,679,347
Total comprehensive income	—	—	—	—	(10,341,705)	(10,341,705)
Transactions with owners						
Issue of Shares	71,906	4,817,704	—	—	—	4,889,610
Issue of Share Options	—	—	—	805,677	—	805,677
EBT shares granted	25,347	1,698,241	(1,723,416)	18,600	—	18,772
Total transactions with owners	97,253	6,515,945	(1,723,416)	824,277	—	5,714,059
At 31 December 2009	389,461	53,460,880	(1,723,416)	1,496,277	(18,571,501)	35,051,701

Consolidated Statement of Cash flows for the year ended 31 December 2009

	Note	Group As at 31 December		Company As at 31 December	
		\$ 2009	\$ 2008	\$ 2009	\$ 2008
Cash Flows from Operating Activities					
Cash (Absorbed by) / Generated from operations	29	(3,625,224)	(10,553,775)	1,472,716	(3,732,795)
Interest Paid		(36)	(7,642)	(36)	—
Income Tax Paid	19	—	—	—	—
Net Cash (Absorbed by) / Generated from Operating Activities		<u>(3,625,260)</u>	<u>(10,561,417)</u>	<u>1,472,680</u>	<u>(3,732,795)</u>
Cash Flows from Investing Activities					
Acquisition of Subsidiaries	7	—	—	—	(64,973)
Sale of Subsidiaries, net of cash disposed of	22	(409)	—	—	—
Purchases of Property, Plant and Equipment	6	(361,106)	(3,176,784)	—	(53,380)
Proceeds from sale of Property, Plant and Equipment		6,505	—	—	—
Purchase of Intangible Assets	7	(264,549)	(2,282,693)	(5,731)	(1,000,000)
Exploration Costs Capitalised	7	(3,957,210)	(8,626,257)	—	—
Loans to JV Partners / Subsidiaries	9	—	(906,241)	(9,550,092)	(17,116,920)
Interest Received		13,163	309,147	12,031	263,704
Net Cash used in Investing Activities		<u>(4,563,606)</u>	<u>(14,682,828)</u>	<u>(9,543,792)</u>	<u>(17,971,569)</u>
Cash Flows from Financing Activities					
Proceeds from Issuance of Ordinary Shares	12	6,613,198	3,825,031	6,613,198	3,825,031
Purchase of treasury shares	12	(1,723,416)	—	(1,723,416)	—
Net Cash used in Financing Activity		<u>4,889,782</u>	<u>3,825,031</u>	<u>4,889,782</u>	<u>3,825,031</u>
Net (Decrease) / Increase in Cash and Cash Equivalents		<u>(3,299,084)</u>	<u>(21,419,214)</u>	<u>(3,181,330)</u>	<u>(17,879,333)</u>
Cash and Cash Equivalents at the Beginning of the Year	11	<u>4,629,560</u>	<u>26,048,774</u>	<u>4,375,857</u>	<u>22,255,190</u>
Cash and Cash Equivalents at the End of the Year	11	<u>1,330,476</u>	<u>4,629,560</u>	<u>1,194,527</u>	<u>4,375,857</u>

Notes to the Consolidated Financial Statements for the year ended 31 December 2009

1. General Information

Nature of Business

Central Asia Metals Limited (“CAML” or “the Company”) and its subsidiaries (“the Group”) are a mining and exploration organisation with operations in Kazakhstan and Mongolia and a parent holding company based in the United Kingdom.

The Group’s principal business activities are the exploration and subsequent development of mines primarily in the Central Asia region. The Group currently has mining interests in gold, copper and molybdenum.

CAML is a private limited company incorporated and domiciled in England & Wales. The Company’s registered number is 5559627.

Going Concern

The Group has significant funding needs to finance the development of its various projects, continue exploration at its properties and provide ongoing working capital. In order to support these funding needs, in May 2009, CAML negotiated an agreement with Lansdowne Holdings and Artemis whereby they agreed to support a private placing of shares to raise \$7.5m. The agreement provided for the funds to be raised in two tranches with the second tranche contingent upon CAML requiring the funds.

The first tranche of funding for \$4.9m was completed in July 2009 through a private placing of 7,190,601 shares at a share price of \$0.68. The second tranche of funding was never called upon by CAML management due to the decision in December 2009 to prepare the Company for an Initial Public Offering (IPO) in 2010 and the intention to raise up to \$7m in pre IPO finance in April 2010. Further, a framework agreement had been signed in November 2009 for the sale of Tochtar, however, the transaction had still to be completed.

As at 31 December 2009, the Group had remaining cash resources of c \$1.3m which management felt to be sufficient funds to manage the business with during the first quarter of 2010 prior to raising the pre IPO finance or the potential receipt of funds from the sale of Tochtar. In April 2010 \$5.4m (gross) was raised as a convertible loan note as part of the pre IPO fund raising. As a result, CAML management believe they have sufficient funding in place to satisfy working capital requirements through to 31 July 2011.

The Group remains dependent on further successful fund raising to complete the construction of the SXEW plant at Kounrad. CAML management has estimated that it requires an additional \$60m over the next 24 months to complete the project and provide working capital for the CAML Group. It is planned that these funds will be obtained primarily from the issuance of equity at the forthcoming IPO in September 2010, but also from the potential sale of non-core assets.

Management is confident that these actions will take place within the next 12 month period but there is indication of the existence of a material uncertainty mainly in the form of raising new funds which may cast significant doubt about the Group’s ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was not able to continue as a going concern.

2. Summary of Significant Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the year, unless otherwise stated.

Basis of Preparation

The Group’s consolidated financial statements have been prepared in accordance with International Finance Reporting standards (“IFRS”) as adopted by the European Union, IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS as they apply to the financial statements of the Group for the year ended 31 December 2009. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2009.

The Group financial statements are presented in US Dollars (\$).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are explained in note 4.

Adoption of new accounting standards

New IFRS accounting standards and interpretations adopted by the Group

The Group has adopted the following new and amended IFRSs as of 1 January 2009:

IFRS 8, 'Operating segments', sets out the requirements for the disclosure of information about an entity's operating segments and about the entity's products and services, the geographical areas in which it operates and its major customers. IFRS 8 achieves convergence with the US accounting standard, SFAS 131 'Disclosures about Segments of an Enterprise and Related Information' with minor differences. The Group adopted this standard from 1 January 2009. The adoption resulted in revision of the reporting segments, which are now done by the project basis. More information on the reportable segments is disclosed in the Note 5.

IAS 23, 'Borrowing costs', removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The adoption of this standard doesn't have a material impact on the Group or Company's financial statements.

IAS 1 (revised), 'Presentation of Financial Statements', requires changes to the presentation of financial statements and adopts revised titles for the primary statements, although companies may continue to use the existing titles. The Group chosen to present items of income and expense recognised in the year in two statements comprising a separate income statement, which displays components of profit or loss; and a statement of comprehensive income, which begins with profit or loss and displays components of other comprehensive income.

IFRS 2, (amendment), 'Share-based payment', clarifies the definition of vesting conditions and the accounting treatment of cancellations. Vesting conditions are defined as either service conditions or performance conditions. Cancellations by employees are accounted for in the same way as cancellations by the Company. The adoption of this standard doesn't have a material impact on the Group or Company's financial statements.

IFRS 7, 'Financial Instruments – Disclosures' (amendment), effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. As the change in accounting policy only results in additional disclosures, there is no impact on the Group or Company's financial statements.

IAS 32, (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation', addresses the classification as a liability or as equity of certain puttable financial instruments and instruments, or components thereof, which impose upon an entity an obligation to deliver a *pro rata* share of net assets on liquidation. The adoption of this standard doesn't have a material impact on the Group or Company's financial statements.

IAS 36 (amendment), 'Impairment of assets', is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The adoption of this standard doesn't have a material impact on the Group or Company's financial statements.

IAS 38 (amendment), 'Intangible assets', the amendment is part of the IASB's annual improvements project published in May 2008. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The adoption of this standard doesn't have a material impact on the Group or Company's financial statements.

New IFRS accounting standards and interpretations not yet adopted

The Company has yet to adopt the following standards and interpretations. The standards and interpretations listed below are not expected to have a material impact on the Group or Company's consolidated results or assets and liabilities.

IFRIC 17, 'Distribution of non-cash assets to owners' – effective on or after 1 July 2009. The interpretation is part of the IASB's annual improvements project published in April 2009. This

interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and the Company will apply IFRIC 17 from 1 January 2010.

IFRS 3R, 'Business Combinations' -- effective from 1 July 2009. Makes a number of changes to the accounting for business combinations, including requirements that all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income; an option to calculate goodwill based on the parent's share of net assets only or to include goodwill related to the minority interest; and a requirement that all transaction costs be expensed. IFRS 3R will be adopted by the Company with effect from 1 January 2010 and will be applied prospectively to all business combinations from 1 January 2010.

IAS 27R, 'Consolidated and separate financial statements' – effective from 1 July 2009. Requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. The revised standard also specifies the accounting when control is lost. IAS 27R will be adopted by the Group and the Company on 1 January 2010.

IFRS 5 (amendment), 'Non-current assets held-for-sale and discontinued operations', the amendment is part of the IASB's annual improvements project published in May 2008. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.

IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty). The Group and the Company will apply IFRS 5 (amendment) from 1 January 2010.

IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and the Company will apply IAS 1 (amendment) from 1 January 2010.

IAS 38 (amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and The Group and the Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The Group and the Company will apply IAS 38 (amendment) from 1 January 2010.

IFRS 2 (amendments), 'Group cash-settled and share-based payment transactions'. In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The Group and the Company will apply IFRS 2 (amendments) from 1 January 2010. The adoption of this standard is not expected to have a material impact on the Group or Company's financial statements.

Basis of Consolidation

Subsidiaries

The Group financial statements consolidate the financial statements of CAML and the entities it controls drawn up to 31 December 2009.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and it continues to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

The financial statements of subsidiaries used in the preparation of consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries that are not held by the Group and are presented separately within equity in the consolidated balance sheet distinct from parent shareholder's equity.

Where losses are incurred by a partially owned subsidiary, they are consolidated such that the non-controlling interests' share in the losses is apportioned in the same way as profits. Where the subsidiary makes continuing losses such that the non-controlling interests' share of the losses in a period exceeds its interest in equity, the allocation of losses to the minority ceases and the loss is allocated against the parent company holding.

Where profits are then made in future periods, such profits are then allocated to the parent company until all unrecognised losses attributable to the non-controlling interests but absorbed by the parent are recovered at which point, profits are allocated as normal.

Joint Ventures

As mentioned in note 7, the Group operates the Kounrad copper project under a joint operating agreement (JOA) with Sary Arka, a regional development company owned by the Kazakhstan government. The project is managed through two companies, Kounrad Copper Company and Kounrad Mining Company.

Kounrad Copper Company was set up as part of the arrangements under the JOA and is the main company involved in the construction of the commercial plant in the future. The company is a jointly owned entity with CAML owning 60% through its Dutch subsidiary, CAML Kazakhstan BV, and Sary Arka owning the remaining 40%. As such the company has been accounted under IAS 31 and has been proportionately consolidated on a 60:40 basis.

Kounrad Mining Company is the sub soil user holder and is 100% owned by Sary Kazna. The accounting for this element of the Joint Venture operation is also by means of proportional consolidation based on the fact that this element the operation at Kounrad is deemed as a jointly controlled asset.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions.

The Group's revenue, operating losses and total assets are shown in note 5.

Foreign Currency Translation

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in US Dollars, which is the Company's functional and presentation currency.

Transactions in currencies other than the functional currency are initially recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

The results and financial position of all the Group entities 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 the balance sheet;

- Income and expenses for each income statement are translated at average exchange rates;
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its expected useful life as follows;

- Mining Property – over the life of the mine
- Plant and Equipment – over 5 to 15 years
- Motor Vehicles – over 5 to 10 years
- Office Equipment – over 2 to 10 years

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 derecognition of the asset is included in the income statement.

Intangible Assets

Intangible assets comprise mining licences and permits, software and deferred exploration and evaluation costs.

Goodwill

All business combinations in the Group are accounted for under IFRS 3 using the purchase method. Any excess of cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

On the acquisition of a subsidiary, the purchase consideration is allocated to the assets, liabilities and contingent liabilities on the basis of their fair value at the date of acquisition. The excess of the cost of the acquisition over the fair value of the Group's share of identifiable net assets of the subsidiary acquired is recognised as positive goodwill.

Any excess of the fair value of the Group's share of identifiable net assets of the subsidiary exceeds the cost of the acquisition is recognised directly in the income statement.

For the purpose of impairment testing, goodwill is allocated to the cash generating unit expected to benefit from the business combination in which the goodwill arose. Where the recoverable amount is less than the carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to an entity is taken into account when determining the gain or loss on disposal of the unit.

Mining Licences, Permits and Software

The historical cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with a finite life have no residual value and are amortised on a straight line basis over their expected useful lives with charges included in administrative expenses as follows;

- Computer software – over 2 to 5 years
- Permits and Mining licences – over the duration of the legal agreement.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Accounting for Mineral Resources

Exploration and evaluation expenditure is accounted for in line with IFRS 6.

Mining Operations

The Group recognises five key phases in the working lives of its mining operations and these are as follows;

- **Exploration** – the active search for resources suitable for commercial exploitation, including such activities as exploratory drilling, trenching, sampling and associated geological studies
- **Evaluation** – the technical feasibility and commercial viability studies that lead to a management decision to develop a mine
- **Development** – the preparation of a site for production purposes
- **Production** – the extraction and processing of mineral deposits for commercial sale
- **Closure and rehabilitation** – the activities and obligations associated with the cessation of commercial production

The Group has operations that comprise the first 4 of the above phases.

Deferred Exploration & Evaluation expenditure

All expenditure incurred prior to obtaining the legal rights to explore an area of interest is written off as incurred to the income statement.

Once legal rights have been obtained to explore an area of interest all exploration and evaluation costs related to the area are carried forward as an asset in the balance sheet where it is considered probable that the costs will be recouped through the successful development and exploitation of the area of interest or alternatively by its sale.

Capitalised exploration and evaluation expenditure is written off where it is deemed by management that the above conditions are no longer satisfied.

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. Exploration and evaluation expenditure capitalised includes acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and activities in relation to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

General and administrative costs are allocated to an exploration and evaluation asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest.

The recoverability of deferred exploration costs is dependent upon the discovery of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the development of ore reserves and future profitable production or proceeds from the disposal thereof.

Development expenditure

Once the technical and commercial viability of extracting a mineral resource has been proven, expenditure related to the development of the area of interest are no longer capitalised as exploration and evaluation assets but as 'Mining Property' under Property, Plant and Equipment.

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure, together with any general and administrative overheads that can be related directly to the development activity.

No depreciation is recognised in respect of the capitalised mine development costs until such time as a management decision is taken to proceed to the production phase.

Mine properties are tested for impairment in accordance with the note on impairment testing.

Production cost

Once production commences all costs incurred are expensed and accumulated development costs (which at this stage will include accumulated exploration and evaluation costs) are depreciated.

Pre production expenses incurred as operational activity is increased to a level of commercial production are expensed as incurred and any revenue generated during this phase is included in the income statement.

Any further development expenditure incurred at the area of interest after the commencement of commercial production is carried forward as part of the mining property asset where it is probable that additional future economic benefits associated with the expenditure will arise. Otherwise such expenditure is classified as a cost of production.

Depreciation is charged on the basis of units-of-production, with separate calculations being made for each area of interest. The units of production basis results in a depreciation charge proportional to the depletion of the proved and probable reserves.

Impairment of Non-Financial Assets

The Group carries out impairment testing on all assets when there exists an indication of an impairment. If any such indication exists the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell or its value in use.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

In assessing value in use, 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 risks specific to the asset.

The best evidence of an asset's fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value less costs to sell is based on the best available information to reflect the amount the Group could receive for the cash-generating unit in an arm's length sale. In some cases this is estimated using a discounted cash flow analysis.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years.

Assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

Revenue Recognition

Revenue represents the fair value of consideration received from sales of metal to an end user, net of any value added tax. It is measured as the consideration received for the metal after deduction of sales commissions and any other taxes. The value of the consideration is fair value which equates to the spot price on the date of sale or the contractually agreed price.

Revenue is only recognised at the point when the following criteria are satisfied:

- The significant risks and rewards of ownership of the product have been transferred to the buyer;
- No managerial control remains over the metal product; and
- The amount of revenue earned can be accurately measured.

Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method.

The cost of finished goods and work in progress comprises raw materials, direct labour and all other direct costs associated with mining the ore and processing it to a saleable product.

Net realisable value is the estimated selling price in the ordinary course of business, less any further costs expected to be incurred to completion.

Current and Deferred Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the 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 that have been enacted or substantially 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 tax assets are only recognised when they arise from timing differences where their recoverability in the short term is regarded as being probable. Deferred tax balances are not discounted.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Investments

Investments in subsidiaries are recorded at cost less amounts to be written off.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share Based Compensation

The Group operates a Share Option Plan, the rules of which were approved by the Group on 14 December 2007. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Financial Liabilities Designated at Fair Value through Profit or Loss

Financial liabilities designated at fair value through profit or loss are financial liabilities incurred to assist trading and set up of group businesses. A financial liability is classified in this category if acquired principally for the purpose of financing the Group operations in the short-term and will not be repaid in cash.

The Group incurred such a financial liability in 2006 when setting up the funding for Tochtar LLP. The Group received \$1,798,750 in exchange for settlement of the loan by the payment of future gold production. This transaction has been accounted for as a financial liability designated at fair value through profit or loss.

The above financial liability was designated at fair value at inception because it contained an embedded derivative which had significantly affected the cash flows of the transaction, given that the repayment was denominated in the commodity. Upon initial recognition of such a financial liability the fair value is assessed by reference to the forward price of the commodity based on the contractual delivery dates. Year end fair values are based on the 12 month forward price of the commodity as at that date. All mark-to-market gains and losses are taken to finance income and costs in the income statement.

Trade and Other Receivables

Trade and other Receivables do not carry interest and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists. Where it is felt that impairment has occurred, 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 credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Trade and Other Payables

Trade and other payables are not interest bearing and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Short term borrowings are accounted for based on the amount of funds actually received. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowing are subsequently measured at amortised cost using the effective interest method.

Provisions

Provisions for environmental restoration of mining operations are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of

resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3. Financial Risk Factors

The Group's activities expose it to a variety of financial risks, the key exposures being:

Interest Rate Risk

The Group is primarily funded by equity capital and has limited exposure to interest rate risk. As at 31 December 2009, the Group had borrowings of \$1m and it had been agreed that this would be converted into equity early in 2010. This was completed in February 2010.

Credit Risk

There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date.

Foreign Exchange Risk

The Group operates primarily in Central Asia and is exposed to foreign exchange risk arising from the various currencies it uses within the region, namely the Mongolian Tugrik and Kazakhstan Tenge. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations. The Group's policy is to hold the major portion of its cash balances in US Dollars so as to provide a natural economic hedge against the Group's liabilities which are principally US Dollar denominated or US Dollar determined.

Commodities Price Risk

The Group's direct exposure to commodities price changes is currently limited due to the stage of development of the Group's mining operations. The economic feasibility and viability of the Group's mining projects are closely linked to the changes in commodity prices. Management is always conscious of the impact of commodity price changes on the economics of the Group's projects. Financial models for projects are maintained and regularly reviewed for changes in commodity prices.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash reserves to fund the Group's exploration and operating activities. Management monitors the forecasts of the Group's cash flows and cash balances monthly and raises funds in discrete tranches to manage the activities through to revenue generation. Current cash resources are sufficient to enable the Group to operate until 30 September 2010 and the Company is in the middle of an IPO process which is expected to provide sufficient funding through to 31 December 2011.

Political Risk

The Group operates in areas of the world that are subject to political risk due to the impact of changing legislation on the operating and exploration environments that are imposed and changed by the ruling parties within the countries. The Group manages this risk by complying with all the relevant legislation and working at maintaining close ties with government contacts within the countries.

Capital Risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Group manages its capital in order to provide sufficient funds for the Group's activities. Future capital requirements are regularly assessed and Board decisions taken as to the most appropriate source for obtaining the required funds, be it through internal revenue streams, external fund raising, issuing new shares or selling assets.

4. Critical Accounting Estimates and Judgments

The Group has three key areas where critical accounting estimates and judgements are required that could have a material impact on the financial statements:

Decommissioning and site rehabilitation estimates

Provision is made for the costs of decommissioning and site rehabilitation costs when the related environmental disturbance takes place. Provisions are recognised at the net present value of future expected costs.

The provision recognised represents management's best estimate of the costs that will be incurred, but significant judgement is required as many of these costs will not crystallise until the end of the life of the mine. Estimates are reviewed annually and are based on current contractual and regulatory requirements and the estimated useful life of mines. Engineering and feasibility studies are undertaken periodically; however significant changes in the estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

Impairment

As mentioned above estimates are required periodically to assess assets for impairment. These estimates will incorporate the expected future commodity prices, estimates of the ore reserves and projected future costs of development and production.

Mineral Reserves and Resources

The major value associated with the Group is the value of its mineral resources. These resources are the Group's best estimate of product that can be economically and legally extracted from the relevant mining property. The Group's estimates are supported by geological studies and drilling samples to determine the quantity and grade of each deposit.

Significant judgement is required to generate an estimate based on the geological data available. Ore resource estimates may vary from period to period.

5. Segmental Information

The adoption of IFRS 8 resulted in the change in the reportable segments. Previously segments were reported on a geographical basis (by country). Management has determined the operating segments based on the reports reviewed by the Board and decided that it would be more appropriate to identify reportable segments on a project by project basis.

As at 31 December 2009, the Group consisted of the following 6 main business segments:

- Kounrad – copper production and development in Kazakhstan;
- Tochtar – gold production and development in Kazakhstan;
- Kenes – gold exploration in Kazakhstan; and
- Handgait – molybdenum exploration in Mongolia; and
- Alag Bayan – copper and gold exploration in Mongolia.
- Ereen – gold exploration in Mongolia.

All projects represent separate geographical areas and have separate independent revenue streams from sales of different metals or independent expenses structure related to exploration or development. UK head office does not represent a separate segment however is being reported separately as management considers the UK operations at a strategic level.

Two projects, namely Tochtar and Ereen, at 31 December 2009 have been classified as held for sale. Note 18 gives more details in relation to these projects.

Kenes was sold during 2009 to a minority shareholder (see note 22).

The Group operates out of three key geographical areas, being Kazakhstan, Mongolia and the UK, even though they are managed on a worldwide basis.

The Board assesses the performance of the operating segments based on a number of operational and financial measures relevant to the stage of development of the project:

Exploration and Evaluation

The main indicators used for these projects relate to the numbers of holes drilled and the depth achieved together with the associated assay results and their impact on the assessment of potential reserves and resources. Financial performance is based on the estimated costs per metre for the drilling and the associated site overheads and any required infrastructure expenditure.

Development and Production

Once a project reaches this stage of maturity, the emphasis for assessing the performance of the projects switches to the measurement of product output and the associated revenues, operating costs or the monitoring of the estimated capital costs to develop the project.

The segment information provided to the Board for the reportable segments for the year ended 31 December 2009 is as follows:

<i>Group</i> <i>2009</i>	<i>Kounrad</i> \$	<i>Tochtar</i> \$	<i>Kenes</i> \$	<i>Handgait</i> \$	<i>Alag Bayan</i> \$	<i>Ereen</i> \$	<i>UK</i> \$	<i>Unallocated</i> \$	<i>Group Total</i> \$
Segment revenue	425,629	748,056	11,083	—	—	—	63,119	—	1,247,887
Revenues from transactions with other operating segments of the same entity	(23,969)	(10,706)	(11,083)	—	—	—	(61,150)	—	(106,908)
Revenue from external customers	401,660	737,350	—	—	—	—	1,969	—	1,140,979
Interest revenue	11,239	—	65	215	456	237	12,032	49	24,293
Interest expense	—	(414,804)	—	—	—	—	—	—	(414,804)
Gain on Loan re-negotiation	—	1,089,062	—	—	—	—	—	—	1,089,062
Depreciation and amortisation	(288,198)	(211,549)	(4,221)	(75,606)	(7,440)	(38,826)	(41,024)	(3,039)	(669,902)
Exchange gain(loss)	(4,494,369)	(152,363)	—	(860,175)	(40,215)	(428,792)	(192,949)	(38,321)	(6,207,184)
Share based payments	—	—	—	—	—	—	(824,277)	—	(824,277)
Total assets	5,056,589	221	—	5,622,886	3,017,907	3,697,980	2,782,336	46,972	20,224,891
Including:									
Additions to non-current assets (other than financial instruments and deferred tax assets)	778,746	8,071	—	386,445	2,790,707	935,881	5,731	—	4,905,581
Total Liabilities	533,559	518,657	—	430,853	376,175	225,152	1,799,841	96,249	3,980,486

<i>Group 2008</i>	<i>Kounrad \$</i>	<i>Tochtar \$</i>	<i>Kenes \$</i>	<i>Handgait \$</i>	<i>Alag Bayan \$</i>	<i>Ereen \$</i>	<i>UK \$</i>	<i>Unallocated \$</i>	<i>Group Total \$</i>
Segment revenue	759,123	2,538,264	—	—	—	—	71,958	—	3,369,345
Revenues from transactions with other operating segments of the same entity	(544,371)	(30,984)	—	—	—	—	(71,958)	—	(647,313)
Revenue from external customers	214,752	2,507,280	—	—	—	—	—	—	2,722,032
Interest revenue	41,555	—	—	1,338	1,156	1,318	263,704	76	309,147
Interest expense	—	(74,143)	—	—	—	—	—	—	(74,143)
Depreciation and amortisation	(186,149)	(256,452)	(3,190)	(45,005)	(1,860)	(22,988)	(37,060)	(1,929)	(554,633)
Exchange gain/(loss)	(114,423)	(2,811)	(46)	(668,078)	(12,137)	(329,294)	(21,589)	(34,318)	(1,182,696)
Share based payments	—	—	—	—	—	—	(672,000)	—	(672,000)
Total assets	6,535,867	2,518,132	1,572,366	6,731,485	281,455	3,380,792	6,024,439	21,935	27,066,471
Including:									
Additions to non-current assets (other than financial instruments and deferred tax assets)	3,582,407	512,181	1,119,762	4,509,350	201,231	2,625,933	1,059,687	2,061	13,612,612
Total Liabilities	111,482	3,020,635	69,485	532,679	119,875	342,547	682,498	46,263	4,925,464

6. Property, Plant and Equipment

<i>Group</i>	<i>Mining Property \$</i>	<i>Plant and Equipment \$</i>	<i>Motor Vehicles & Office Equipment \$</i>	<i>Total \$</i>
At 1 January 2008	587,237	644,880	526,282	1,758,399
Additions	658,413	1,505,817	1,310,889	3,475,119
Disposals	(53,535)	(50,045)	(166,773)	(270,353)
Translation difference	(6,537)	(1,386)	(20,056)	(27,979)
At 31 December 2008	1,185,578	2,099,266	1,650,342	4,935,186
Additions	236,422	63,994	60,690	361,106
Disposals	(1,422)	(34,546)	(283,672)	(319,640)
Assets held for sale (note 18)	(674,600)	(522,921)	(222,553)	(1,420,074)
Translation difference	(199,595)	(388,070)	(261,195)	(848,860)
At 31 December 2009	546,383	1,217,723	943,612	2,707,718
Depreciation				
At 1 January 2008	78,490	107,947	58,224	244,661
Provided during the year	109,728	212,982	225,927	548,637
Disposals	—	—	(389)	(389)
Translation difference	(250)	(232)	(902)	(1,384)
At 31 December 2008	187,968	320,697	282,860	791,525
Provided during the year	118,624	251,922	253,672	624,218
Disposals	(318)	(686)	(38,499)	(39,503)
Assets held for sale (note 18)	(222,522)	(296,322)	(102,856)	(621,700)
Translation difference	(33,730)	(60,396)	(41,736)	(135,862)
At 31 December 2009	50,022	215,215	353,441	618,678
NBV at 31 December 2009	496,361	1,002,508	590,171	2,089,040
NBV at 31 December 2008	997,610	1,778,569	1,367,482	4,143,661

The Group has no finance leases.

Depreciation is charged to general and administrative costs \$218,516 (2008: \$81,242), cost of goods sold \$195,575 (2008: \$363,344), capitalised in exploration and evaluation asset \$122,988 (2008: \$72,390) and work in progress \$87,139 (2008: \$31,661).

The Company had \$23,893 of office equipment at Net Book value as at 31 December 2009 (2008: \$82,359).

7. Intangible Assets

Group	<i>Deferred Exploration and Evaluation</i>		<i>Mining Licences and Permits</i>	<i>Software</i>	<i>Total</i>
	<i>costs</i>				
	\$		\$	\$	\$
At 1 January 2008	2,577,110		1,348,884	80,764	4,006,758
Additions	8,852,928		1,282,152	2,413	10,137,493
Acquisition of subsidiary	—		1,000,000	—	1,000,000
Disposals	(87,472)		—	(238)	(87,710)
Translation Difference	(139,199)		(1,599)	(35)	(140,833)
At 31 December 2008	<u>11,203,367</u>		<u>3,629,437</u>	<u>82,904</u>	<u>14,915,708</u>
Additions	4,279,610		264,707	158	4,544,475
Disposals	(1,202,141)		(154,301)	(875)	(1,357,317)
Assets held for sale (note 18)	(3,872,896)		(751,663)	(1,027)	(4,625,586)
Translation Difference	(1,454,794)		(422,161)	(3,821)	(1,880,776)
At 31 December 2009	<u>8,953,146</u>		<u>2,566,019</u>	<u>77,339</u>	<u>11,596,504</u>
Amortisation					
At 1 January 2008	—		1,728	3,698	5,426
Provided during the year	—		3,469	2,527	5,996
At 31 December 2008	—		5,197	6,225	11,422
Provided during the year	—		2,988	42,696	45,684
Assets held for sale (note 18)	—		(2,771)	(517)	(3,288)
At 31 December 2009	—		5,414	48,404	53,818
NBV at 31 December 2009	<u>8,953,146</u>		<u>2,560,605</u>	<u>28,935</u>	<u>11,542,686</u>
NBV at 31 December 2008	<u>11,203,367</u>		<u>3,624,240</u>	<u>76,679</u>	<u>14,904,286</u>

Amortisation of mining licences and permits is charged to the appropriate project. Amortisation of software is all charged to general and administrative costs.

In August 2008, the Group paid \$7,000 for 70% of the share capital of Bayan Resources based in Mongolia. The Group paid \$1,000,000 for licences and permits associated with the exploration rights owned by this company.

During the year Tarbagatai licence with NBV of £233,234 (2008: nil) was written off resulting in loss of \$233,234 (2008: Nil). Also during the year all assets related to Tochtar were written off. Note 18 provides more details.

The Company had \$1,175,636 of intangible assets as at 31 December 2009 (2008: \$1,302,000).

An impairment review of Handgait was undertaken by CAML management. Based on an estimated resources of 42,000 tonnes of Molybdenum, a resource multiple of just 0.5% and an estimated Molybdenum price of c \$16.50 per lb it was determined that no writedown was required.

Interests in Joint Ventures

The Group has a contractual arrangement with Sary Arka, a Government entity in Kazakhstan, whereby agreement has been reached to jointly operate and manage the Kounrad Copper facility near Balkhash. The arrangement provides joint control over the project assets. The initial capital to build the processing plant and infrastructure required to produce the copper from the existing dumps will be provided by the Group.

The agreement provides that all assets and liabilities will be the responsibility of CAML Group until such time as the project achieves breakeven. At such time, the capital to finance the project will be repaid to the Group out of 50% of the annual net operating cash flows with the balance being paid

to the parties in a 60:40 split as dividends. Once all capital is repaid to the Group, net operating cash flows will all be paid as dividends to the Joint Venture parties on the agreed basis of 60:40. As at 31 December 2009, the project was still in the early phases of development although both parties to the agreement had agreed that breakeven had been reached. It was agreed that this had been achieved on 01 October 2008 following successful production from the Pilot Plant.

It was agreed that the project would be operated by two separate companies, one for the leaching operations and one for the production of copper by means of an SX-EW Production Plant. A separate company was established, Kounrad Copper Company, to achieve the latter goal and it is owned on a 60:40 basis with Sary Arka.

CAML continues to develop and finance the project through its wholly owned subsidiary, Kounrad Mining Company. The achievement of the breakeven milestone in the project resulted in only 60% of the assets being consolidated with the other 40% now being deemed as assets belonging to the Joint Venture party, Sary Arka. The agreement provides for the reimbursement of all initial development expenditure to CAML by means of future operating cashflows once commercial production commences as mentioned above.

8. Investments

<i>Company</i>	<i>2009</i>	<i>2008</i>
	\$	\$
Shares in Group undertakings		
Beginning of Year	405,853	340,882
Additions in Year	—	64,971
Transferred to disposal group classified as held for sale (Note 18)	(110,000)	—
End of Year	<u>295,853</u>	<u>405,853</u>

Investments in Group undertakings are recorded at cost which is the fair value of the consideration paid. Details of group holdings are included in the table below.

<i>Subsidiary</i>	<i>Country</i>	<i>Activity</i>	<i>CAML %</i> <i>2009</i>	<i>CAML %</i> <i>2008</i>	<i>Date of</i> <i>Incorporation</i>
CAML ¹	UK	Holding Company			09 September 2005
CAML Kazakhstan BV	Holland	Holding Company	100	100	23 June 2008
CAML Mongolia BV	Holland	Holding Company	100	100	23 June 2008
Sary Kazna LLP ²	Kazakhstan	Management Services & Copper Production	100	100	06 February 2006
Tochtar LLP	Kazakhstan	Gold Mining	75	75	27 April 2006
Kenes LLP	Kazakhstan	Exploration – Gold	—	70	27 April 2007
New CAML Ltd	Mongolia	Management Services	100	100	08 June 2007
Zuun Mod UUL Ltd (Ereen)	Mongolia	Exploration – Gold	85	85	03 May 2007
Mon Resources Ltd (Handgait)	Mongolia	Exploration – Molybdenum	80	80	18 May 2007
Mongolian Silver Mountain Ltd	Mongolia	Exploration – Silver	100	100	01 April 2007
Bayan Resources	Mongolia	Exploration – Copper / Gold	70	70	01 August 2008
Central Asia Gold Inc	USA	Management Services	100	100	01 September 2005

1 CAML operates a branch office in Kazakhstan which provides management services

2 Sary Kazna also has a branch office involved in the copper production at Kounrad

During 2009 the Company made no acquisitions.

9. Trade and Other Receivables

	<i>Group</i>		<i>Company</i>	
	<i>As at 31 December</i>		<i>As at 31 December</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	\$	\$	\$	\$
Trade and Other Receivables	457,253	798,537	362,486	264,223
Receivables from related parties	603,488	1,741,713	33,663,353	34,031,823
Prepayments	285,043	373,448	25,794	—
	<u>1,345,784</u>	<u>2,913,698</u>	<u>34,051,633</u>	<u>34,296,046</u>
Less non – current portion				
Trade and Other Receivables	—	(3,956)	—	—
Receivables from related parties	(603,488)	(1,741,713)	(33,663,353)	(34,031,823)
Prepayments	—	—	—	—
	<u>742,296</u>	<u>1,168,029</u>	<u>388,280</u>	<u>264,223</u>

The carrying value of all the above receivables is a reasonable approximation of fair value.

All trade receivables are with counterparties that management considers to be of high credit rating quarterly in that they are either government agencies or related parties with whom the Group has a strong business association.

All non – current receivables are due within 5 years of the balance sheet date.

Management's policy is to assess all trade receivables and receivables from related parties semi – annually and a provision is made where an elimination of doubt exists. Amounts are fully written off when information comes to light that the amounts due will not be recovered. There was no impairment provision created at 31 December 2009 (2008: Nil), although the following amounts were written off.

- During the year \$59,100 (2008: \$1,210,899) was written off relating to outstanding VAT owed by the Kazakhstan and Mongolian Governments. VAT written off in 2008 had been due for repayment during 2009 but subsequent negotiations and discussions with the Kazakhstan Government led to the conclusion that such monies would not easily be recovered.
- During the year the loan to Kenes was written off by the Company which amounted to \$1,211,409 (2008: nil). This loan was written off as the project was sold over to the minority shareholders for a nominal amount due to the contractual work commitments not being considered worthwhile by CAML management for the value that could be created in the project.
- During the course of 2009, Sary Kazna was in discussions with its partner on the Kounrad project, Sary Arka, regarding the achievement of the breakeven point as stipulated in the Joint Operating Agreement (JOA). Due to the uncertainty regarding the recoverability of the funds advanced prior to the breakeven point (140m KZT) and the concern that these funds might be the subject of some negotiation between the parties, CAML management decided to write off the recoverable amount.
- In May 2010, Sary Kazna reached an amicable agreement with its partner on the Kounrad project, whereby it agreed to write off the recoverable amount of 140m KZT (\$943,015) in exchange for no future advance payments to Sary Arka stipulated by the Joint Operating Agreement.

Company

Company receivables from related parties are non – current and are as follows;

<i>Receivables from related parties</i>	2009	2008
Kazakhstan Subsidiaries	17,515,692	22,744,534
Mongolian Subsidiaries	15,988,261	11,274,033
Dutch Subsidiaries	159,400	13,256
Total	33,663,353	34,031,823

- During 2008 the value of the loan recoverable from Tochtar LLP was written down from \$8,961,356 as at 31 December 2008 to \$7,000,000 based on market interest in this property. A write down of \$1,961,356 was recorded to reflect estimated net realisable value.
- Whilst the company remains in due diligence proceedings with the potential purchasers of Tochtar LLP, CAML management are concerned that the asset is taking a considerable amount of time to sell. Despite significant efforts to complete the transaction in a timely manner, the potential purchasers have prevaricated and provided no coherent reasons regarding the delay in completion.
- Furthermore, as the time to complete the agreement extends, there is concern that various work commitments associated with the licence will soon become pressing, thereby leading to a potential loss of the licence. Consequently, CAML management are of the belief that the asset should now be written down to a nil value subsequent to year end.
- An amount of \$8,709,249 has been written off at 31 December 2009 based on management's decision.

10. Inventory

Group	2009	2008
	\$	\$
Raw Materials	82,039	148,164
Work in Progress	—	149,009
Finished Goods	193,947	178,093
	<u>275,986</u>	<u>475,266</u>

The cost of inventory is recognised as an expense and included in

- (a) Cost of goods sold line in Income statement amounted to \$922,073 (2008: \$3,875,032);
- (b) General and administration expenses line in Income statement amounted to \$19,145 (2008: \$39,440).

In 2009 the reversal of inventory written down in Tochtar in 2008 amounted to \$799,110 (2008: nil).

There was a write down of inventory in the amount of \$894,166 in 2009 (2008: \$1,240,137) in Tochtar.

11. Cash and Cash Equivalents

The majority of the Group's cash and cash equivalents at the year end (88.7%: 2009 and 94.2%: 2008) are held a triple A rated bank.

	<i>Group</i>		<i>Company</i>	
	<i>As at 31 December</i>			
	2009	2008	2009	2008
	\$	\$	\$	\$
Cash at bank and on hand	558,555	773,207	427,994	519,504
Short term deposits	766,533	3,856,353	766,533	3,856,353
	<u>1,325,088</u>	<u>4,629,560</u>	<u>1,194,527</u>	<u>4,375,857</u>
Cash at bank and on hand included in the assets held for disposal line (note 18)	5,388	—	—	—
Total Cash	<u><u>1,330,476</u></u>	<u><u>4,629,560</u></u>	<u><u>1,194,527</u></u>	<u><u>4,375,857</u></u>

12. Share Capital and Premium

<i>Group / Company</i>	<i>Number of Shares</i>	<i>Ordinary shares</i>	<i>Share premium</i>	<i>Treasury Shares</i>	<i>Total</i>
	<i>No</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
At 1 January 2008	<u>28,052,000</u>	<u>280,520</u>	<u>41,131,593</u>	<u>—</u>	<u>41,412,113</u>
Proceeds from shares issued	857,339	8,573	3,816,457	—	3,825,030
Loan Converted into Equity	311,527	3,115	1,996,885	—	2,000,000
At 31 December 2008	<u>29,220,866</u>	<u>292,208</u>	<u>46,944,935</u>	<u>—</u>	<u>47,237,143</u>
Proceeds from shares issued	7,190,601	71,906	4,817,704	—	4,889,610
EBT Shares issued	2,534,688	25,347	1,698,241	(1,723,416)	172
At 31 December 2009	<u>38,946,155</u>	<u>389,461</u>	<u>53,460,880</u>	<u>(1,723,416)</u>	<u>52,126,925</u>

The total authorised number of ordinary shares is 100 million shares (2008: 100m shares) with a par value of \$0.01 per share (2008: \$0.01). All issued shares are fully paid.

On 24 July 2009, the Company issued 7,190,601 ordinary shares in a private placing at the share price of \$0.68 raising a total of \$4,889,610.

On 22 December 2009, the Company issued 2,534,688 ordinary shares as part of the Employee Benefit Trust, details of which are contained in note 13. The shares were issued to the Trust in line with the Joint Ownership Agreements and as at 31 December 2009 the amount owed by the employees for their part of contribution of \$172.36 was reflected as a debtor. This amount was paid into the Company's bank account in early January 2010.

13. Other Reserves

<i>Group</i>	<i>Share Option Reserve</i>	<i>Currency Translation \$</i>	<i>Total Group \$</i>
At 1 January 2008	—	(153,616)	(153,616)
Currency translation differences	—	310,845	310,845
Grant of share options	672,000	—	672,000
At 31 December 2008	672,000	157,229	829,229
Currency translation differences	—	3,391,045	3,391,045
Grant of share options	805,677	—	805,677
EBT shares granted	18,600	—	18,600
At 31 December 2009	1,496,277	3,548,274	5,044,551

The amount of \$805,677 (2008: \$672,000) credited to the share option reserve relates to the shares options granted in February 2008 – see note 14.

14. Equity Settled Share Based Payments

(a) Share Option Plan

511,000 Share options were granted to 10 employees under the CAML Share Option Plan on 21 February 2008. The exercise price for these options is \$6.42 and they are exercisable in 3 years of the date of grant. The only applicable vesting conditions are time based and consequently the share options are fully vested in February 2011.

As at 31 December 2009 and at 31 December 2008, 511,000 options to subscribe for Ordinary shares of \$6.42 each in the Company were outstanding as follows:

<i>Date of Grant of Option</i>	<i>Expiry Date of Option</i>	<i>Option Exercise Price,\$</i>	<i>Number of Shares</i>
21 February 2008	21 February 2018	6.42	511,000

No new share options were granted in 2009. There was no options forfeited, exercised or expired in 2009 (2008: nil, nil, nil, respectively). The weighted average number of options exercisable at 31 December 2009 is nil (2008: Nil).

The estimated fair value of the share options granted on 21 February 2008 is \$4.74, for a total of \$2,422,140. This was calculated by using an options valuation model based on the Black-Scholes method. The model inputs were the share price at grant date of \$6.42 together with an exercise price of \$6.42, an expected volatility of 128% and an estimated risk-free interest rate of 3%. The volatility of 128% represents the volatility of a listed company which operate in the same sector as this company.

The amount of \$805,677 (2008: \$672,000) credited to the share option reserve relates to the shares options granted in February 2008.

(b) Employee Benefit Trust

An Employee Benefit Trust (EBT) was set up by the Company during 2009 as a means of incentivising the management of CAML towards achieving specific goals as agreed by the Remuneration Committee. A total of 2,534,688 ordinary shares were issued on 22 December 2009 as part of the arrangement following on from a lengthy set up and agreement process within the Company.

The shares were issued at the exercise price of \$0.68 which was based on the valuation taken from the July 2009 fund raising at around the time the EBT scheme was considered appropriate as an incentive scheme by the Board. The shares are jointly owned by the Trust Fund and the employee with the ownership transferring to the employee based on certain performance criteria. The performance criteria is related to the Company achieving a trade sale or an IPO.

\$18,600 was recognised for the year (2008: \$Nil) from the Employee Benefit Trust. The estimated fair value of the shares granted on 22 December 2009 is \$0.31, for a total of \$790,414. This was calculated by using an options valuation model based on the Black-Scholes model. The model inputs were the share price at grant date of \$0.68 together with an exercise price of \$0.68, an expected volatility of 130% and an estimated risk-free interest rate of 5%. The volatility of 130% represents the volatility of a listed company which operate in the same sector as this company.

15. Trade and Other Payables

	<i>Group</i>		<i>Company</i>	
	<i>As at 31 December</i>			
	2009	2008	2009	2008
	\$	\$	\$	\$
Trade Payables	1,320,288	1,539,972	649,919	736,446
Amounts due to related parties	—	—	32,160	30,065
Social Security and other taxes	140,316	503,804	117,762	16,257
	<u>1,460,604</u>	<u>2,043,776</u>	<u>799,841</u>	<u>782,768</u>
Less non – current portion				
Social Security and other taxes	—	(19,522)	—	—
Amounts due to related parties	—	—	(32,160)	(30,065)
	<u>1,460,604</u>	<u>2,024,254</u>	<u>767,681</u>	<u>752,703</u>

The carrying value of all the above payables is equivalent to fair value.

All the above trade and other payables are payable within 30 days.

The amounts due to related parties are a consequence of inter-group arrangements.

16. Borrowings

	<i>Group</i>		<i>Company</i>	
	<i>As at 31 December</i>			
	2009	2008	2009	2008
	\$	\$	\$	\$
Gold loan ¹	1,000,000	1,650,425	1,000,000	—
	<u>1,000,000</u>	<u>1,650,425</u>	<u>1,000,000</u>	<u>—</u>

Note 1

The gold loan relates to the receipt of funds by Tochtar LLP from Commonwealth American Partners LLP (CAP) in 2006 which were advanced in consideration for repayment from future gold production. A total of \$1,798,750 was advanced to Tochtar LLP during 2006 in exchange for the future delivery of the first 3,600 ounces of gold produced from the mine. The gold was initially due for delivery by 29 December 2006 although this was later extended to 31 December 2007 because of production delays.

The gold loan was valued at the time of the advancement of funds by reference to the closing quoted market price of gold for forward deliveries which matched the contractual delivery dates. Funds were advanced on three separate occasions during 2006 for the total consideration of \$1,798,750. The gold loan was designated at fair value through the income statement at the inception of each of the loans. The differences between the consideration received and the fair value of the loans at inception were debited to Group reserves. All movements in the fair value of the gold loan were treated as finance income or cost through the income statement during the life of the loan. During 2009 no deliveries of gold were made to CAP due to the mine being placed on care and maintenance for the vast majority of the year.

Management agreed with CAP in September 2009 that the liability would be settled for a monetary amount of \$1m by CAML and that this liability would in turn be settled by conversion to equity once the appropriate authority to allot shares had been obtained by the Directors. The agreed price per share of \$0.68 was based on the July fund raising.

In November 2009, this agreement was actioned. The agreement to settle the loan at \$1m resulted in recognition of gain on loan re-negotiation of \$1,089,062 (2008: \$Nil).

In February 2010 the loan was converted into 1,470,588 shares.

17. Provisions for Liabilities and Charges

<i>Group</i>	<i>Environmental Restoration</i>	<i>Other</i>	<i>Total</i>
	\$	\$	\$
At 1 January 2008	590,939	6,951	597,890
Arising during the year			
Asset Retirement Obligations	640,324	—	640,324
Used during the year	—	(6,951)	(6,951)
At 31 December 2008	<u>1,231,263</u>	<u>—</u>	<u>1,231,263</u>
Arising during the year			
Asset Retirement Obligations	(61,578)	—	(61,578)
Transferred to disposal group classified as held for sale	(728,428)	—	(728,428)
Used during the year	—	—	—
At 31 December 2009	<u>441,257</u>	<u>—</u>	<u>441,257</u>

The environmental provision of \$441,257 (2008: \$1,231,263) is a non current provision. The provision is expected to be utilised on closure and rehabilitation stage.

18. Assets held for sale

The assets and liabilities related to the following companies have been presented as held for sale:

Tochtar

As described in the Director's Report, this mine is located in northwest Kazakhstan near the Russian border and CAML acquired an initial 65% stake in 2006. This was then increased to 75% in January 2007. The mine was managed and operated from that time during 2007 and 2008 producing a total of c 5,000 ounces of gold.

In November 2009, a framework agreement to sell 100% of the property to a Chinese Group was concluded. CAML management were able to agree with the minority shareholders an amount that they were prepared to sell their 25% stake for in order to be able to meet the terms of the framework agreement.

A two month due diligence period whereby the potential purchasers enjoyed an exclusivity period expired early in 2010 although the transaction has still not been concluded. Whilst there are potentially a number of other interested parties, it was decided by the CAML Board to write off all of the assets associated with Tochtar project to nil.

This decision was taken due to the concern, that whilst a successful sale may still be achieved in 2010, the licence commitments would also soon become an issue and the CAML Board did not feel that it was willing to incur additional expenditure on such commitments if a sale had not been concluded by that time. Management continue to try and achieve a sale in 2010.

The assets written off were as follows:

	<i>2009</i>
Intangible assets	878,409
Property plant and equipment	670,312
Inventory, including a reversal of 2008 write down in the amount of \$799,110 and current year write off in the amount of \$894,166 (note 10)	95,056
Trade and other receivables	5,362
Total	<u>1,649,139</u>

Ereen

This gold exploration project is located between Centerra's Boroo mine and the Gatsurst project in the Selenge province approximately 140 km north of Ulaan Baatar, Mongolia. At the end of 2008, the Group had completed a drilling programme of 44 holes (9,881m) and a total of 6,709 assays had been sampled since acquiring the licence.

During 2009 a drilling programme was conducted on the site in order to obtain further geological data and thereby enable the conversion of the exploration licences associated with the project to be converted into 30 year mining licences. This was successfully achieved in April 2010. A total of 1,792m was drilled in May 2009.

Following on from the Strategic review of the Group by the new management, a decision was taken to actively sell the mine during 2009. A number of parties expressed interest during the latter part of 2009, although as at the year end no sale had been achieved.

In March 2010, an offer has been accepted on the project and the purchaser is currently completing their due diligence. The CAML management hope to complete this disposal within 2010.

(a) Assets of disposal group classified as held for sale

	2009	2008
Intangible assets	3,509,957	—
Property plant and equipment	128,062	—
Cash and cash equivalents	5,388	—
Trade and other receivables	2,900	—
Total	3,646,307	—

Investment carried directly in the Company's accounts relating is Ereen project at 31 December 2009 is \$110,000.

(b) Liabilities of disposal group classified as held for sale

	2009	2008
Provisions	728,428	—
Trade and other payables	350,197	—
Total	1,078,625	—

19. Income Tax

Income tax expense comprises the following;

	2009	2008
Corporate Income Tax – current year	—	—
Corporate Income Tax – prior periods	—	—
Deferred tax (expense) / recovery – current year	—	—
Income tax (expense) / recovery	—	—

Due to the losses incurred in the business there is no current tax provided. Domestic income tax is calculated at 28 % (2008: 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliation between the expected and the actual taxation charge is provided below;

	2009	2008
Loss before tax	<u>(15,001,706)</u>	<u>(13,752,009)</u>
Tax at the domestic income tax rate 28% (2008: 28.5%)	(4,202,796)	(3,917,355)
Different tax rates for overseas jurisdictions	610,646	257,654
Expenses not deductible for tax purposes	2,462,730	2,465,872
Unrecognised deferred tax asset	<u>1,129,420</u>	<u>1,193,829</u>
Tax expense and effective tax rate for the year	<u>—</u>	<u>—</u>

The CAML Group has net unrecognised deferred tax assets in respect of deductible temporary differences of \$898,623 for the year ended 31 December 2009 (2008: \$1,122,234) and an unrecognised deferred tax asset relating to ongoing losses of \$4,156,412 (2008 : \$3,257,789). It is probable that future taxable profit will not be available to utilise the benefits of these temporary differences.

20. Expenses by nature

<i>Group</i>	2009	2008
	\$	\$
Employee benefit expense	2,326,449	3,509,225
Share based payments (note 14)	824,277	672,000
Inventory	556,262	1,272,737
Depreciation and amortisation (note 6 and 7)	546,914	266,432
Accounting and audit	338,798	509,391
Consulting	263,693	111,261
Travel	248,068	444,042
Office rent	201,191	299,254
Legal costs	165,321	433,131
Employee accommodation	162,142	393,397
Telecommunications	158,724	180,665
Extraction costs	137,615	1,836,730
Taxes (Including royalty)	56,700	488,581
Office costs	42,785	69,695
Marketing	1,676	80,725
Exploration costs	—	1,329,636
Other expenses	<u>412,500</u>	<u>1,178,411</u>
Total cost of sales and general and admin expenses	<u>6,443,115</u>	<u>13,075,313</u>
Write off – assets related to Tochtar project, excluding inventory (note 18)	1,554,083	—
Write off – loan to Kenes (note 9 and 22)	1,211,409	—
Write off – Loan to Sary Arka (note 9)	943,015	—
Write off – Tarbagatai licence (note 7)	233,234	—
VAT write off	<u>59,100</u>	<u>1,210,899</u>
Total Write off	<u>4,000,841</u>	<u>1,210,899</u>
Total cost of sales and other general and admin expenses incl Write off	<u>10,443,956</u>	<u>14,286,212</u>

21. Exchange rate differences

<i>Group</i>	2009	2008
	\$	\$
Foreign exchange rate differences	<u>(6,207,184)</u>	<u>(1,182,696)</u>

The losses on foreign exchange relate to the translation to the United States dollar of assets and liabilities at the balance sheet date.

22. Other expenses

<i>Group</i>	2009	2008
	\$	\$
Loss on sale of subsidiary	<u>(95,040)</u>	<u>—</u>

On 15 December 2009, CAML management decided to sell the Kenes property to the minority shareholder for the nominal value of the share capital, 50,750 Kazakhstan Tenge (KZT). It was felt that the contractual commitments were too onerous for the CAML Group at this stage in its development and that the limited financial and human resources within the Group could be better utilised elsewhere.

The corresponding loss on the investment over the period of the Group's ownership was written off in full and amounted to \$95,040.

After loss of control over Kenes, the Group assessed the recoverability of the loan previously granted to Kenes. This loan was written off by the Company and the Group and amounted to \$1,211,409 (2008: nil).

23. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares (note 12).

	2009	2008
	\$	\$
Loss attributable to equity holders of the company	<u>(15,001,706)</u>	<u>(13,752,009)</u>
Weighted average number of ordinary shares in issue	<u>32,970,616</u>	<u>28,621,190</u>

Diluted earnings per share

Diluted earnings per share has not been calculated as the effect of all the instruments in issue is antidilutive.

24. Employee Benefit Expense

The aggregate remuneration of staff, including the costs of all Directors, was as follows:

<i>Group</i>	2009	2008
	\$	\$
Wages and salaries	2,297,496	3,934,550
Social security costs	250,075	380,141
Pension related costs (State related overseas)	116,584	279,208
	<u>2,664,155</u>	<u>4,593,899</u>
<i>Company</i>		
Wages and salaries	702,496	1,414,042
Social security costs	78,792	100,291
Pension related costs	—	—
	<u>781,288</u>	<u>1,514,333</u>

25. Average Number of People Employed

<i>Group</i>	<i>2009</i>	<i>2008</i>
	<i>Number</i>	<i>Number</i>
Operational	84	180
Management and Technical	27	91
	<u>111</u>	<u>271</u>

Company

The average number of staff employed by the Company during the year was 5 in 2009 and 14 in 2008. This includes the staff employed within the CAML Branch based in Almaty, Kazakhstan.

26. Directors' Remuneration

Director's remuneration, including Non-Executive Directors, during the year was as follows;

<i>Group</i>	<i>2009</i>	<i>2008</i>
	<i>\$</i>	<i>\$</i>
Directors' emoluments	<u>513,343</u>	<u>681,550</u>

The emoluments of the highest paid director totalled \$175,939 in 2009 (2008: \$353,652).

Details of the Director's interests in the ordinary shares of the Company are set out in the Directors' Report on pages 7 & 8.

27. Auditors' Remuneration

The Group paid \$160,000 (2008: \$180,000) to its auditors for the audit of the financial statements for the year ended 31 December 2009. This amount includes \$85,000 (2008: \$113,000) for the audit of its overseas subsidiaries and \$75,000 (2008: \$67,000) for the audit of the UK Holding company, CAML.

The Group paid \$32,000 in relation to non – audit fees (2008:\$120,000) which primarily related to tax advice and specific advice relating to a Corporate reorganisation.

28. Finance Income and Costs

<i>Group</i>	<i>2009</i>	<i>2008</i>
	<i>\$</i>	<i>\$</i>
Finance Income	24,293	309,147
Finance Cost associated with gold loan	(411,550)	(66,501)
Other Finance Costs	<u>(3,254)</u>	<u>(7,642)</u>
Total Finance costs	<u>(414,804)</u>	<u>(74,143)</u>
Net Finance (costs)/income	<u>(390,511)</u>	<u>235,004</u>

29. Cash Generated from Operations

	<i>Group</i>		<i>Company</i>	
	<i>As at 31 December</i>		<i>As at 31 December</i>	
	<i>2009</i>	<i>2008</i>	<i>2009</i>	<i>2008</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Losses before income tax	(15,001,706)	(13,752,009)	(10,341,705)	(4,376,790)
Adjustments for :				
Depreciation (note 6)	414,091	546,861	—	33,726
Amortisation (note 7)	45,684	5,996	40,559	—
Foreign Exchange (note 21)	6,207,184	310,846	—	—
Inventory in Tochtar – reversal of previous year write down and write down for current year (Note 10)	95,056	1,240,137	—	—
Write off assets related to Tochtar project, excluding inventory write back and write down) (note 18)	1,554,083	—	8,709,249	—
Loss on sale of subsidiary (note 22)	95,040	—	—	—
Loan to Kenes written off (note 9)	1,211,409	—	1,211,409	—
Loan to Sary Arka written off (note 9)	943,015	—	—	—
Write off of Intangible Assets (note 7)	233,932	—	150,000	—
Loss on sale of Property, Plant and Equipment	1,072	—	—	—
Write off Property, Plant and Equipment	23,882	—	—	—
Share Options (note 14)	824,277	672,000	824,277	672,000
Gain on Gold Loan re-negotiation (note 16)	(1,089,062)	—	—	—
Finance income (note 28)	(24,293)	(309,147)	(12,031)	(263,704)
Finance Costs (note 28)	414,804	7,642	36	—
Changes in working capital :				
Inventories	104,224	(300,788)	—	—
Trade and Other Receivables	616,637	284,315	(124,056)	23,550
Trade and Other Payables	(232,976)	1,178,577	14,978	178,423
Movement in Provisions	(61,577)	633,373	—	—
Movement in Gold loan liability	—	(931,029)	1,000,000	—
Minority Interests	—	(140,549)	—	—
Cash generated from operations	(3,625,224)	(10,553,775)	1,472,716	(3,732,795)

30. Contingencies

As at 31 December 2009 the Group had no contingent liabilities or assets (2008: Nil).

Kazakhstani tax legislation and practice are in a state of continuous development and, therefore, are subject to varying interpretations and frequent changes which may be applied retroactively. The interpretation of tax, transfer pricing and excess profit tax legislation by the Kazakhstani tax authorities as applied to the transactions and activities of the Group may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group may be assessed additional taxes, penalties and fines. Tax periods remain open to review by the Kazakhstani tax authorities for five years.

31. Commitments

At 31 December 2009 amounts contracted for but not provided in the financial statements amounted to \$Nil for the Group (2008: Nil).

32. Related Party Transactions

During 2006 funds were advanced to one of the Group's subsidiaries, Tochtar LLP, to assist in the set up of the business. Repayment of the funds advanced was to be repaid by the future delivery of gold upon commencement of production. Details of the transaction are given in note 16.

The funds were advanced by Commonwealth Partners LP which is considered to be a related party by virtue of the size of its shareholding in the Group, details of which are contained in the Directors' Report.

In November 2009, it was agreed that the loan would be converted into a monetary amount of \$1m and that this amount would subsequently be settled in equity at the share price of \$0.68 when the Director's had acquired the authority to issue the shares. The loan was converted into shares in February 2010.

33. Post Balance Sheet Events

Convertible loan notes

In April 2010 the Company raised a total of \$5.4m gross by issuing convertible loan notes which are expected to convert into ordinary shares at the IPO. The loan notes carry a 30% discount to the IPO price provided the Company manages to complete the IPO before 30 September 2010 and 40% thereafter up until the maturity of the loan notes one year after issuance. If converted on maturity date a 48% discount would apply.

Section B - Year ended 31 December 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRAL ASIA METALS LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Central Asia Metals Limited for the year ended 31 December 2008 which comprise the Group and Parent Company Balance Sheets, the Group Consolidated Income Statement, the Group and Parent Company Consolidated Statements of Changes in Equity, the Group and Parent Company Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of the Group's loss and cash flows for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent Company's affairs as at 31 December 2008 and cash flows for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's ability to continue as a going concern. The Group is dependent on further successful fund raising from private placements and potential sales of identified assets to support future operations. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London

29 October 2009

Balance Sheets at 31 December 2008

	Note	Group		Company	
		As at 31 December 2008	As at 31 December 2007	As at 31 December 2008	As at 31 December 2007
		\$	\$	\$	\$
Assets					
Non-Current Assets					
Property, Plant and Equipment	6	4,143,661	1,513,738	82,359	62,704
Intangible Assets	7	14,904,286	4,001,332	1,302,000	302,000
Investments	8	—	—	405,853	340,882
Trade and Other Receivables	9	1,745,669	1,548,100	34,031,823	17,031,243
		<u>20,793,616</u>	<u>7,063,170</u>	<u>35,822,035</u>	<u>17,736,829</u>
Current Assets					
Inventory	10	475,266	1,414,616	—	—
Trade and Other Receivables	9	1,168,029	743,673	264,223	287,772
Cash and Cash Equivalents	11	4,629,560	26,048,774	4,375,857	22,255,190
		<u>6,272,855</u>	<u>28,207,063</u>	<u>4,640,080</u>	<u>22,542,962</u>
Total assets		<u>27,066,471</u>	<u>35,270,233</u>	<u>40,462,115</u>	<u>40,279,791</u>
Equity					
Capital and Reserves attributable to Equity Shareholders of the Company					
Ordinary Shares	12	292,208	280,520	292,208	280,520
Share Premium	12	46,944,935	41,131,593	46,944,935	41,131,593
Other Reserves	15	829,229	(153,616)	672,000	—
Retained Earnings	14	(25,925,365)	(12,173,356)	(8,229,796)	(3,853,006)
Minority Interests in Equity		—	140,549	—	—
Total Equity		<u>22,141,007</u>	<u>29,225,690</u>	<u>39,679,347</u>	<u>37,559,107</u>
Liabilities					
Non-Current Liabilities					
Trade and Other Payables	16	19,522	13,166	30,065	146,404
Provision for Liabilities and Charges	18	1,231,263	590,939	—	—
		<u>1,250,785</u>	<u>604,105</u>	<u>30,065</u>	<u>146,404</u>
Current Liabilities					
Trade and Other Payables	16	2,024,254	852,033	752,703	574,280
Borrowings	17	1,650,425	4,581,454	—	2,000,000
Provision for Liabilities and Charges	18	—	6,951	—	—
		<u>3,674,679</u>	<u>5,440,438</u>	<u>752,703</u>	<u>2,574,280</u>
Total Liabilities		<u>4,925,464</u>	<u>6,044,543</u>	<u>782,768</u>	<u>2,720,684</u>
Total Equity and Liabilities		<u>27,066,471</u>	<u>35,270,233</u>	<u>40,462,115</u>	<u>40,279,791</u>

The notes on pages 17 to 42 are an integral part of these consolidated financial statements. The financial statements on pages 13 to 42 were authorised for issue by the Board of Directors on 29 October 2009 and were signed on its behalf by;

Nick Clarke
Chief Financial Officer

Nigel Robinson
Chief Executive

Consolidated Income Statement for the year ended 31 December 2008

	Note	\$ 2008	\$ 2007
Revenue		2,722,032	—
Cost of Sales		(4,413,337)	—
Gross Loss		<u>(1,691,305)</u>	<u>—</u>
General & Administrative Expenses		(9,872,875)	(7,592,685)
Impairment of Inventory	10	(1,240,137)	(1,929,050)
Other (Expenses) / Income	20	(1,182,696)	181,900
Operating loss		<u>(13,987,013)</u>	<u>(9,339,835)</u>
Finance Income		309,147	222,197
Finance Costs		(74,143)	(696,107)
Finance Costs – net	25	235,004	(473,910)
Loss before Income Tax		<u>(13,752,009)</u>	<u>(9,813,745)</u>
Income Tax		—	5,497
Loss for the Year		<u>(13,752,009)</u>	<u>(9,808,248)</u>

All transactions arise from continuing operations.

The Company has elected to take the exemption under section 230 of the Companies Act 1985 not to present the parent company profit and loss account. The Company's loss in 2008 is \$4,376,790 (2007: \$3,256,573).

Consolidated Statement of Changes in Equity for the year ended 31 December 2008

Group	<i>Share capital</i> \$	<i>Share Premium</i> \$	<i>Other Reserves</i> \$	<i>Retained Earnings</i> \$	<i>Total</i> \$	<i>Minority Interests</i> \$	<i>Total Equity</i> \$
At 31 December 2007	280,520	41,131,593	(153,616)	(12,173,356)	29,085,141	140,549	29,225,690
Issue of Shares	11,688	5,813,342	—	—	5,825,030	—	5,825,030
Currency Translation Differences	—	—	310,845	—	310,845	—	310,845
Issue of Share Options	—	—	672,000	—	672,000	—	672,000
Reduction in MInority Interests	—	—	—	—	—	(140,549)	(140,549)
Loss for the Year	—	—	—	(13,752,009)	(13,752,009)	—	(13,752,009)
At 31 December 2008	292,208	46,944,935	829,229	(25,925,365)	22,141,007	—	22,141,007

Company	<i>Share capital</i> \$	<i>Share Premium</i> \$	<i>Other Reserves</i> \$	<i>Retained earnings</i> \$	<i>Total Equity</i> \$
At 31 December 2007	280,520	41,131,593	—	(3,853,006)	37,559,107
Issue of Shares	11,688	5,813,342	—	—	5,825,030
	292,208	46,944,935	—	(3,853,006)	43,384,137
Issue of Share Options	—	—	672,000	—	672,000
Loss for the Year	—	—	—	(4,376,790)	(4,376,790)
At 31 December 2008	292,208	46,944,935	672,000	(8,229,796)	39,679,347

Consolidated Cash flow Statement for the year ended 31 December 2008

	Note	Group As at 31 December		Company As at 31 December	
		\$ 2008	\$ 2007	\$ 2008	\$ 2007
Cash Flows from Operating Activities					
Cash Generated from operations	26	(10,553,775)	(10,603,253)	(3,732,795)	(3,162,793)
Interest Paid		(7,642)	(70,118)	—	—
Income Tax Paid		—	—	—	—
Net Cash Generated from Operating Activities		(10,561,417)	(10,673,371)	(3,732,795)	(3,162,793)
Cash Flows from Investing Activities					
Acquisition of Subsidiaries		—	—	(64,973)	(330,000)
Purchases of Property, Plant and Equipment		(3,176,784)	(1,167,628)	(53,380)	(65,430)
Purchase of Intangible Assets		(2,282,693)	(1,197,042)	(1,000,000)	(302,000)
Exploration Costs Capitalised		(8,626,257)	(2,414,118)	—	—
Loans to JV Partners / Subsidiaries		(906,241)	(251,359)	(17,116,920)	(15,626,228)
Interest Received		309,147	222,197	263,704	216,454
Net Cash used in Investing Activities		(14,682,828)	(4,807,950)	(17,971,569)	(16,107,204)
Cash Flows from Financing Activities					
Proceeds from Issuance of Ordinary Shares		3,825,031	37,511,187	3,825,031	37,511,187
Proceeds from Borrowings		—	2,000,000	—	2,000,000
Net Cash used in Financing Activity		3,825,031	39,511,187	3,825,031	39,511,187
Net (Decrease) / Increase in Cash and Cash Equivalents		(21,419,214)	24,029,866	(17,879,333)	20,241,190
Cash and Cash Equivalents at the Beginning of the Year		26,048,774	2,018,908	22,255,190	2,014,000
Cash and Cash Equivalents at the End of the Year		4,629,560	26,048,774	4,375,857	22,255,190

Notes to the Consolidated Financial Statements for the year ended 31 December 2008

1. General Information

Nature of Business

Central Asia Metals Limited (“CAML”) and its subsidiaries (“the Group”) are a mining and exploration organisation with operations in Kazakhstan and Mongolia and a parent holding company based in the United Kingdom.

The Group’s principal business activities are the exploration and subsequent development of mines primarily in the Central Asia region. The Group currently has mining interests in gold, copper and molybdenum.

CAML is a private limited company incorporated and domiciled in England & Wales. The Company’s registered number is 5559627.

Going Concern

The Group has significant funding needs to finance the development of its various projects, continue exploration at its properties and provide ongoing working capital. In order to support these funding needs, in May 2009, CAML negotiated an agreement with Lansdowne Holdings and Artemis whereby they will support a private placing of shares to raise \$7.5m. The agreement provides for the funds to be raised in two tranches with the second tranche contingent upon CAML requiring the funds and certain exploration activity at Alag Bayan going ahead pending the results of an IP Survey to be conducted there in July 2009. The first tranche of funding for \$4.9m was completed in July 2009 through a private placing of 7,190,603 shares at a share price of \$0.68.

In response to the liquidity crisis, the CAML Board took decisive action in October 2008 to cut back on the cost base of the group in order to conserve cash within the business. The headcount of the group was reduced from 236 in October 2008 to 79 as at 31 March 2009 with significant monthly savings on both overheads and project related costs. All non essential project activity was curtailed late in 2008 and by December all of the above projects, apart from Kounrad and Alag Bayan, had been placed under care and maintenance.

As a result of the above actions and the successful fund raising in July 2009, CAML management believe they have sufficient funding in place to satisfy working capital requirements through to 31 December 2010. However, the Group is dependent on further successful fund raising either from the sale of specific non-core assets or the issuance of equity to support future operations. Management is confident that these actions will take place within the next 12 month period but there is indication of the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was not able to continue as a going concern.

2. Summary of Significant Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the year, unless otherwise stated.

Basis of Preparation

The Group’s consolidated financial statements have been prepared in accordance with International Finance Reporting standards (“IFRS”) as adopted by the European Union, IFRIC Interpretations and the Companies Act 1985/2006 applicable to companies reporting under IFRS as they apply to the financial statements of the Group for the year ended 31 December 2008. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2008.

The Group financial statements are presented in US Dollars.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are explained in note 4.

Adoption of new accounting standards

New IFRS accounting standards and interpretations not yet adopted

The Company has yet to adopt the following standards and interpretations. The standards and interpretations listed below are not expected to have a material impact on the Company's consolidated results or assets and liabilities.

IFRS 8, 'Operating segments', sets out the requirements for the disclosure of information about an entity's operating segments and about the entity's products and services, the geographical areas in which it operates and its major customers. IFRS 8 achieves convergence with the US accounting standard, SFAS 131 'Disclosures about Segments of an Enterprise and Related Information' with minor differences. IFRS 8 has been adopted by the Company with effect from 1 January 2009.

IAS 23, 'Borrowing costs', removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. IAS 23 revised has been adopted by the Company with effect from 1 January 2009.

IAS 1, 'Presentation of Financial Statements', requires changes to the presentation of financial statements and adopts revised titles for the primary statements, although companies may continue to use the existing titles. IAS 1 revised has been adopted by the Company with effect from 1 January 2009.

IFRS 3R, 'Business Combinations', makes a number of changes to the accounting for business combinations, including requirements that all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income; an option to calculate goodwill based on the parent's share of net assets only or to include goodwill related to the minority interest; and a requirement that all transaction costs be expensed. IFRS 3R will be adopted by the Company with effect from 1 January 2010, subject to endorsement by the European Union.

IAS 27R, 'Consolidated and separate financial statements', requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. The revised standard also specifies the accounting when control is lost. IAS 27R will be adopted by the Company on 1 January 2010, subject to endorsement by the European Union.

IFRS 2, (amendment), 'Share-based payment', clarifies the definition of vesting conditions the accounting treatment of cancellations. Vesting conditions are defined as either service conditions or performance conditions. Cancellations by employees are accounted for in the same way as cancellations by the Company. The amendment to IFRS 2 has been adopted with effect from 1 January 2009.

IAS 32, (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation', addresses the classification as a liability or as equity of certain puttable financial instruments and instruments, or components thereof, which impose upon an entity an obligation to deliver a *pro rata* share of net assets on liquidation. The amendments to IAS 32 and IAS 1 have been adopted by the Company with effect from 1 January 2009.

IFRS 1 (amendment), 'First time adoption of IFRS', and IAS 27, 'Consolidated and separate financial statements', permits investments to be recognised on first-time adoption of IFRS at cost or deemed cost (fair value or previous GAAP carrying amount) and removes the requirement to recognise dividends out of pre-acquisition profits as a reduction in the cost of the investment. The amendments to IFRS 1 and IAS 27 have been adopted by the Company with effect from 1 January 2009.

IAS 36 (amendment), 'Impairment of assets', is part of the IASB's annual improvements project published in May 2008. The amendment to the standard is still subject to endorsement by the EU. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The group and company will apply the IAS 36 (amendment) and provide the required disclosure where applicable for impairment tests from 1 January 2009, subject to endorsement by the EU.

IAS 38 (amendment), 'Intangible assets', the amendment is part of the IASB's annual improvements project published in May 2008. The amendment to the standard is still subject to endorsement by the EU. A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The group will apply the IAS 38 (amendment) from 1 January 2009, subject to endorsement by the EU.

IFRS 5 (amendment), ‘Non-current assets held-for-sale and discontinued operations’, the amendment is part of the IASB’s annual improvements project published in May 2008. The amendment to the standard is still subject to endorsement by the EU. The amendment clarifies that all of a subsidiary’s assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The group will apply the IFRS 5 (amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010, subject to endorsement by the EU.

There are a number of minor amendments to IFRS 7, ‘Financial instruments: Disclosures’, IAS 8, ‘Accounting policies, changes in accounting estimates and errors’, IAS 10, ‘Events after the reporting period’, IAS 18, ‘Revenue’, and IAS 34, ‘Interim financial reporting’, which are part of the IASB’s annual improvements project published in May 2008 (not addressed above). The amendments to the standards are still subject to endorsement by the EU. These amendments, subject to endorsement by the EU, are unlikely to have an impact on the group or company’s accounts and have, therefore, not been analysed in detail.

Basis of Consolidation

Subsidiaries

The Group financial statements consolidate the financial statements of CAML and the entities it controls drawn up to 31 December 2008.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and it continues to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

The financial statements of subsidiaries used in the preparation of consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

Minority Interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries that are not held by the Group and are presented separately within equity in the consolidated balance sheet distinct from parent shareholder’s equity.

Where losses are incurred by a partially owned subsidiary, they are consolidated such that the minority interest’s share in the losses is apportioned in the same way as profits. Where the subsidiary makes continuing losses such that the minority interest’s share of the losses in a period exceeds its interest in equity, the allocation of losses to the minority ceases and the loss is allocated against the parent company holding.

Where profits are then made in future periods, such profits are then allocated to the parent company until all unrecognised losses attributable to the minority but absorbed by the parent are recovered at which point, profits are allocated as normal.

Joint Ventures

As mentioned in note 7, the group operates the Kounrad copper project under a joint operating agreement (JOA) with Sary Arka, a regional development company owned by the Kazakhstan government. During 2008, the arrangements under which the project is operated changed due to certain milestones being achieved and the formation of a separate legal entity, Kounrad Copper Company. This company has been set up as part of the arrangements under the JOA and will be the main company involved in the construction of the commercial plant in the future. This company has been proportionately consolidated on a 60:40 basis.

Upon commencement of the Pilot plant operations on 01 October 2008, it was agreed amongst the parties that the operation had achieved breakeven in line with the JOA definitions and consequently the assets associated with the project were to be proportionately consolidated. All liabilities, expenditures and the subsequent revenues from operating the Pilot Plant are consolidated 100% by CAML group.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's revenue, operating losses and total assets are shown by geographical segment in note 5.

Foreign Currency Translation

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in US Dollars, which is the Company's functional and presentation currency.

Transactions in currencies other than the functional currency are initially recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

The results and financial position of all the group entities 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 the balance sheet;
- Income and expenses for each income statement are translated at average exchange rates
- All resulting exchange differences are recognised as a separate component of equity;

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical 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.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its expected useful life as follows;

- Mining Property – over the life of the mine
- Plant and Equipment – over 5 to 15 years
- Motor Vehicles – over 5 to 10 years
- Office Equipment – over 2 to 10 years

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 the derecognition of the asset is included in the income statement.

Intangible Assets

Intangible assets comprise mining licences and permits, software and deferred exploration and evaluation costs.

Goodwill

All business combinations in the Group are accounted for under IFRS 3 using the purchase method. Any excess of cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

On the acquisition of a subsidiary, the purchase consideration is allocated to the assets, liabilities and contingent liabilities on the basis of their fair value at the date of acquisition. The excess of the cost of the acquisition over the fair value of the Group's share of identifiable net assets of the subsidiary acquired is recognised as positive goodwill.

Any excess of the fair value of the Group's share of identifiable net assets of the subsidiary exceeds the cost of the acquisition is recognised directly in the income statement.

For the purpose of impairment testing, goodwill is allocated to the related business entity and where the recoverable amount is less than the carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to an entity is taken into account when determining the gain or loss on disposal of the unit.

Mining Licences, Permits and Software

The historical cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with a finite life have no residual value and are amortised on a straight line basis over their expected useful lives with charges included in administrative expenses as follows;

- Computer software – over 2 to 5 years
- Permits and Mining licences – over the duration of the legal agreement.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Accounting for Mineral Resources

Exploration and evaluation expenditure is accounted for in line with IFRS 6.

Mining Operations

The Group recognises five key phases in the working lives of its mining operations and these are as follows;

- **Exploration** – the active search for resources suitable for commercial exploitation, including such activities as exploratory drilling, trenching, sampling and associated geological studies
- **Evaluation** – the technical feasibility and commercial viability studies that lead to a management decision to develop a mine
- **Development** – the preparation of a site for production purposes
- **Production** – the extraction and processing of mineral deposits for commercial sale
- **Closure and rehabilitation** – the activities and obligations associated with the cessation of commercial production

The Group has operations that comprise the first 4 of the above phases.

Deferred Exploration & Evaluation expenditure

All expenditure incurred prior to obtaining the legal rights to explore an area of interest is written off as incurred to the income statement.

Once legal rights have been obtained to explore an area of interest all exploration and evaluation costs related to the area are carried forward as an asset in the balance sheet where it is considered

probable that the costs will be recouped through the successful development and exploitation of the area of interest or alternatively by its sale.

Capitalised exploration and evaluation expenditure is written off where it is deemed by management that the above conditions are no longer satisfied.

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. Exploration and evaluation expenditure capitalised includes acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and activities in relation to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

General and administrative costs are allocated to an exploration and evaluation asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest.

The recoverability of deferred exploration costs is dependent upon the discovery of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the development of ore reserves and future profitable production or proceeds from the disposal thereof.

Development expenditure

Once the technical and commercial viability of extracting a mineral resource has been proven, expenditure related to the development of the area of interest are no longer capitalised as exploration and evaluation assets but as 'Mining Property' under Property, Plant and Equipment.

Development expenditure incurred by or on behalf of the group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure, together with any general and administrative overheads that can be related directly to the development activity. Any incidental revenue that may be earned prior to commercial production is offset against the capitalised mine development costs.

No depreciation is recognised in respect of the capitalised mine development costs until such time as a management decision is taken to proceed to the production phase.

Mine properties are tested for impairment in accordance with the note on impairment testing.

Production cost

Once production commences all costs incurred are expensed and accumulated development costs (which at this stage will include accumulated exploration and evaluation costs) are depreciated.

Pre production expenses incurred as operational activity is increased to a level of commercial production are expensed as incurred and any revenue generated during this phase is included in the income statement.

Any further development expenditure incurred at the area of interest after the commencement of commercial production is carried forward as part of the mining property asset where it is probable that additional future economic benefits associated with the expenditure will arise. Otherwise such expenditure is classified as cost of production.

Depreciation is charged on the basis of units-of-production, with separate calculations being made for each area of interest. The units of production basis results in a depreciation charge proportional to the depletion of the proved and probable reserves.

Impairment of Non-Financial Assets

The Group carries out impairment testing on all assets when there exists an indication of an impairment. If any such indication exists the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell or its value in use.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

In assessing value in use, 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 risks specific to the asset.

The best evidence of an asset's fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value less costs to sell is based on the best available information to reflect the amount the Group could receive for the cash-generating unit in an arm's length sale. In some cases this is estimated using a discounted cash flow analysis.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years.

Revenue Recognition

Revenue represents the net value of metal sold to an end user exclusive of any value added tax. It is measured as the consideration received for the metal after deduction of sales commissions and any other taxes. The value of the consideration is generally taken to be fair value which equates to the spot price on the date of sale or the contractually agreed price.

Revenue is only recognised at the point that persuasive evidence exists that the following criteria are satisfied;

- The significant risks and rewards of ownership of the product have been transferred to the buyer;
- No managerial control remains over the metal product
- The amount of revenue earned can be accurately measured

Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method.

The cost of finished goods and work in progress comprises raw materials, direct labour and all other direct costs associated in mining the ore and processing it to a saleable product.

Net realisable value is the estimated selling price in the ordinary course of business, less any further costs expected to be incurred to completion.

Current and Deferred Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the 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 that have been enacted or substantially 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 tax assets are only recognised when they arise from timing differences where their recoverability in the short term is regarded as being probable. Deferred tax balances are not discounted.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Investments

Investments in subsidiaries are recorded at cost less amounts to be written off.

Share Capital

Ordinary shares are classed as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share Based Compensation

The Group operates a Share Option Plan, the rules of which were approved by the Group on 14 December 2007. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted, excluding the impact of any non-market service and performance vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Financial Liabilities Designated at Fair Value through Profit or Loss

Financial liabilities designated at fair value through profit or loss are financial liabilities incurred to assist trading and set up of group businesses. A financial liability is classified in this category if acquired principally for the purpose of financing the group operations in the short-term and will not be repaid in cash.

The group incurred such a financial liability in 2006 when setting up the funding for Tochtar LLP. The group received \$1,798,750 in exchange for settlement of the loan by the payment of future gold production. This transaction has been accounted for as a financial liability designated at fair value through profit or loss.

The above financial liability was designated at fair value at inception because it contained an embedded derivative which had significantly affected the cash flows of the transaction, given that the repayment was denominated in the commodity.

Upon initial recognition of such a financial liability the fair value is assessed by reference to the forward price of the commodity based on the contractual delivery dates. Year end fair values are based on the 12 month forward price of the commodity as at that date. All mark-to-market gains and losses are taken to finance income and costs in the income statement.

Trade and Other Receivables

Trade and other Receivables do not carry interest and are stated at cost.

Trade and Other Payables

Trade and other payables are not interest bearing and are stated at cost.

Borrowings

Short term borrowings are accounted for based on the amount of funds actually received. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Provisions

Provisions for environmental restoration of mining operations are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3. Financial Risk Factors

The Group's activities expose it to a variety of financial risks, the key exposures being:

Interest Rate Risk

The Group is primarily funded by equity capital and has limited exposure to interest rate risk. As at 31 December 2008, the Group had no borrowings.

Credit risk

There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date.

Foreign Exchange risk

The Group operates primarily in Central Asia and is exposed to foreign exchange risk arising from the various currencies it uses within the region, namely the Mongolian Tugrik and Kazakhstan Tenge. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations. The Group's policy is to hold the major portion of its cash balances in US Dollars so as to provide a natural economic hedge against the Group's liabilities which are principally US Dollar denominated or US Dollar determined.

Commodities Price risk

The Group's direct exposure to commodities price changes is currently limited due to the stage of development of the Group's mining operations. The economic feasibility and viability of the Group's mining projects are closely linked to the changes in commodity prices. Management is always conscious of the impact of commodity price changes on the economics of the Group's projects. Financial models for projects are maintained and regularly reviewed for changes in commodity prices.

Notes to the Consolidated Financial Statements for the year ended 31 December 2008 – continued

In 2006 the Group entered into a loan which is due to be settled in gold that exposed it to fluctuations in the forward price of gold. The nature of this loan and its impact on the Group's performance and financial position as at 31 December 2008 is highlighted in notes 17 and 25. Management has prepared an analysis to illustrate the sensitivity of the Group's financial position and performance to possible changes in the forward price of gold. These changes in the forward price of gold were determined using management's understanding of the gold market.

	2008	2008	2007	2007
	\$	\$	\$	\$
	<i>Income</i>		<i>Income</i>	
	<i>statement</i>	<i>Equity</i>	<i>statement</i>	<i>Equity</i>
10% increase in forward price of gold	(189,000)	(189,000)	(256,000)	(256,000)
10% decrease in forward price of gold	189,000	189,000	256,000	256,000

The price data used for the above analysis was determined by reference to closing market rates at the balance sheet dates. The method adopted was to adjust the gold prices used in accounting for the gold loan at the year end by the stated variances.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash reserves to fund the Group's exploration and operating activities. Management monitors the forecasts of the group's cash flows and cash balances monthly and raises funds in discrete tranches to manage the activities through to revenue generation. Current cash resources are sufficient to enable the Group to operate until 31 December 2010 and negotiations have been concluded for the placing of shares in December 2009 to raise \$2.9m.

Political risk

The Group operates in areas of the world that are subject to political risk due to the impact of changing legislation on the operating and exploration environments that are imposed and changed by the ruling parties within the countries. The Group manages this risk by complying with all the relevant legislation and working at maintaining close ties with government contacts within the countries.

4. Critical Accounting Estimates and Judgments

The Group has three key areas where critical accounting estimates and judgements are required that could have a material impact on the financial statements;

Decommissioning and site rehabilitation estimates

Provision is made for the costs of decommissioning and site rehabilitation costs when the related environmental disturbance takes place. Provisions are recognised at the net present value of future expected costs.

The provision recognised represents management's best estimate of the costs that will be incurred, but significant judgement is required as many of these costs will not crystallise until the end of the life of the mine. Estimates are reviewed annually and are based on current contractual and regulatory requirements and the estimated useful life of mines. Engineering and feasibility studies are undertaken periodically; however significant changes in the estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period

Impairment

As mentioned above estimates are required periodically to assess assets for impairment. These estimates will incorporate the expected future commodity prices, estimates of the ore reserves and projected future costs of development and production.

Mineral Reserves and Resources

The major value associated with the Group is the value of its mineral resources. These resources are the Group's best estimate of product that can be economically and legally extracted from the relevant mining property. The Group's estimates are supported by geological studies and drilling samples to determine the quantity and grade of each deposit.

Significant judgement is required to generate an estimate based on the geological data available. Ore resource estimates may vary from period to period.

5. Segmental Information

As at 31 December 2008, the group consisted of one main business segment namely the identification, acquisition and development of gold, copper, molybdenum and other metals deposits in the Central Asia region. This is considered to be the primary business reporting segment for the group.

Geographical segment

The group operates out of three key geographical areas, even though they are managed on a worldwide basis. The group reports by geographical segment as its secondary reporting segment. In presenting information on the basis of geographical segments, segment assets and the cost of acquiring them are based on the geographical location of the assets. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Group Turnover of \$2,722,032 (2007: Nil) was all generated in Kazakhstan.

	2008	2007
Total Assets	\$	\$
Kazakhstan	11,107,804	9,796,916
Mongolia	9,990,748	2,704,796
UK	5,967,919	22,768,521
Total	<u>27,066,471</u>	<u>35,270,233</u>
Operating Loss		
Kazakhstan	(7,280,565)	(5,242,031)
Mongolia	(902,960)	(781,672)
UK	(5,803,488)	(3,316,132)
Total	<u>(13,987,013)</u>	<u>(9,339,835)</u>

	2008	2007
Total Assets	\$	\$
Depreciation		
Kazakhstan	676,762	230,956
Mongolia	75,700	10,838
UK	39,060	2,867
Total	<u>791,522</u>	<u>244,661</u>
Capital Expenditure on Property, Plant and Equipment		
Kazakhstan	4,078,872	1,405,818
Mongolia	737,504	287,010
UK	118,810	65,571
Total	<u>4,935,186</u>	<u>1,758,399</u>
Capital Expenditure on Intangibles		
Kazakhstan	5,190,532	1,703,481
Mongolia	8,423,176	2,001,277
UK	1,302,000	302,000
Total	<u>14,915,708</u>	<u>4,006,758</u>

6. Property, Plant and Equipment

Group	Mining Property \$	Plant and Equipment \$	Motor Vehicles & Office Equipment	Total \$
			\$	
Historical Cost				
At 1 January 2007	357,788	169,307	71,197	598,292
Additions	229,449	475,573	455,085	1,160,107
At 31 December 2007	587,237	644,880	526,282	1,758,399
Additions	658,413	1,505,817	1,310,889	3,475,119
Disposals	(53,535)	(50,045)	(166,773)	(270,353)
Translation difference	(6,537)	(1,386)	(20,056)	(27,979)
At 31 December 2008	1,185,578	2,099,266	1,650,342	4,935,186
Depreciation				
At 1 January 2007	622	2,460	9,849	12,931
Provided during the year	77,868	105,487	48,375	231,730
At 31 December 2007	78,490	107,947	58,224	244,661
Provided during the year	109,728	212,982	225,927	548,637
Disposals	—	—	(389)	(389)
Translation difference	(250)	(232)	(902)	(1,384)
At 31 December 2008	187,968	320,697	282,860	791,525
NBV at 31 December 2008	<u>997,610</u>	<u>1,778,569</u>	<u>1,367,842</u>	<u>4,143,661</u>
NBV at 31 December 2007	<u>508,747</u>	<u>536,933</u>	<u>468,058</u>	<u>1,513,738</u>

The Group has no finance leases.

Depreciation is all charged to general and administrative costs.

The Company had \$82,359 of office equipment at Net Book value as at 31 December 2008 (2007: \$62,704).

7. Intangible Assets

Group	<i>Deferred Exploration and Evaluation costs</i> \$	<i>Mining Licences and Permits</i> \$	<i>Software</i> \$	<i>Total</i> \$
Historical Cost				
At 1 January 2007	162,992	223,482	1,603	388,077
Additions	2,414,118	302,000	79,161	2,795,279
Acquisition of subsidiary ¹	—	823,402	—	823,402
At 31 December 2007	2,577,110	1,348,884	80,764	4,006,758
Additions	8,852,928	1,282,152	2,413	10,137,493
Acquisition of subsidiary ¹	—	1,000,000	—	1,000,000
Disposals	(87,472)	—	(238)	(87,710)
Translation Difference	(139,199)	(1,599)	(35)	(140,833)
At 31 December 2008	11,203,367	3,629,437	82,904	14,915,708
Amortisation				
At 1 January 2007	—	551	165	716
Provided during the year	—	1,177	3,533	4,710
At 31 December 2007	—	1,728	3,698	5,426
Provided during the year	—	3,469	2,527	5,996
At 31 December 2008	—	5,197	6,225	11,422
NBV at 31 December 2008	11,203,367	3,624,240	76,679	14,904,286
NBV at 31 December 2007	2,577,110	1,347,156	77,066	4,001,332

Amortisation of mining licences and permits is charged to the appropriate project. Amortisation of software is all charged to general and administrative costs.

Note 1 – acquisition of subsidiaries and additions to Mining Licences and Permits

In August 2008, the Group paid \$7,000 for 70% of the share capital of Bayan Resources based in Mongolia. The group paid \$1,000,000 for licences and permits associated with the exploration rights owned by this company.

In May 2007, the Group purchased majority shareholdings in MonResources LLP and ZuunMod Limited, both companies based in Mongolia. The Group paid \$8,000 for 80% of the share capital of Mon Resources LLP and \$8,500 for 85% of the share capital of ZuunMod Limited. The group also paid \$303,500 for licences and permits associated with the exploration rights owned by these two companies.

During 2007, the group also acquired an additional 10% interest in Tochtar LLP on 01 January 2007 and a 70% shareholding in Kenes LLP on 27 April 2007.

Details of these two acquisitions are shown below on page 31;

Subsidiary – Tochtar	<i>Assets at acquisition</i> \$	<i>Fair value adjustment</i> \$	<i>Assets at fair value</i> \$
Intangible assets – mining licences	415,202	3,640,560	4,055,762
Fixed Assets	850,000	—	850,000
Inventory	350,000	—	350,000
Debtors	135,000	—	135,000
Creditors	(1,800,000)	—	(1,800,000)
	<u>(49,798)</u>	<u>3,640,560</u>	<u>3,590,762</u>
10% of net assets acquired			<u>359,076</u>
Consideration			<u>359,076</u>
Excess			<u>—</u>
Subsidiary – Kenes	<i>Assets at acquisition</i> \$	<i>Fair value adjustment</i> \$	<i>Assets at fair value</i> \$
Intangible assets – mining licences	—	222,637	222,637
Creditors	(3,000)	—	(3,000)
Provisions	(629)	—	(629)
	<u>(3,629)</u>	<u>222,637</u>	<u>219,008</u>
70% of net assets acquired			<u>153,306</u>
Consideration			<u>153,306</u>

The group previously owned 65% of Tochtar since incorporation in April 2006. The above purchase increased it's stake to 75%.

The Group also set up two 100% owned companies in Mongolia during 2007, New CAML Limited and Mongolian Silver Mountain Limited. The Group paid \$10,000 for each company as introductory share capital

The Company had \$1,302,000 of intangible assets (mining licences) as at 31 December 2008 (2007: \$302,000).

Interests in Joint Ventures

The Group has a contractual arrangement with Sary Arka, a Government entity in Kazakhstan, whereby agreement has been reached to jointly operate and manage the Kounrad Copper facility near Balkhash. The arrangement provides joint control over the project assets. The initial capital to build the processing plant and infrastructure required to produce the copper from the existing dumps will be provided by the CAML Group.

The agreement provides that all assets and liabilities will be the responsibility of CAML Group until such time as the project achieves breakeven. At such time, the capital to finance the project will be repaid to the Group out of 50% of the annual net operating cash flows with the balance being paid to the parties in a 60:40 split as dividends. Once all capital is repaid to the Group, net operating cash flows will all be paid as dividends to the Joint Venture parties on the agreed basis of 60:40. As at 31 December 2008, the project was still in the early phases of development although both parties to the agreement had agreed that breakeven had been reached. It was agreed that this had been achieved on 01 October 2008 following successful production from the Pilot Plant.

It was agreed that the project would be operated by two separate companies, one for the leaching operations and one for the production of copper by means of an SX-EW Production Plant. A separate company was established, Kounrad Copper Company, to achieve the latter goal and it is owned on a 60:40 basis with Sary Arka.

CAML continues to develop and finance the project through its wholly owned subsidiary, Kounrad Mining Company. The achievement of the breakeven milestone in the project resulted in only 60% of the assets being consolidated with the other 40% now being deemed as assets belonging to the Joint Venture party, Sary Arka. The agreement provides for the reimbursement of all initial development expenditure to CAML by means of future operating cashflows once commercial production commences as mentioned above.

As at 31 December 2008, the Group had \$3,943,146 of assets invested in Kounrad.

8. Investments

Company	2008	2007
	\$	\$
Shares in Group undertakings		
Beginning of Year	340,882	882
Additions in Year	64,971	340,000
End of Year	<u>405,853</u>	<u>340,882</u>

Investments in group undertakings are recorded at cost which is the fair value of the consideration paid. Details of group holdings are included in the Directors' Report.

During the year the company paid \$7,000 for the 70% share of Bayan Resources as mentioned above in note 7.

The company also paid Euros 36,000 (\$57,973) for the share capital in two fully owned Dutch Holding companies that it incorporated during June 2008, CAML Kazakhstan BV and CAML Mongolia BV. The purpose of these subsidiaries is to eventually hold all the Group's subsidiaries due to the favourable taxation treaties between Holland and Kazakhstan / Mongolia. The process of transferring assets in Mongolia was completed in November 2008 following on from the transfer of all the Mongolian subsidiaries for an agreed consideration of \$1,340,000. The purchase price was paid for by the issuance of 65,000 shares in CAML Mongolia BV. The transfer of the Kazakhstan assets remains ongoing.

9. Trade and Other Receivables

	<i>Group</i>		<i>Company</i>	
	<i>As at 31 December</i>		<i>As at 31 December</i>	
	2008	2007	2008	2007
	\$	\$	\$	\$
Trade and Other Receivables	798,537	986,356	264,223	287,772
Receivables from related parties	1,741,713	251,359	34,031,823	17,031,243
Prepayments	373,448	1,054,058	—	—
	<u>2,913,698</u>	<u>2,291,773</u>	<u>34,296,046</u>	<u>17,319,015</u>
Less non – current portion				
Trade and Other Receivables	(3,956)	(978,180)	—	—
Receivables from related parties	(1,741,713)	—	(34,031,823)	(17,031,243)
Prepayments	—	(569,920)	—	—
Current Portion	<u>1,168,029</u>	<u>743,673</u>	<u>264,223</u>	<u>287,772</u>

The carrying value of all the above receivables is felt by management to be a reasonable approximation to fair value.

Management's policy is to assess all trade receivables and receivables from related parties quarterly. Where any amounts are in excess of 3 months past their due date a provision of 25% is made against the amount due and management action is taken to recover the amounts due. A further 25% is provided for in each of the next quarters until the amount due is fully provided for. No provisions have been made against any of the above for credit losses.

During the year \$1,210,899 was written off relating to outstanding VAT owed by the Kazakhstan Government. This VAT had been due for repayment during 2008 but subsequent negotiations and discussions with the Kazakhstan Government led to the conclusion that such monies would not easily be recovered.

Amounts are fully written off when information comes to light that the amounts due will not be recovered.

All trade receivables are with counterparties that management considers to be of high credit rating quality in that they are either government agencies or related parties with whom the Group has a strong business association.

All non - current receivables are due within 5 years of the balance sheet date.

Company

Company receivables from related parties are non - current and are as follows;

Receivables from related parties	<i>2008</i>	<i>2007</i>
Kazakhstan Subsidiaries	22,744,534	13,937,155
Mongolian Subsidiaries	11,274,033	3,094,088
Dutch Subsidiaries	13,256	—
Total	<u>34,031,823</u>	<u>17,031,243</u>

The value of the loan recoverable from Tochtar LLP has been written down from \$8,961,356 as at 31 December 2008 to \$7,000,000 based on recent market interest in this property. A write down of \$1,961,356 has been recorded to reflect estimated net realisable value.

10. Inventory

Group	<i>2008</i>	<i>2007</i>
	\$	\$
Raw Materials	148,164	222,479
Work in Progress	149,009	607,600
Finished Goods	178,093	584,537
	<u>475,266</u>	<u>1,414,616</u>

The inventory has been written down to the net realisable value based on the estimated quantities of metal and its fair value at the year end. The write down was considered necessary due to the uncertainty at the time of the Tochtar mine being operated in 2009 and therefore the recoverability of the inventory values associated with the Work in Progress in particular. The finished goods were shipped to Metalor in Switzerland in January 2009 and sold.

The write down amounts to \$1,240,137 (2007: \$1,929,050).

11. Cash and Cash Equivalents

The majority of the group's cash and cash equivalents at the year end (94.2%: 2008 and 85%: 2007) are held with the HSBC Bank PLC in London, a triple A rated bank.

	<i>Group</i>		<i>Company</i>	
	<i>As at 31 December</i>		<i>As at 31 December</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Cash at bank and on hand	773,207	7,048,774	519,504	3,255,190
Short term deposits	3,856,353	19,000,000	3,856,353	19,000,000
	<u>4,629,560</u>	<u>26,048,774</u>	<u>4,375,857</u>	<u>22,255,190</u>

12. Share Capital and Premium

Group	<i>Number of</i>	<i>Ordinary</i>	<i>Share</i>	<i>Total</i>
	<i>Shares</i>	<i>shares</i>	<i>premium</i>	
	<i>No</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
At 01 January 2007	18,960	190	3,902,736	3,902,926
Proceeds from shares issued	9,092	91	37,509,096	37,509,187
Bonus Issue	28,023,948	280,239	(280,239)	—
At 31 December 2007	<u>28,052,000</u>	<u>280,520</u>	<u>41,131,593</u>	<u>41,412,113</u>
Proceeds from shares issued	857,339	8,573	3,816,457	3,825,030
Loan Converted into Equity	311,527	3,115	1,996,885	2,000,000
At 31 December 2008	<u>29,220,866</u>	<u>292,208</u>	<u>46,944,935</u>	<u>47,237,143</u>

The total authorised number of ordinary shares is 100 million shares (2007: 100m shares) with a par value of \$0.01 per share (2007: \$0.01). All issued shares are fully paid.

In February 2008, 284,272 additional shares were issued at a price of \$6.42 raising \$1,825,026. A further issue of 573,067 shares in December 2008 at a price of \$3.49 raised \$2,000,004.

On 01 March 2008 a \$2 million loan was converted into equity at the determined share price of \$6.42. This resulted in 311,527 shares being issued and the outstanding liability being extinguished

13. Equity Settled Share Based Payments

511,000 Share options were granted to 10 employees under the CAML Share Option Plan on 21 February 2008. The exercise price for these options is \$6.42 and they are exercisable within 3 years of the date of grant. The total expense recognised for the year arising from the Plan was \$672,000.

At 31 December 2008, 511,000 options to subscribe for Ordinary shares of \$6.42 each in the company were outstanding as follows;

Date of Grant of Option	<i>Expiry Date</i> <i>of Option</i>	<i>Option Exercise</i>	<i>Number of Shares</i>
		<i>Price</i> <i>\$</i>	
21 February 2008	21 February 2018	6.42	511,000

The estimated fair value of the share options granted during the year is \$4.74, for a total of \$2,422,140. This was calculated by using an options valuation model based on the Black-Scholes method. The model inputs were the share price at grant date of \$6.42 together with an exercise price of \$6.42, an expected volatility of 128% and an estimated risk-free interest rate of 3%. The volatility of 128% represents the volatility of a listed company which operate in the same sector as this company.

14. Retained Earnings

	<i>Group</i> \$	<i>Company</i> \$
As at 01 January 2007	(2,365,108)	(596,433)
Loss for the year	<u>(9,808,248)</u>	<u>(3,256,573)</u>
At 31 December 2007	(12,173,356)	(3,853,006)
Loss for the year	<u>(13,752,009)</u>	<u>(4,376,790)</u>
At 31 December 2008	<u>(25,925,365)</u>	<u>(8,229,796)</u>

15. Other Reserves

Group	<i>Share Option Reserve</i>	<i>Currency Translation \$</i>	<i>Total Group \$</i>
As at 01 January 2007	—	(48,203)	(48,203)
Currency translation differences	—	<u>(105,413)</u>	<u>(105,413)</u>
At 31 December 2007	—	<u>(153,616)</u>	<u>(153,616)</u>
Currency translation differences	—	310,845	310,845
Grant of share options	<u>672,000</u>	—	<u>672,000</u>
At 31 December 2008	<u>672,000</u>	<u>157,229</u>	<u>829,229</u>

The company created a reserve of \$672,000 in respect of the shares options granted in February 2008 – see note 13

16. Trade and Other Payables

	<i>Group</i>		<i>Company</i>	
	<i>As at 31 December</i>		<i>As at 31 December</i>	
	\$	\$	\$	\$
	2008	2007	2008	2007
Trade Payables	1,539,972	122,036	736,446	146,596
Amounts due to related parties	—	—	30,065	146,404
Social Security and other taxes	<u>503,804</u>	<u>743,163</u>	<u>16,257</u>	<u>427,684</u>
	<u>2,043,776</u>	<u>865,199</u>	<u>782,768</u>	<u>720,684</u>
Less non - current portion				
Social Security and other taxes	(19,522)	(13,166)	—	—
Amounts due to related parties	—	—	<u>(30,065)</u>	<u>(146,404)</u>
Current portion	<u>2,024,254</u>	<u>852,033</u>	<u>752,703</u>	<u>574,280</u>

The carrying value of all the above payables is equivalent to fair value.

All the above trade and other payables are payable within 30 days.

The amounts due to related parties are a consequence of inter-group arrangements.

17. Borrowings

	<i>Group</i>		<i>Company</i>	
	<i>As at 31 December</i>		<i>As at 31 December</i>	
	<i>2008</i>	<i>2007</i>	<i>2008</i>	<i>2007</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Other loans	—	15,077	—	—
Gold loan ¹	1,650,425	2,566,377	—	—
Loan ²	—	2,000,000	—	2,000,000
	<u>1,650,425</u>	<u>4,581,454</u>	<u>—</u>	<u>2,000,000</u>

Note 1

The gold loan relates to the receipt of funds by Tochtar LLP from Commonwealth American Partners LLP (CAP) in 2006 which were advanced in consideration for repayment from future gold production. A total of \$1,798,750 was advanced to Tochtar LLP during 2006 in exchange for the future delivery of the first 3,600 ounces of gold produced from the mine. The gold was initially due for delivery by 29 December 2006 although this was later extended to 31 December 2007 because of production delays.

The gold loan was valued at the time of the advancement of funds by reference to the closing quoted market price of gold for forward deliveries which matched the contractual delivery dates. Funds were advanced on three separate occasions during 2006 for the total consideration of \$1,798,750. The gold loan was designated at fair value through the income statement at the inception of each of the loans. The differences between the consideration received and the fair value of the loans at inception were debited to Group reserves. All movements in the fair value of the gold loan are being treated as finance income or cost through the income statement. In 2008 the finance cost charged to the income statement was \$66,501 (2007: finance cost of \$625,989) due to the fluctuations in the 12 month forward price of gold over the year.

A management decision was taken part way through 2008 to sell the gold production to third parties in order to generate cashflow for the Group. As a consequence of this decision, there were only 2 deliveries of gold (1,066.57 ounces) against the loan contract and as at 31 December 2008 a total of 1,897.26 ounces of gold remained outstanding as deliverable.

Management agreed with CAP in September 2009 that the liability would be settled for a monetary amount of \$1m by CAML and that this liability would in turn be settled by conversion to equity once the appropriate authority to allot shares had been obtained by the Directors.

Note 2

In March 2008 the loan for \$2,000,000 was converted in to 311,527 shares at a conversion rate of \$6.42.

18. Provisions for Liabilities and Charges

Group	<i>Environmental</i>	<i>Other</i>	<i>Total</i>
	<i>Restoration</i>		
	<i>\$</i>	<i>\$</i>	<i>\$</i>
At 01 January 2008	590,939	6,951	597,890
Arising during the year			
Asset Retirement Obligations	640,324	—	640,324
Used during the year	—	(6,951)	(6,951)
At 31 December 2008	<u>1,231,263</u>	<u>—</u>	<u>1,231,263</u>

The environmental provision of \$1,231,263 (2007: \$590,939) is a non current provision whilst the other provision has been fully utilised during the year.

19. Income Tax

During the year, as a result of the change in the Corporation Tax rate from 30% to 28%, deferred tax balances have been remeasured. Deferred tax expected to reverse in the year to 31 December 2008 has been measured using the effective rate that will apply for the period of 28.5%.

The weighted average applicable tax rate was 28.5% (2007: 30%).

Income tax expense comprises the following;

	2008	2007
Corporate Income Tax – current year	—	—
Corporate Income Tax – prior periods	—	—
Deferred tax (expense) / recovery – current year	—	5,497
Income tax (expense) / recovery	<u>—</u>	<u>5,497</u>

Due to the losses incurred in the business there is no current tax provided. Domestic income tax is calculated at 28%, (2007: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliation between the expected and the actual taxation charge is provided below;

	2008	2007
Loss before tax	<u>(13,752,009)</u>	<u>(9,813,745)</u>
Tax at the domestic income tax rate 28.5% (2007:30%#)	(3,917,355)	(2,944,124)
Expenses not deductible for tax purposes	2,465,872	1,137,818
Unrecognised deferred tax asset	1,451,483	1,806,306
Tax expense and effective tax rate for the year	<u>—</u>	<u>—</u>

The CAML Group has net unrecognised deferred tax assets in respect of deductible temporary differences of \$1,122,234 for the year ended 31 December 2008 (2007: \$1,314,502) and an unrecognised deferred tax asset relating to ongoing losses of \$3,257,789 (2007: \$1,806,306). It is probable that future taxable profit will not be available to utilise the benefits of these temporary differences.

20. Other (expenses) / income

Group	2008	2007
	\$	\$
Foreign Exchange (losses) / gains	<u>(1,182,696)</u>	<u>181,900</u>

The losses on foreign exchange relate to the translation to the United States dollar of assets and liabilities at the balance sheet date.

21. Employee Benefit Expense

The aggregate remuneration of staff, including the costs of all Directors, was as follows;

Group	<i>2008</i>	<i>2007</i>
	\$	\$
Wages and salaries	3,934,550	3,061,951
Social security costs	380,141	243,476
Pension related costs (State related overseas)	279,208	98,584
	<u>4,593,899</u>	<u>3,404,011</u>
Company		
Wages and salaries	1,414,042	1,527,188
Social security costs	100,291	73,677
Pension related costs	—	—
	<u>1,514,333</u>	<u>1,600,865</u>

22. Average Number of People Employed

Group	<i>2008</i>	<i>2007</i>
	<i>Number</i>	<i>Number</i>
Operational	180	80
Management and Technical	91	63
	<u>271</u>	<u>143</u>

Company

The average number of staff employed by the company during the year was 14 in 2008 and 14 in 2007. This includes the staff employed within the CAML Branch based in Almaty, Kazakhstan.

23. Directors' Remuneration

Director's remuneration, including Non-Executive Directors, during the year was as follows;

Group	<i>2008</i>	<i>2007</i>
	\$	\$
Directors' emoluments	<u>681,550</u>	<u>1,001,306</u>

The emoluments of the highest paid director totalled \$353,652 in 2008 (2007: \$375,811).

The emoluments for 2007 include an accrual for \$427,684 relating to the estimated tax liability on shares granted to three directors upon taking office. There was no such liability incurred in 2008.

Details of the Director's interests in the ordinary shares of the Company are set out in the Directors' Report on pages 7 & 8.

24. Auditors' Remuneration

The Group paid \$180,000 (2007: \$160,000) to its auditors for the audit of the financial statements for the year ended 31 December 2008. This amount includes \$113,000 (2007: \$90,000) for the audit of its overseas subsidiaries and \$20,000 (2007: \$18,000) for the audit of the UK Holding company, CAML.

The group paid \$120,000 in relation to non - audit fees (2007:\$8,000) which primarily related to tax advice and specific advice relating to a Corporate reorganisation.

25. Finance Income and Costs

Group	2008	2007
	\$	\$
Finance Income	309,147	222,197
Finance Costs	(7,642)	(70,118)
Finance Income / (costs) associated with gold loan	(66,501)	(625,989)
Net Finance income / (costs)	<u>235,004</u>	<u>(473,910)</u>

26. Cash Generated from Operations

	Group		Company	
	As at 31 December 2008	As at 31 December 2007	As at 31 December 2008	As at 31 December 2007
	\$	\$	\$	\$
Losses before income tax	<u>(13,752,009)</u>	<u>(9,808,248)</u>	<u>(4,376,790)</u>	<u>(3,256,573)</u>
Adjustments for:				
Depreciation (note 6)	546,861	231,730	33,726	2,726
Amortisation (note 7)	5,996	4,710	—	—
Foreign Exchange (note 15)	310,485	(105,413)	—	—
Share Options	672,000	—	—	—
Finance income (note 25)	(309,147)	(222,197)	(263,704)	(216,454)
Finance Costs (note 25)	7,642	70,118	—	—
Changes in working capital:				
Inventories	939,349	(945,403)	—	—
Trade and Other Receivables	284,315	(1,229,487)	23,550	(256,772)
Trade and Other Payables	1,178,577	666,310	178,423	564,280
Movement in Provisions	633,373	582,292	672,000	—
Movement in Gold loan liability	(931,029)	148,835	—	—
Minority Interests	(140,549)	3,500	—	—
Cash generated from operations	<u>(10,553,775)</u>	<u>(10,603,253)</u>	<u>(3,732,795)</u>	<u>(3,162,793)</u>

27. Contingencies

As at 31 December 2008 the Group had no contingent liabilities or assets (2007: Nil).

Kazakhstani tax legislation and practice are in a state of continuous development and, therefore, are subject to varying interpretations and frequent changes which may be applied retroactively. The interpretation of tax, transfer pricing and excess profit tax legislation by the Kazakhstani tax authorities as applied to the transactions and activities of the Group may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group may be assessed additional taxes, penalties and fines. Tax periods remain open to review by the Kazakhstani tax authorities for five years.

28. Commitments

At 31 December 2008 amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to Nil for the Group (2007: \$727,227).

29. Related Party Transactions

During 2006 funds were advanced to one of the Group's subsidiaries, Tochtar LLP, to assist in the set up of the business. Repayment of the funds advanced was to be repaid by the future delivery of gold upon commencement of production. Details of the transaction are given in note 17.

The funds were advanced by Commonwealth Partners LP which is considered to be a related party by virtue of the size of its shareholding in the group, details of which are contained in the Directors' Report.

30. Events after the Balance Sheet Date

In July 2009 a \$4.9m fund raising was successfully completed by a placing of 7,190,601 ordinary shares at a price of \$0.68. The funds were placed with existing shareholders and supported by Lansdowne Holdings and Artemis.

In April 2009, Mr Nick Clarke was appointed as Chief Executive Officer (CEO). Nick brings with him a wealth of both mining and country experience and is being supported in his role by Nigel Robinson who was promoted to Chief Financial Officer (CFO) after having been with CAML for just over one year as the UK Financial Controller. Both Dr Edward Bloomstein and Frank Wells returned to the USA in March 2009 and remain as Non Executive Directors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRAL ASIA METALS LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Central Asia Metals Limited for the year ended 31 December 2007 which comprise the Group and Parent Company Balance Sheets, the Group Consolidated Income Statement, the Group and Parent Company Consolidated Statements of Changes in Equity, and the Group and Parent Company Consolidated Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2007 and of the group's loss and cash flows for the year then ended;

- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

7 July 2008

1 Embankment Place
London
WC2N 6RH

Balance Sheets

	Note	Group		Company	
		As at 31 December 2007	2006	As at 31 December 2007	2006
Assets		\$	\$	\$	\$
Non-Current Assets					
Property, Plant and Equipment	6	1,513,738	585,361	62,704	—
Intangible Assets	7	4,001,332	387,361	302,000	—
Investments	8	—	—	340,882	882
Trade and Other Receivables	10	1,548,100	218,253	17,031,243	1,268,611
		<u>7,063,170</u>	<u>1,190,975</u>	<u>17,736,829</u>	<u>1,269,493</u>
Current Assets					
Inventory	11	1,414,616	469,213	—	—
Trade and Other Receivables	10	743,673	592,674	287,772	31,000
Cash and Cash Equivalents	12	26,048,774	2,018,908	22,255,190	2,014,000
		<u>28,207,063</u>	<u>3,080,795</u>	<u>22,542,962</u>	<u>2,045,000</u>
Total assets		<u><u>35,270,233</u></u>	<u><u>4,271,770</u></u>	<u><u>40,279,791</u></u>	<u><u>3,314,493</u></u>
Equity					
Capital and Reserves attributable to Equity					
Shareholders of the Company					
Ordinary Shares	13	280,520	190	280,520	190
Share Premium	13	41,131,593	3,902,736	41,131,593	3,902,736
Unpaid Capital		—	(2,000)	—	(2,000)
Other Reserves	15	(153,616)	(48,203)	—	—
Retained Earnings	14	(12,173,356)	(2,365,108)	(3,853,006)	(596,433)
		<u>29,085,141</u>	<u>1,487,615</u>	<u>37,559,107</u>	<u>3,304,493</u>
Minority Interest in Equity		140,549	137,049	—	—
Total Equity		<u><u>29,225,690</u></u>	<u><u>1,624,664</u></u>	<u><u>37,559,107</u></u>	<u><u>3,304,493</u></u>
Liabilities					
Non-Current Liabilities					
Trade and Other Payables	16	13,166	18,663	146,404	—
Provision for Liabilities and Charges	18	590,939	15,598	—	—
		<u>604,105</u>	<u>34,261</u>	<u>146,404</u>	<u>—</u>
Current Liabilities					
Trade and Other Payables	16	852,033	180,226	574,280	10,000
Borrowings	17	4,581,454	2,432,619	2,000,000	—
Provision for Liabilities and Charges	18	6,951	—	—	—
		<u>5,440,438</u>	<u>2,612,845</u>	<u>2,574,280</u>	<u>10,000</u>
Total Liabilities		<u><u>6,044,543</u></u>	<u><u>2,647,106</u></u>	<u><u>2,720,684</u></u>	<u><u>10,000</u></u>
Total Equity and Liabilities		<u><u>35,270,233</u></u>	<u><u>4,271,770</u></u>	<u><u>40,279,791</u></u>	<u><u>3,314,493</u></u>

The notes on pages 16 to 40 are an integral part of these consolidated financial statements. The financial statements on pages 12 to 40 were authorised for issue by the Board of Directors on 07 July 2008 and were signed on its behalf by;

E Bloomstein
Chief Executive

Frank L Wells
Finance Director

Consolidated Income Statement for the Year Ending 31 December

	<i>Note</i>	2007 \$	2006 \$
Revenue		—	—
Cost of Sales		—	—
Gross Profit		<u>—</u>	<u>—</u>
General & Administrative Expenses		(7,592,685)	(1,562,849)
Impairment of Inventory	11	(1,929,050)	(183,348)
Other Income	20	181,900	5,748
Operating Profit		<u>(9,339,835)</u>	<u>(1,740,449)</u>
Finance Income		222,197	70,684
Finance Costs		(696,107)	(676,680)
Finance Costs – net	25	<u>(473,910)</u>	<u>(605,996)</u>
Loss before Income Tax		<u>(9,813,745)</u>	<u>(2,346,445)</u>
Income Tax	19	5,497	(18,663)
Loss for the Year		<u><u>(9,808,248)</u></u>	<u><u>(2,365,108)</u></u>

All transactions arise from continuing operations.

The Company has elected to take the exemption under section 230 of the Companies Act 1985 not to present the parent company profit and loss account. The Company's loss in 2007 is \$3,256,573 (2006: \$596,433 – 15 month period from 1 October 2005).

Consolidated Statement of Changes in Equity

Group	<i>Share capital</i> \$	<i>Share Premium</i> \$	<i>Other Reserves</i> \$	<i>Retained Earnings</i> \$	<i>Total</i> \$	<i>Minority Interests</i> \$	<i>Total Equity</i> \$
At 31 December 2006	190	3,902,736	(48,203)	(2,365,108)	1,489,615	137,049	1,626,664
Issue of Shares	280,330	37,228,857	—	—	37,509,187	—	37,509,187
Currency Translation Differences	—	—	(105,413)	—	(105,413)	—	(105,413)
Minority Interests	—	—	—	—	—	3,500	3,500
Loss for the Year	280,520	41,131,593	(153,616)	(2,365,108)	39,030,438	140,549	39,033,938
	—	—	—	(9,808,248)	(9,808,248)	—	(9,808,248)
At 31 December 2007	280,520	41,131,593	(153,616)	(12,173,356)	29,085,141	140,549	29,225,690

Company	<i>Share capital</i> \$	<i>Share Premium</i> \$	<i>Retained earnings</i> \$	<i>Total Equity</i> \$
At 31 December 2006	190	3,902,736	(596,433)	3,306,493
Issue of Shares	280,330	37,228,857	—	37,509,187
Loss for the Year	280,520	41,131,593	(596,433)	40,815,680
	—	—	(3,256,573)	(3,256,573)
At 31 December 2007	280,520	41,131,593	(3,853,006)	37,559,107

Consolidated Cash flow Statement

	Note	Group		Company	
		As at 31 December		As at 31 December	
		\$	\$	\$	\$
		2007	2006	2007	2006
Cash Flows from Operating Activities					
Cash Generated from operations	26	(10,603,253)	(2,696,520)	(3,162,793)	(662,434)
Interest Paid		(70,118)	(68,563)	—	—
Income Tax Paid		—	—	—	—
Net Cash Generated from Operating Activities		(10,673,371)	(2,765,083)	(3,162,793)	(662,434)
Cash Flows from Investing Activities					
Acquisition of Subsidiaries		—	—	(330,000)	(10,882)
Purchases of Property, Plant and Equipment		(1,167,628)	(598,292)	(65,430)	—
Purchase of Intangible Assets		(1,197,042)	(225,085)	(302,000)	—
Exploration Costs Capitalised		(2,414,118)	(162,992)	—	—
Loans to JV Partners / Subsidiaries		(251,359)	—	(15,626,228)	(1,258,611)
Interest Received		222,197	70,684	216,454	45,001
Net Cash used in Investing Activities		(4,807,950)	(915,685)	(16,107,204)	(1,224,492)
Cash Flows from Financing Activities					
Proceeds from Issuance of Ordinary Shares		37,511,187	3,900,926	37,511,187	3,900,926
Proceeds from Borrowings		2,000,000	—	2,000,000	—
Proceeds from Loan Repayable in Gold		—	1,798,750	—	—
Net Cash used in Financing Activity		39,511,187	5,699,676	39,511,187	3,900,926
Net (Decrease) / Increase in Cash and Cash Equivalents		24,029,866	2,018,908	20,241,190	2,014,000
Cash and Cash Equivalents at the Beginning of the Year		2,018,908	—	2,014,000	—
Cash and Cash Equivalents at the End of the Year		26,048,774	2,018,908	22,255,190	2,014,000

Notes to the Consolidated Financial Statements

1. General Information

Nature of Business

Central Asia Metals Limited (“CAML”) and its subsidiaries (“the Group”) are a mining and exploration organisation with operations in Kazakhstan and Mongolia and a parent holding company based in the United Kingdom.

The Group’s principal business activities are the exploration and subsequent development of mines primarily in the Central Asia region. The Group currently has mining interests in gold, copper and molybdenum.

CAML is a private limited company incorporated and domiciled in England & Wales. The Company’s registered number is 5559627.

The Company extended its year end to 31 December 2006 from 30 September 2006 in order to align its fiscal year with other companies in the Group.

First time adoption of International Financial Reporting Standards (IFRS)

This is the first set of consolidated financial statements for the Group. At 31 December 2006, there was no requirement to produce consolidated financial statements for the Group. At that time, CAML was the parent company of 2 legal entities, Sary Kazna LLP and Tochtar LLP, which qualified as a small group under the Companies Act 1985.

CAML prepared statutory accounts under UK GAAP whilst Sary Kazna LLP and Tochtar LLP both prepared their own accounts under IFRS within their own jurisdictions in Kazakhstan.

The group accounts for the year ended 31 December 2007 and 2006 have been prepared in accordance with IFRS.

The adoption of IFRS did not result in any material differences in the group’s equity or reported income statement.

Going Concern

The Group has significant funding needs to finance the development of its various projects, continue exploration at its properties and provide ongoing working capital.

The directors believe that additional funding will be required by October 2008 to provide adequate financing for the Group. It is currently the intention of the Board to seek additional funding as soon as a Competent Person’s Report is available for Handgait and Ereen. The Directors are considering a number of ways that additional funds can be raised and they anticipate no difficulty in raising the funds required. Management tightly controls the level of committed expenditure to ensure that the Group has sufficient resources available to meet its liabilities as they fall due.

Notwithstanding the material uncertainty related to the raising of additional financing which may cast significant doubt on the Group’s ability to continue as a going concern, the directors believe that the necessary funds to provide adequate financing can be raised as required and accordingly they are confident that the Group will continue as a going concern and have prepared the financial information on that basis. The financial information does not include the adjustments that would result if the Group was not able to continue as a going concern.

2. Summary of Significant Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the year, unless otherwise stated.

Basis of Preparation

The Group’s consolidated financial statements have been prepared in accordance with International Finance Reporting standards (“IFRS”) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31 December 2007 and applied in accordance with the Companies Act 1985. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2007.

The Group financial statements are presented in US Dollars.

The financial statements have been prepared under the historical cost convention

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are explained in note 4.

Standards, amendment and interpretations effective in 2007

IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the group or company's financial instruments, or the disclosures relating to taxation and trade and other payables.

Interpretation early adopted by the group and company

No standards were adopted early by the group

Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the group or company's operations:

- Revised guidance on implementing IFRS 4, 'Insurance contracts'
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies'; and
- IFRIC 9, 'Re-assessment of embedded derivatives'

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the group and company

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the group's accounting periods beginning on or after 1 January 2008 or later periods, but the group and company have not early adopted them:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The group will apply IAS 23 (Amended) from 1 January 2009, subject to endorsement by the EU but is currently not applicable to the group or company as there are no qualifying assets.
- IFRS 8, 'Operating segments' (effective from 1 January 2009). The standard is still subject to endorsement by the European Union. IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The group will apply IFRS 8 from 1 January 2009, subject to endorsement by the EU. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash-generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance. As the financial report contains both the group consolidated and parent company financial statements prepared under IFRS, the company will not be required to present segment information.

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The group will apply IFRIC 14 from 1 January 2008, but it is not expected to have any impact on the group or company's accounts.

Interpretations to existing standards that are not yet effective and not relevant for the group and company's operations

The following interpretations to existing standards have been published and are mandatory for the group and company's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the group's operations:

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the group or company's operations because none of the group's companies provide for public sector services.
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the group or company's operations because none of the group's companies operate any loyalty programmes.

Basis of Consolidation

Subsidiaries

The Group financial statements consolidate the financial statements of CAML and the entities it controls drawn up to 31 December 2007.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and it continues to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

The financial statements of subsidiaries used in the preparation of consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All inter-company balances and transactions, including unrealised profits arising from them, are eliminated.

Minority Interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries that are not held by the Group and are presented separately within equity in the consolidated balance sheet distinct from parent shareholder's equity.

Where losses are incurred by a partially owned subsidiary, they are consolidated such that the minority interest's share in the losses is apportioned in the same way as profits. Where the subsidiary makes continuing losses such that the minority interest's share of the losses in a period exceeds its interest in equity, the allocation of losses to the minority ceases and the loss is allocated against the parent company holding.

Where profits are then made in future periods, such profits are then allocated to the parent company until all unrecognised losses attributable to the minority but absorbed by the parent are recovered at which point, profits are allocated as normal.

Joint Ventures

As mentioned in note 9, the group operates the Kounrad copper project under a joint operating agreement with Sary Arka, a regional development company owned by the Kazakhstan government. As there is no separate legal entity and each venturer uses its own assets and incurs its own liabilities and expenses, the project is accounted for as a jointly controlled operation under IAS 31.

As at 31 December 2007, the group was primarily funding the set up of the operation at the Kounrad copper project. All assets, liabilities and expenses have been accounted for through the appropriate group entity.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Group's revenue, operating losses and total assets are shown by geographical segment in note 5.

Foreign Currency Translation

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in US Dollars, which is the Company's functional and presentation currency.

Transactions in currencies other than the functional currency are initially recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

The results and financial position of all the group entities 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 the balance sheet;
- Income and expenses for each income statement are translated at average exchange rates
- All resulting exchange differences are recognised as a separate component of equity

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical 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.

Depreciation is provided on all property, plant and equipment on a straight-line basis over its expected useful life as follows;

- Mining Property – over the life of the mine
- Plant and equipment – over 5 to 15 years
- Motor Vehicles – over 5 to 10 years
- Office Equipment – over 2 to 10 years

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 the derecognition of the asset is included in the income statement.

Intangible Assets

Intangible assets comprise goodwill, mining licences and permits, software and deferred exploration and evaluation costs.

Goodwill

All business combinations in the Group are accounted for under IFRS 3 using the purchase method. Any excess of cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised immediately in the income statement.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

On the acquisition of a subsidiary, the purchase consideration is allocated to the assets, liabilities and contingent liabilities on the basis of their fair value at the date of acquisition. The excess of the cost of the acquisition over the fair value of the Group's share of identifiable net assets of the subsidiary acquired is recognised as positive goodwill.

Any excess of the fair value of the Group's share of identifiable net assets of the subsidiary exceeds the cost of the acquisition is recognised directly in the income statement.

For the purpose of impairment testing, goodwill is allocated to the related business entity and where the recoverable amount is less than the carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to an entity is taken into account when determining the gain or loss on disposal of the unit.

Mining Licences, Permits and Software

Following initial recognition, the historical cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with a finite life have no residual value and are amortised on a straight line basis over their expected useful lives with charges included in administrative expenses as follows;

- Computer software – over 2 to 5 years
- Permits and Mining licences – over the duration of the legal agreement

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Accounting for Mineral Resources

Exploration and evaluation expenditure is accounted for in line with IFRS 6.

Mining Operations

The Group recognises five key phases in the working lives of its mining operations and these are as follows;

- **Exploration** – the active search for resources suitable for commercial exploitation, including such activities as exploratory drilling, trenching, sampling and associated geological studies
- **Evaluation** – the technical feasibility and commercial viability studies that lead to a management decision to develop a mine
- **Development** – the preparation of a site for production purposes
- **Production** – the extraction and processing of mineral deposits for commercial sale
- **Closure and rehabilitation** – the activities and obligations associated with the cessation of commercial production

The Group has operations that comprise the first 4 of the above phases.

Deferred Exploration & Evaluation expenditure

All expenditure incurred prior to obtaining the legal rights to explore an area of interest is written off as incurred to the income statement.

Once legal rights have been obtained to explore an area of interest all exploration and evaluation costs related to the area are carried forward as an asset in the balance sheet where it is considered probable that the costs will be recouped through the successful development and exploitation of the area of interest or alternatively by its sale.

Capitalised exploration and evaluation expenditure is written off where it is deemed by management that the above conditions are no longer satisfied.

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. Exploration and evaluation expenditure capitalised includes acquisition of rights to explore, topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and activities in relation to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

General and administrative costs are allocated to an exploration and evaluation asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest.

The recoverability of deferred exploration costs is dependent upon the discovery of economically recoverable ore reserves, the ability of the Company to obtain necessary financing to complete the development of ore reserves and future profitable production or proceeds from the disposal thereof.

Development expenditure

Once the technical and commercial viability of extracting a mineral resource has been proven, expenditure related to the development of the area of interest are no longer capitalised as exploration and evaluation assets but as 'Mining Property' under Property, Plant and Equipment.

Development expenditure incurred by or on behalf of the group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises costs directly attributable to the construction of a mine and the related infrastructure, together with any general and administrative overheads that can be related directly to the development activity. Any incidental revenue that may be earned prior to commercial production is offset against the capitalised mine development costs.

No depreciation is recognised in respect of the capitalised mine development costs until such time as a management decision is taken to proceed to the production phase.

Mine properties are tested for impairment in accordance with the note on impairment testing.

Production cost

Once production commences all costs incurred are expensed and accumulated development costs (which at this stage will include accumulated exploration and evaluation costs) are depreciated.

Pre production expenses incurred as operational activity is increased to a level of commercial production are expensed as incurred and any revenue generated during this phase is included in the income statement.

Any further development expenditure incurred at the area of interest after the commencement of commercial production is carried forward as part of the mining property asset where it is probable that additional future economic benefits associated with the expenditure will arise. Otherwise such expenditure is classified as cost of production.

Depreciation is charged on the basis of units-of-production, with separate calculations being made for each area of interest. The units of production basis results in a depreciation charge proportional to the depletion of the proved and probable reserves.

Impairment of Non-Financial Assets

The Group carries out impairment testing on all assets annually. If any such indication exists the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell or its value in use.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the income statement.

In assessing value in use, 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 risks specific to the asset.

The best evidence of an asset's fair value is the value obtained from an active market or binding sale agreement. Where neither exists, fair value less costs to sell is based on the best available information to reflect the amount the Group could receive for the cash-generating unit in an arm's length sale. In some cases this is estimated using a discounted cash flow analysis.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years.

Revenue Recognition

Revenue represents the net value of metal sold to an end user exclusive of any value added tax. It is measured as the consideration received for the metal after deduction of sales commissions and any other taxes. The value of the consideration is generally taken to be fair value which equates to the spot price on the date of sale or the contractually agreed price.

Revenue is only recognised at the point that persuasive evidence exists that the following criteria are satisfied;

- The significant risks and rewards of ownership of the product have been transferred to the buyer;
- No managerial control remains over the metal product
- The amount of revenue earned can be accurately measured
- The costs incurred in respect of the sale can be measured reliably

Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method.

The cost of finished goods and work in progress comprises raw materials, direct labour and all other direct costs associated in mining the ore and processing it to a saleable product.

Net realisable value is the estimated selling price in the ordinary course of business, less any further costs expected to be incurred to completion.

Current and Deferred Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the 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 that have been enacted or substantially 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 tax assets are only recognised when they arise from timing differences where their recoverability in the short term is regarded as being probable. Deferred tax balances are not discounted.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Investments

Investments in subsidiaries are recorded at cost less amounts to be written off.

Share Capital

Ordinary shares are classed as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Financial Liabilities Designated at Fair Value through Profit or Loss

Financial liabilities designated at fair value through profit or loss are financial liabilities incurred to assist trading and set up of group businesses. A financial liability is classified in this category if acquired principally for the purpose of financing the group operations in the short-term and will not be repaid in cash.

The group incurred such a financial liability in 2006 when setting up the funding for Tochtar LLP. The group received \$1,798,750 in exchange for settlement of the loan by the payment of future gold production. This transaction has been accounted for as a financial liability designated at fair value through profit or loss.

The above financial liability was designated at fair value at inception because it contained an embedded derivative which had significantly affected the cash flows of the transaction, given that the repayment was denominated in the commodity.

Upon initial recognition of such a financial liability the fair value is assessed by reference to the forward price of the commodity based on the contractual delivery dates. Year end fair values are based on the 12 month forward price of the commodity as at that date. All mark-to-market gains and losses are taken to finance income and costs in the income statement.

Trade and Other Receivables

Trade and other Receivables do not carry interest and are stated at cost.

Trade and Other Payables

Trade and other payables are not interest bearing and are stated at cost.

Borrowings

Short term borrowings are accounted for based on the amount of funds actually received. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Provisions

Provisions for environmental restoration of mining operations are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3. Financial Risk Factors

The Group's activities expose it to a variety of financial risks, the key exposures being;

Interest Rate risk

The Group is primarily funded by equity capital and has limited exposure to interest rate risk. As at 31 December 2007, the Group had borrowings of \$2,000,000 and these were at a fixed interest rate of 4% per annum. The loan was converted into equity on 01 March 2008 with the interest owed being settled in cash. 311,527 shares were issued to settle the loan at an agreed value of \$6.42 per share.

Credit risk

There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the balance sheet date.

Foreign Exchange risk

The Group operates primarily in Central Asia and is exposed to foreign exchange risk arising from the various currencies it uses within the region, namely the Mongolian Turgik and Kazakhstan Tenge. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investment in foreign operations.

The Group's policy is to hold the major portion of its cash balances in US Dollars so as to provide a natural economic hedge against the Group's liabilities which are principally US Dollar denominated or US Dollar determined.

Commodities Price risk

The Group's direct exposure to commodities price changes is currently limited due to the stage of development of the Group's mining operations. The economic feasibility and viability of the Group's mining projects are closely linked to the changes in commodity prices.

Management is always conscious of the impact of commodity price changes on the economics of the Group's projects. Financial models for all projects are maintained and regularly reviewed for changes in commodity prices.

In 2006 the Group entered into a loan which is due to be settled in gold that exposed it to fluctuations in the forward price of gold. The nature of this loan and its impact on the Group's performance and financial position as at 31 December 2006 and 2007 is highlighted in notes 17 and 25.

Management has prepared an analysis to illustrate the sensitivity of the Group's financial position and performance to reasonably possible changes in the forward price of gold. The reasonably possible changes in the forward price of gold were determined using management's understanding of the gold market as at 31 December 2007 and 2006.

	2007	2007	2006	2006
	\$	\$	\$	\$
	<i>Income</i>	<i>Equity</i>	<i>Income</i>	<i>Equity</i>
	<i>statement</i>	<i>Equity</i>	<i>statement</i>	<i>Equity</i>
10% increase in forward price of gold	(256,000)	(256,000)	(241,000)	(241,000)
10% decrease in forward price of gold	256,000	256,000	241,000	241,000

The price data used for the above analysis was determined by reference to closing market rates at the balance sheet dates. The method adopted was to adjust the gold prices used in accounting for the gold loan at the year end by the stated variances.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash reserves to fund the Group's exploration and operating activities. Management monitors the forecasts of the group's cash flows and cash balances monthly and raises funds in discrete tranches to manage the activities through to revenue generation.

Current cash resources are sufficient to enable the Group to operate until October 2008 and negotiations and discussions are presently underway for additional funding.

Political risk

The Group operates in areas of the world that are subject to political risk due to the impact of changing legislation on the operating and exploration environments that are imposed and changed by the ruling parties within the countries.

The Group manages this risk by complying with all the relevant legislation and working at maintaining close ties with government contacts within the countries.

4. Critical Accounting Estimates and Judgments

The Group has three key areas where critical accounting estimates and judgements are required that could have a material impact on the financial statements;

Decommissioning and site rehabilitation estimates

Provision is made for the costs of decommissioning and site rehabilitation costs when the related environmental disturbance takes place. Provisions are recognised at the net present value of future expected costs.

The provision recognised represents management's best estimate of the costs that will be incurred, but significant judgement is required as many of these costs will not crystallise until the end of the life of the mine.

Estimates are reviewed annually and are based on current contractual and regulatory requirements and the estimated useful life of mines.

Engineering and feasibility studies are undertaken periodically; however significant changes in the estimates of contamination, restoration standards and techniques will result in changes to provisions from period to period.

Impairment

As mentioned above estimates are required periodically to assess assets for impairment. These estimates will incorporate the expected future commodity prices, estimates of the ore reserves and projected future costs of development and production.

Mineral Reserves and Resources

The major value associated with the Group is the value of its mineral resources. These resources are the Group's best estimate of product that can be economically and legally extracted from the relevant mining property.

The Group's estimates are supported by geological studies and drilling samples to determine the quantity and grade of each deposit. Significant judgement is required to generate an estimate based on the geological data available.

Ore resource estimates may vary from period to period.

5. Segmental Information

As at 31 December 2007, the group consisted of one main business segment namely the identification, acquisition and development of gold, copper, molybdenum and other metals deposits in the Central Asia region. This is considered to be the primary business reporting segment for the group.

Geographical segment

The group operates out of three key geographical areas, even though they are managed on a worldwide basis. The group reports by geographical segment as its secondary reporting segment. In presenting information on the basis of geographical segments, segment assets and the cost of acquiring them are based on the geographical location of the assets. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

There was no group turnover in the period.

	2007	2006
Total Assets	\$	\$
Kazakhstan	9,796,916	2,202,247
Mongolia	2,704,796	—
UK	22,768,520	2,069,522
Total	<u>35,270,232</u>	<u>4,271,769</u>
Operating Loss		
Kazakhstan	(5,242,031)	(1,143,010)
Mongolia	(781,672)	—
UK	(3,316,132)	(597,439)
Total	<u>(9,339,835)</u>	<u>(1,740,449)</u>
Depreciation		
Kazakhstan	230,956	12,931
Mongolia	10,838	—
UK	2,867	—
Total	<u>244,661</u>	<u>12,931</u>
Capital Expenditure on Property, Plant and Equipment		
Kazakhstan	1,405,818	598,292
Mongolia	287,010	—
UK	65,571	—
Total	<u>1,758,399</u>	<u>598,292</u>
Capital Expenditure on Intangibles		
Kazakhstan	1,703,481	387,362
Mongolia	2,001,277	—
UK	302,000	—
Total	<u>4,006,758</u>	<u>387,362</u>

6. Property, Plant and Equipment

Group	<i>Mining Property</i> \$	<i>Plant and Equipment</i> \$	<i>Motor Vehicles & Office Equipment</i> \$	<i>Total</i> \$
Historical Cost				
At 1 January 2006	—	—	—	—
Additions	357,788	169,307	71,197	598,292
At 31 December 2006	357,788	169,307	71,197	598,292
Additions	229,449	475,573	455,085	1,160,107
At 31 December 2007	587,237	644,880	526,282	1,758,399
Depreciation				
At 1 January 2006	—	—	—	—
Provided during the year	622	2,460	9,849	12,931
At 31 December 2006	622	2,460	9,849	12,931
Provided during the year	77,868	105,487	48,375	231,730
At 31 December 2007	78,490	107,947	58,224	244,661
NBV at 31 December 2007	508,747	536,933	468,058	1,513,738
NBV at 31 December 2006	357,166	166,847	61,348	585,361

The Group has no finance leases.

Depreciation is all charged to general and administrative costs.

The Company had \$62,704 of office equipment at Net Book value as at 31 December 2007 (2006: Nil).

7. Intangible Assets

Group	<i>Deferred Exploration and Evaluation costs</i> \$	<i>Mining Licences and Permits</i> \$	<i>Software</i> \$	<i>Total</i> \$
Historical Cost				
At 1 January 2006	—	—	—	—
Additions	162,992	223,482	1,603	388,077
At 31 December 2006	162,992	223,482	1,603	388,077
Additions	2,414,118	302,000	79,161	2,795,279
Acquisition of subsidiary ¹	—	823,402	—	823,402
At 31 December 2007	2,577,110	1,348,884	80,764	4,006,758
Amortisation				
At 1 January 2006	—	—	—	—
Provided during the year	—	551	165	716
At 31 December 2006	—	551	165	716
Provided during the year	—	1,177	3,533	4,710
At 31 December 2007	—	1,728	3,698	5,426
NBV at 31 December 2007	2,577,110	1,347,156	77,066	4,001,332
NBV at 31 December 2006	162,992	222,931	1,438	387,361

Amortisation of mining licences and permits is charged to the appropriate project. Amortisation of software is all charged to general and administrative costs.

The Company had \$302,000 of intangible assets as at 31 December 2007 (2006: Nil).

Note 1

In May 2007, the Group purchased majority shareholdings in MonResources LLP and ZuunMod Limited, both companies based in Mongolia. The Group paid \$8,000 for 80% of the share capital of Mon Resources LLP and \$8,500 for 85% of the share capital of ZuunMod Limited.

The group also paid \$303,500 in the above two transactions for licences and permits associated with the exploration rights owned by the companies. This excess consideration over the fair value of the net assets acquired has been treated as an intangible asset.

The group also acquired an additional 10% interest in Tochtar LLP on 01 January 2007 and a 70% shareholding in Kenes LLP on 27 April 2007. These acquisitions are explained in note 9.

8. Investments

Company	2007 \$	2006 \$
Shares in Group undertakings		
Beginning of Year	882	—
Additions in Year (see note 9)	340,000	882
End of Year	340,882	882

Investments in group undertakings are recorded at cost which is the fair value of the consideration paid. Details of group holdings are included in the Directors' Report

9. Business Combinations

Subsidiaries

During the year the Group acquired a number of businesses for cash. The Group increased its holding in Tochtar LLP from 65% to 75% on 01 January 2007 for an agreed amount of \$359,076 and then acquired a 70% stake in Kenes LLP on 27 April 2007 for \$ 153,306. Details of the acquisitions are as follows;

	<i>Assets at acquisition</i>	<i>Fair value adjustment</i>	<i>Assets at fair value</i>
	\$	\$	\$
Subsidiary – Tochtar			
Intangible assets – mining licences	415,202	3,640,560	4,055,762
Fixed Assets	850,000	—	850,000
Inventory	350,000	—	350,000
Debtors	135,000	—	135,000
Creditors	(1,800,000)	—	(1,800,000)
	<u>(49,798)</u>	<u>3,640,560</u>	<u>3,590,762</u>
10% of net assets acquired			<u>359,076</u>
Consideration			<u>359,076</u>
Excess			<u>—</u>
	<i>Assets at acquisition</i>	<i>Fair value adjustment</i>	<i>Assets at fair value</i>
	\$	\$	\$
Subsidiary – Kenes			
Intangible assets – mining licences	—	222,637	222,637
Creditors	(3,000)	—	(3,000)
Provisions	(629)	—	(629)
	<u>(3,629)</u>	<u>222,637</u>	<u>219,008</u>
70% of net assets acquired			<u>153,306</u>
Consideration			<u>153,306</u>
Excess			<u>—</u>
Subsidiary	<i>Tochtar</i>	<i>Kenes</i>	<i>Group</i>
Losses since acquisition	<u>(4,113,155)¹</u>	<u>(16,421)</u>	<u>(4,129,576)</u>
Full Year losses for 2007 ²	<u>(4,113,155)</u>	<u>(19,000)</u>	<u>(4,137,786)</u>

Note 1; The group has owned 75% of Tochtar since 01 January 2007 and consequently, the losses shown above are for the whole year

Note 2; The full year losses reflect ownership as if from 1 January 2007.

The Group purchased two subsidiaries in Mongolia for \$320,000 during 2007. The details are set out in Note 7.

The Group also set up two 100% owned companies in Mongolia, New CAML Limited and Mongolian Silver Mountain Limited. The Group paid \$10,000 for each company as introductory share capital.

Interests in Joint Ventures

The Group has a contractual arrangement with Sary Arka, a Government entity in Kazakhstan, whereby agreement has been reached to jointly operate and manage the Kounrad Copper facility near Balkhash. The arrangement provides joint control over the project assets. The initial capital to build the processing plant and infrastructure required to produce the copper from the existing dumps will be provided by the CAML Group.

The agreement provides that all assets and liabilities will be the responsibility of CAML Group until such time as the project achieves breakeven. At such time, the capital to finance the project will be repaid to the Group out of 50% of the annual net operating cash flows with the balance being paid to the parties in a 60:40 split as dividends. Once all capital is repaid to the Group, net operating cash flows will all be paid as dividends to the Joint Venture parties on the agreed basis of 60:40. As at 31 December 2007, the project was in the early phases of development and not at breakeven, therefore 100% of the assets and liabilities are reported in the consolidated financial statements.

10. Trade and Other Receivables

	<i>Group</i>		<i>Company</i>	
	<i>As at 31 December</i>		<i>As at 31 December</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Trade and Other Receivables	986,356	250,471	287,772	31,000
Receivables from related parties	251,359	—	17,031,243	1,268,611
Prepayments	1,054,058	560,456	—	—
	<u>2,291,773</u>	<u>810,927</u>	<u>17,319,015</u>	<u>1,299,611</u>
Less non-current portion				
Trade and Other Receivables	(978,180)	(218,253)	—	—
Receivables from related parties	—	—	(17,031,243)	(1,268,611)
Prepayments	(569,920)	—	—	—
Current Portion	743,673	592,674	287,772	31,000

The carrying value of all the above receivables is felt by management to be a reasonable approximation to fair value.

Management's policy is to assess all trade receivables and receivables from related parties quarterly. Where any amounts are in excess of 3 months past their due date a provision of 25% is made against the amount due and management action is taken to recover the amounts due. A further 25% is provided for in each of the next quarters until the amount due is fully provided for. No provisions have been made against any of the above for credit losses.

Amounts are fully written off when information comes to light that the amounts due will not be recovered.

All trade receivables are with counterparties that management considers to be of high credit rating quality in that they are either government agencies or related parties with whom the Group has a strong business association.

All non-current receivables are due within 5 years of the balance sheet date.

Company

Company receivables from related parties are non-current and are as follows;

Receivables from related parties	<i>2007</i>	<i>2006</i>
Kazakhstan Subsidiaries	13,937,155	1,194,961
Mongolian Subsidiaries	3,094,088	73,650
Total	<u>17,031,243</u>	<u>1,268,611</u>

11. Inventory

Group	2007	2006
	\$	\$
Raw Materials	222,479	21,988
Work in Progress	607,600	447,225
Finished Goods	584,537	—
	<u>1,414,616</u>	<u>469,213</u>

The inventory has been written down to the net realisable value based on the estimated quantities of metal and its fair value at the year end. The write down is necessary due to the contractual mechanism agreed for the initial production of gold (see note 17).

The write down amounts to \$1,929,050 (2006: \$183,348).

12. Cash and Cash Equivalents

The majority of the groups cash and cash equivalents at the year end (85%: 2007 and 100%: 2006) are held with the HSBC Bank PLC in London, a triple A rated bank. The remainder is held with KazKommertsbank in Kazakhstan which is a BB rated bank, according to Standard & Poors.

	<i>Group</i>		<i>Company</i>	
	<i>As at 31 December</i>		<i>As at 31 December</i>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash at bank and on hand	7,048,774	2,018,908	3,255,190	2,014,000
Short term deposits	19,000,000	—	19,000,000	—
	<u>26,048,774</u>	<u>2,018,908</u>	<u>22,255,190</u>	<u>2,014,000</u>

13. Share Capital and Premium

Group	<i>Number of</i>	<i>Ordinary</i>	<i>Share</i>	<i>Total</i>
	<i>Shares</i>	<i>shares</i>	<i>premium</i>	
	<i>No</i>	\$	\$	\$
At 01 January 2006				
Proceeds from shares issued	10,717	107	2,502,893	2,503,000
Loan converted into Equity	8,243	83	1,399,843	1,399,926
At 31 December 2006	<u>18,960</u>	<u>190</u>	<u>3,902,736</u>	<u>3,902,926</u>
Proceeds from shares issued	9,092	91	37,509,096	37,509,187
Bonus Issue	28,023,948	280,239	(280,239)	—
At 31 December 2007	<u>28,052,000</u>	<u>280,520</u>	<u>41,131,593</u>	<u>41,412,113</u>

The total authorised number of ordinary shares is 100 million shares (2006: 1,000 shares) with a par value of \$0.01 per share (2006: \$0.01). All issued shares are fully paid.

During 2006, a shareholder loan was converted into equity at the discretion of management. The loan value of \$1,275,622 was converted into 8,243 shares.

In October 2007, a bonus issue was granted to all existing shareholders by subdividing each share in issue into 1,000 new shares with holdings being increased one thousand fold. This transaction did not affect the individual shareholder's overall value held in the Company.

14. Retained Earnings

	<i>Group</i> \$	<i>Company</i> \$
As at 01 January 2006		
Loss for the year	(2,365,108)	(596,433)
At 31 December 2006	(2,365,108)	(596,433)
Loss for the year	(9,808,248)	(3,256,573)
At 31 December 2007	(12,173,356)	(3,853,006)

15. Other Reserves

Group	<i>Currency Translation</i> \$	<i>Total Group</i> \$
As at 01 January 2006	—	—
Currency translation differences	(48,203)	(48,203)
At 31 December 2006	(48,203)	(48,203)
Currency translation differences	(105,413)	(105,413)
At 31 December 2007	(153,616)	(153,616)

16. Trade and Other Payables

	<i>Group</i>		<i>Company</i>	
	<i>As at 31 December</i>		<i>As at 31 December</i>	
	\$	\$	\$	\$
	2007	2006	2007	2006
Trade Payables	122,036	99,722	146,596	10,000
Amounts due to related parties	—	—	146,404	—
Social Security and other taxes	743,163	99,167	427,684	—
	<u>865,199</u>	<u>198,889</u>	<u>720,684</u>	<u>10,000</u>
Less non-current portion	—	—	—	—
Social Security and other taxes	(13,166)	(18,663)	—	—
Amounts due to related parties	—	—	(146,404)	—
Current portion	<u>852,033</u>	<u>180,226</u>	<u>574,280</u>	<u>10,000</u>

The carrying value of all the above payables is equivalent to fair value.

All the above trade and other payables are payable within 30 days.

The amounts due to related parties are a consequence of inter-group arrangements and have a maturity date of 12 months.

17. Borrowings

	<i>Group</i>		<i>Company</i>	
	<i>As at 31 December</i>		<i>As at 31 December</i>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Other loans	15,077	25,752	—	—
Gold loan ¹	2,566,377	2,406,867	—	—
Loan ²	2,000,000	—	2,000,000	—
	<u>4,581,454</u>	<u>2,432,619</u>	<u>2,000,000</u>	<u>—</u>

Note 1

The gold loan relates to the receipt of funds by Tochtar LLP in 2006 which were advanced in consideration for repayment from future gold production. During 2006 a total of \$1,798,750 was advanced to Tochtar LLP in exchange for the future delivery of the first 3,600 ounces of gold produced from the mine. The gold was initially due for delivery by 29 December 2006 although this was later extended to 31 December 2007 because of production delays.

The gold loan was valued at the time of the advancement of funds by reference to the closing quoted market price of gold for forward deliveries which matched the contractual delivery dates. Funds were advanced on three separate occasions during 2006 for the total consideration of \$1,798,750. The gold loan was designated at fair value through the income statement at the inception of each of the loans. The differences between the consideration received and the fair value of the loans at inception were debited.

All movements in the fair value of the gold loan are being treated as finance income or cost through the income statement. In 2007 the finance cost charged to the income statement was \$625,989 (2006: finance income of \$66,730) due to the fluctuations in the 12 month forward price of gold over the year.

Delivery is due to be complete by December 2008.

Note 2

The loan was advanced to the company in March 2007 by a shareholder of the company.

The loan had an interest rate of 4%. The loan was subsequently converted into equity in March 2008 at the discretion of management and interest of \$80,000 gross was paid to the related party (see note 30).

18. Provisions for Liabilities and Charges

Group	<i>Environmental Restoration</i>	<i>Other</i>	<i>Total</i>
	\$	\$	\$
At 01 January 2007	15,598	—	15,598
Arising during the year	<u>575,341</u>	<u>6,951</u>	<u>582,292</u>
At 31 December 2007	<u>590,939</u>	<u>6,951</u>	<u>597,890</u>

The environmental provision of \$590,939 (2006: \$15,598) is a non current provision whilst the other provision is current and expected to be used within the year.

At present the group only has a current obligation for environmental restoration at the Tochtar gold mine in Kazakhstan.

19. Deferred Income Tax

Income tax expense comprises the following;

	2007	2006
Corporate Income Tax – current year	—	—
Corporate Income Tax – prior periods	—	—
Deferred tax recovery / (expense) – current year	<u>5,497</u>	<u>(18,663)</u>
Income tax recovery / (expense)	<u>5,497</u>	<u>(18,663)</u>

Taxation has been provided at current rates on the profits earned in the period.

There is a deferred tax liability of \$13,166 (2006: \$18,663) relating to the fixed assets of the group. The amount has been shown as a charge to the income statement.

Domestic income tax is calculated at 30% (2006: 30%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliation between the expected and the actual taxation charge is provided below;

	2007	2006
Loss before tax	(9,813,745)	(2,346,455)
Tax at the domestic income tax rate 30% (2006: 30%)	(2,944,124)	(703,936)
Expenses not deductible for tax purposes	1,137,818	129,558
Unrecognised deferred tax asset	1,806,306	574,378
Tax expense and effective tax rate for the year	<u>—</u>	<u>—</u>

Group has unrecognised deferred tax assets in respect of deductible temporary differences of \$3,120,808 for the year ended 31 December 2007 (2006: \$704,048). It is probable that future taxable profit will not be available to utilise the benefits of these temporary differences.

20. Other Income

	2007	2006
Group	\$	\$
Foreign Exchange gains	<u>181,900</u>	<u>5,748</u>

The gains on foreign exchange relate to the translation of the local functional currencies to the United States dollar at the balance sheet date.

21. Employee Benefit Expense

The aggregate remuneration of staff, including the costs of all Directors, was as follows;

	2007	2006
Group	\$	\$
Wages and salaries	3,061,951	681,410
Social security costs	243,476	70,019
Pension related costs (State related overseas)	98,584	48,472
	<u>3,404,011</u>	<u>799,901</u>
Company		
Wages and salaries	1,527,188	88,252
Social security costs	73,677	9,708
Pension related costs	—	—
	<u>1,600,865</u>	<u>97,960</u>

22. Average Number of People Employed

	2007	2006
Group	<i>Number</i>	<i>Number</i>
Operational	80	25
Management and Technical	63	21
	<u>143</u>	<u>46</u>

Company

The average number of staff employed by the company during the year was 3 in 2007 and 1 in 2006.

23. Directors' Remuneration

Director's remuneration, including Non-Executive Directors, during the year was as follows;

Group	2007	2006
	\$	\$
Directors' emoluments	1,001,306	230,122

The above emoluments for 2007 include an accrual for \$427,684 relating to the estimated tax liability on shares granted to three directors upon taking office.

The emoluments of the highest paid director totalled \$375,811 in 2007 (\$230,122: 2006).

Details of the Director's interests in the ordinary shares of the Company are set out in the Directors' Report on pages 7 & 8.

24. Auditors' Remuneration

The Group paid \$160,000 (2006: Nil) to its auditors for the audit of the financial statements for the year ended 31 December 2007. This amount includes \$90,000 (2006: Nil) for the audit of its overseas subsidiaries.

No audit was performed on the Group financial statements for the year ended 31 December 2006 due to the company being eligible for an audit exemption by virtue of its size at that date.

The group paid \$8,000 in relation to non-audit fees (2006: \$nil).

25. Finance Income and Costs

Group	2007	2006
	\$	\$
Finance Income	222,197	70,684
Finance Costs	(70,118)	(68,563)
Finance Income / (costs) associated with gold loan	(625,989)	(608,117)
Net finance (cost) / income	(473,910)	(605,996)

26. Cash Generated from Operations

	Group		Company	
	As at 31 December 2007	As at 31 December 2006	As at 31 December 2007	As at 31 December 2006
	\$	\$	\$	\$
Losses before income tax	(9,808,248)	(2,365,108)	(3,256,573)	(596,433)
Adjustments for :				
Depreciation (note 6)	231,730	12,931	2,726	—
Amortisation (note 7)	4,710	716	—	—
Foreign Exchange (note 15)	(105,413)	(48,203)	—	—
Finance income (note 25)	(222,197)	(70,684)	(216,454)	(45,001)
Finance Costs (note 25)	70,118	68,563	—	—
Changes in working capital :				
Inventories	(945,403)	(469,213)	—	—
Trade and Other Receivables	(720,919)	(592,674)	(256,772)	(31,000)
Long Term Receivables	(508,568)	(218,253)	—	—
Trade and Other Payables	666,310	198,889	564,280	10,000
Movement in Provisions	582,292	15,598	—	—
Movement in Gold loan liability	148,835	633,869	—	—
Minority Interests	3,500	137,049	—	—
Cash generated from operations	(10,603,253)	(2,696,520)	(3,162,793)	(662,434)

27. Contingencies

As at 31 December 2007 the Group had no contingent liabilities or assets (2006: Nil).

Kazakhstani tax legislation and practice are in a state of continuous development and, therefore, are subject to varying interpretations and frequent changes which may be applied retroactively. The interpretation of tax, transfer pricing and excess profit tax legislation by the Kazakhstani tax authorities as applied to the transactions and activities of the Group may not coincide with that of management. As a result, tax authorities may challenge transactions and the Group may be assessed additional taxes, penalties and fines. Tax periods remain open to review by the Kazakhstani tax authorities for five years.

28. Commitments

At 31 December 2007 amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to \$727,227 for the Group (2006: Nil).

29. Related Party Transactions

During 2006 funds were advanced to one of the Group's subsidiaries, Tochtar LLP, to assist in the set up of the business. Repayment of the funds advanced was to be repaid by the future delivery of gold upon commencement of production. Details of the transaction are given in note 17.

The funds were advanced by Commonwealth Partners LP which is considered to be a related party by virtue of the size of its shareholding in the group, details of which are contained in the Directors' Report.

30. Events after the Balance Sheet Date

Subsequent to the balance sheet date, the \$2,000,000 loan disclosed in note 17 has been converted into equity and the group no longer has any borrowings.

511,000 share options were granted to the management team in February 2008. The options were granted at the exercise price of \$6.42 and with a vesting date of 21 February 2011. If not previously exercised or lapsed, these options lapse ten years from date of grant.

PART 8

ADDITIONAL INFORMATION

1. Responsibility statements

- 1.1 The Company and its Directors (whose names and functions appear on page 5 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 Wardell Armstrong International 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 Person's Report set out in Part 6 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.

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.
- 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 Company is domiciled in the United Kingdom.
- 2.4 The website address of the Company for the purposes of AIM Rule 26 is www.centralasiametals.com.
- 2.5 The Company's registered office is at Masters House, 107 Hammersmith Road, London W14 0QH and the Company's principal place of business is 4-5 Park Place, London SW1A 1LP (telephone number 020 7898 9001 or, if dialling from outside the United Kingdom, +44 20 7898 9001).
- 2.6 The Company is the holding company of the Group. For further details of the Company's significant subsidiary undertakings, see paragraph 11 of Part 8 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. Since the incorporation of the Company there have been the following changes in the authorised share capital and the issued and fully paid share capital of the Company:
 - (a) By an ordinary resolution passed on 4 December 2006, the authorised share capital of the Company was increased by US\$1,000 subdivided into 100,000 ordinary shares of US\$0.01 each (the "Ordinary Shares");
 - (b) On 6 December 2006, the Company issued and allotted:
 - (i) 9,300 Ordinary Shares to Alexander Capelson in satisfaction of a US\$3,000,000 debt owed to Alexander Capelson by the Company (representing US\$322.58 per Ordinary Share);
 - (ii) 4,700 Ordinary Shares to Edward Bloomstein in satisfaction of a US\$500,000 debt owed to Edward Bloomstein by the Company for the provision of services provided in his capacity as Managing Director (representing US\$106.38 per Ordinary Share); and
 - (iii) 5,900 Ordinary Shares to other subscribers for cash consideration;

- (c) On 8 December 2006, the Company issued and allotted 1,050 Ordinary Shares for a total subscription price of US\$2,000,000 made on 8 December 2006 (representing US\$1904.76 per Ordinary Share);
- (d) On 13 March 2007, the Company issued and allotted 262 Ordinary Shares for a total subscription price of US\$500,000 (representing US\$1,908.40 per Ordinary Share);
- (e) On 4 April 2007, the Company issued and allotted 1,050 Ordinary Shares for a total subscription price of US\$2,000,000 (representing US\$1904.76 per Ordinary Share);
- (f) On 11 September 2007, the Company issued and allotted 1,114 Ordinary Shares for a total subscription price of US\$5,004,043.44 (representing US\$4,491.96 per Ordinary Share) to the existing shareholders and new investors;
- (g) On 1 November 2007, the Company issued and allotted 4,676 Ordinary Shares for a total subscription price of US\$30,005,143.84 (representing US\$6,416.84 per Ordinary Share);
- (h) By an ordinary resolution passed on 14 December 2007, the authorised share capital of the Company was increased to US\$1,000,000 by the creation of 99,900,000 Ordinary Shares;
- (i) By an ordinary resolution passed on 14 December 2007, the Company issued and allotted 28,023,948 Ordinary Shares to the existing shareholders on the basis of 999 new Ordinary Shares for every one existing Ordinary Share then held. The subscription price of US\$280,239.48 was paid for by the Company by way of capitalising part of the sum standing to the credit of the share premium account of the Company;
- (j) On 27 March 2008, the Company issued and allotted:
 - (i) 128,508 Ordinary Shares for a total subscription price of US\$825,021.34 (representing US\$6.42 per Ordinary Share); and
 - (ii) 311,527 Ordinary Shares to Liudmila Sheshko in satisfaction of a US\$2,000,000 loan from Liudmila Sheshko to the Company (representing US\$6.42 per Ordinary Share);
- (k) On 14 April 2008, the Company issued and allotted 155,764 Ordinary Shares for a subscription price of US\$1,000,004.88 (representing US\$6.42 per Ordinary Share);
- (l) On 8 December 2008, the Company issued and allotted 573,067 Ordinary Shares for a total subscription price of US\$2,000,003.83 (representing US\$3.49 per Ordinary Share);
- (m) On 11 August 2009, the Company issued and allotted 7,190,601 Ordinary Shares to shareholders for a total subscription price of US\$4,889,594 (representing US\$0.68 per Ordinary Share);
- (n) On 22 December 2009, the Company issued and allotted 2,534,688 Ordinary Shares for a total subscription price of US\$1,723,587.84 (representing US\$0.68 per Ordinary Share);
- (o) On 4 February 2010, the Company issued and allotted 1,470,588 Ordinary Shares for a total subscription price of US\$999,999.84 (representing US\$0.68 per Ordinary Share);
- (p) On 6 September 2010, the Company issued and allotted 250,543 Ordinary Shares for a total subscription price of US\$170,369.24 (representing US\$0.68 per Ordinary Share); and
- (q) On 8 September 2010, the Company issued and allotted 602,715 Ordinary Shares for a total subscription price of US\$409,846.20 (representing US\$0.68 per Ordinary Share).

3.2 Pursuant to a number of resolutions passed at the general meeting of the Company on 30 July 2010, *inter alia*:

- (a) the share premium account of the Company was reduced to zero;
- (b) effective from the date on which the Company's share premium account was so reduced and in order that the Company have sufficient sterling share capital to satisfy the minimum share capital requirements of public limited companies under the Act the authorised share capital of the Company was increased by the creation of an additional 50,000 redeemable sterling non-participating shares of £1 each (the "Redeemable Shares"). On 19 August 2010 the Redeemable Shares were allotted and issued to Alexander Capelson for a total subscription price of £50,000 (representing £1.00 per Redeemable Share);
- (c) the directors were generally and unconditionally authorised for the purposes of sections 549-551 of the Act to exercise all the powers of the Company to allot and grant rights to subscribe for, or convert any security into, shares up to an aggregate nominal amount of

£50,000. Such authority to expire on the date falling 15 months after the passing of the resolution or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2011;

- (d) the directors were given the power pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authority granted by that resolution as if section 561 of the Act did not apply to such allotment, such power to expire on the date falling 15 months after the passing of the resolution or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2011;
- (e) effective from the date of re-registration of the Company as a public limited company 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 and grant rights to subscribe for, or convert any security into, shares up to an aggregate nominal value of US\$128,000,000 (within the meaning of section 551(3) and (6) of the Act) comprising:
 - (i) up to an aggregate nominal value of US\$70,000,000 in connection with the Placing and Admission (the Placing and Admission together, the "Proposals");
 - (ii) up to an aggregate nominal value of US\$8,000,000, in connection with the conversion of loan notes issued pursuant to a loan note instrument issued by the Company on or around 27 April 2010 (the "Loan Notes");
 - (iii) otherwise than in connection with the Proposals and the Loan Notes up to an aggregate nominal value (within the meaning of section 551(3) and (6) of the Act) equal to the lesser of US\$25,000,000 and one third of the aggregate nominal amount of the Company's share capital immediately following Admission (such amount to be reduced by the nominal amount allotted or granted under (iv) below in excess of such sum); and
 - (iv) comprising equity securities (as defined in section 560 of the Act) up to an aggregate nominal amount (within the meaning of section 551(3) and (6) of the Act) equal to the lesser of US\$50,000,000 and two thirds of the aggregate nominal amount of the Company's share capital immediately following Admission (such amount to be reduced by any allotments or grants made under (iii) above) in connection with or pursuant to an offer by way of a rights issue 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;

such authorisations to expire on the date falling 15 months after the passing of the resolution or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2011;

- (f) effective from the date of the re-registration of the Company as a public limited company, the directors were given power pursuant to sections 570 (1) and 573 of the Act to:
 - (i) allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authorisation conferred by the resolution referred to in paragraph (e) above; and
 - (ii) sell ordinary shares (as defined in section 560(1) 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 should be limited to the allotment of equity securities for cash and the sale of treasury shares:

- (A) in the case of the authorisation granted under the resolution referred to in para (e)(i) above of up to US\$70,000,000, pursuant to or in connection with the Proposals;

- (B) in the case of the authorisation granted under the resolution referred to in para (e)(ii) above of up to US\$8,000,000, pursuant to or in connection with the Loan Notes;
- (C) in connection with or pursuant to an offer of or invitation to acquire equity securities (but in the case of the authorisation referred to in para (e)(iii) above, by way of a rights issue only) 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 or the requirements of any regulatory body or stock exchange in any territory or any other matter whatsoever; and
- (D) in the case of the authorisation granted under the resolution referred to in (e)(iii) above (or in the case of any transfer of treasury shares), and otherwise than pursuant to paragraph (C) above, up to an aggregate nominal amount equal to five per cent. of the aggregate nominal amount of the Company's share capital immediately following Admission,

such authorisations to expire on the date falling 15 months after the passing of the resolution or, if earlier, at the conclusion of the Company's annual general meeting to be held in 2011.

3.3 By a special resolution passed at a general meeting of the Company on 30 July 2010, in order to allow for uniformity of the Company's share capital, the terms of the proposed share purchase contract between the Company and Alexander Capelson relating to the purchase by the Company of one ordinary share of £1.00 in the capital of the Company at a price of £1.00 were approved and the directors of the Company were authorised to enter into and to do all things as may be necessary to complete that contract on behalf of the Company and unless previously renewed, revoked or varied such authority shall expire on the date following 18 months from the date of the passing of such resolution.

3.4 The following table shows the issued share capital of the Company at the date of this document and the issued share capital as it is expected to be immediately following Admission (assuming that the Placing is fully subscribed).

Issued and fully paid as the date of this document	
Nominal Value Ordinary (£)	Number
1.00	1
Nominal Value Ordinary (US\$)	Number
0.01	41,270,001
Nominal Value Redeemable (£)	Number
1.00	50,000

Issued and fully paid immediately following Admission and conversion of Loan Notes	
Nominal Value Ordinary (US\$)	Number
0.01	86,165,934

39,735,100 new Ordinary Shares will, subject to Admission, be issued pursuant to the Placing at a price of 96p per new Ordinary Share, representing a premium of US\$1.50 over their nominal value of US\$0.01 each, which price is payable in full on application. This will dilute existing shareholders by 52.1 per cent. taking into account the allotment of Ordinary Shares pursuant to the Loan Note conversion described at paragraph 12 of Part 2 of this document.

- 3.6 Save as disclosed in this Part 8:
- (a) there has been no change in the amount of the issued share or loan 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;
 - (b) no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries in the three years preceding the date of this document; and
 - (c) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed, conditionally or unconditionally, to be put under option.
- 3.7 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 of Association

- 4.1 The Articles of Association of the Company are available for inspection at the business address specified in paragraph 17 of this Part 8.
- 4.2 The Articles contain provisions, *inter alia*, to the following effect:
- (a) Voting rights in respect of Ordinary Shares
 - (i) 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.
 - (ii) 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

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) Subject to the provisions of the Statutes, the Company may purchase any of its own shares (including any redeemable shares).

(f) Transfer of Shares

- (i) Subject to paragraph 4.2(e)(ii) 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, such discretion may not be exercised in a way which the FSA 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.

- (ii) 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 a (direct or indirect) interest. 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:

- (i) 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;
- (ii) 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;
- (iii) 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;
- (iv) 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;
- (v) 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;
- (vi) 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;
- (vii) the giving of an indemnity pursuant to the Article in relation to the indemnity of the directors; and
- (viii) 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

(i) 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.

(ii) 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.

- (iii) 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 new Ordinary Shares credited as fully paid instead of cash in respect of the whole or part of any dividend.
 - (iv) 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.
 - (v) 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 of Association contain no restriction on the objects of the Company.

5. Company's share option scheme and joint ownership arrangements

- 5.1 The Company operates the Option Plan and the Share Trust. A summary of the key terms of the Option Plan and the Share Trust are disclosed in paragraph 6 of Part 8 of this document.
- 5.2 As at the date of this document, the following Options have been granted and are outstanding:

Name	Exercise Price (US\$)	Number of Options
Pavel Semenchenko	0.68	150,543
Yerkin Magad	0.68	150,543
Alexei Sokolov	0.68	150,543
Oleg Telnoi	0.68	150,543
Iosif Dubilier	0.68	39,000
Ludmila Khorina	0.68	16,000
Igor Nedbaev ⁽¹⁾	6.42	117,000
Alexei Simonov ⁽¹⁾	6.42	47,000
Total		821,172

Notes:

- (1) Igor Nedbaev and Alexei Simonov have left the Group. In February 2010 those Options held by members of the Share Option Scheme who remained with the Group were surrendered and new Options were granted with an exercise price of US\$0.68
- (2) Nigel Robinson and Slav Shumov were originally members of the Share Option Plan but surrendered their Options in February 2010 and were granted awards under the Share Trust.

5.3 As at the date of this document, the following awards have been made under the Share Trust:

Name	No of Ordinary Shares
Nicholas Royston Clarke	1,342,887
Nigel Francis Robinson	646,715
Howard Nicholson	646,715
Slav Shumov	125,543
Colin Hunter	75,000
Michael Allan Price	300,543
Christopher Nigel Hurst-Brown	250,543
Total	3,387,946

6. Directors' and other interests

6.1 The interests of the Directors and 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 and the existence of which is known to them or could, with reasonable diligence, be ascertained by the Directors, as at the date of this document and as expected to be immediately following the Placing and Admission, are as follows:

Name	As at the date of this document		On Admission	
	Number of Ordinary Shares	Percentage of existing issued share capital	Number of Ordinary Shares following Admission	Percentage of issued share capital following Admission
Nicholas Royston Clarke ⁽¹⁾	1,342,887	3.25	1,342,887	1.56
Nigel Francis Robinson ⁽²⁾	646,715	1.57	646,715	0.75
Robert Maitland Cathery ⁽³⁾	4,271,455	10.35	4,271,455	4.96
Alexander Abraham Capelson ⁽⁴⁾	9,769,588	23.67	9,769,588	11.34
Christopher Nigel Hurst-Brown ⁽⁵⁾	944,608	2.29	944,608	1.10
Michael Allan Price ⁽⁶⁾	751,543	1.82	751,543	0.87

(1) Represents 1,342,887 Ordinary Shares held by Ogier EBT Ltd.

(2) Represents 646,715 Ordinary Shares held by Ogier EBT Ltd.

(3) Includes 17,445 Ordinary Shares held by Elizabeth Cathery (Spouse); and 2,000,000 Ordinary Shares held by Robert and Elizabeth Cathery.

(4) Includes 9,713,588 Ordinary Shares held by Commonwealth American Partners LP (of which Alexander Capelson is a trustee and beneficiary). Alexander Capelson also holds 50,000 Redeemable Shares which will be redeemed on Admission.

(5) Includes 250,543 Ordinary Shares held by Ogier EBT Ltd.

(6) Includes 6,000 Ordinary Shares held by Shona Price (Spouse); and 300,543 Ordinary Shares held by Ogier EBT Ltd.

Save as disclosed in this paragraph 6, none of the Directors has any interest, beneficial or non-beneficial, in the share or loan capital of the Company or any of its subsidiaries.

- 6.3 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
Nicholas Royston Clarke	7 April 2009
Nigel Francis Robinson	7 April 2009
Robert Maitland Cathery	18 September 2007
Alexander Abraham Capelson	9 September 2005
Christopher Nigel Hurst-Brown	7 December 2006
Michael Allan Price	7 December 2006

- 6.4 The executive Directors have entered into service contracts conditional upon Admission. Details are summarised below:

Name	Salary (less deductions required by law)
Nicholas Royston Clarke	£150,000
Nigel Francis Robinson	£130,000

The executive Directors are subject to notice periods of six months and CAML 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 CAML 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 they are eligible to receive a bonus at the absolute discretion of the Remuneration Committee.

The service contracts also contain the following post termination restrictions (the duration of which are reduced by any period spent on garden leave): engaging in a competitive business (duration: six months); soliciting or dealing with a client/customer (duration: 12 months); being concerned with the supply of services/products to any client/customer (duration: six months); soliciting or enticing away any supplier (duration: 12 months); being concerned with the receipt of goods/services from any supplier (duration: six months); soliciting or enticing away key employees (duration: 12 months); and being concerned in any undertaking that has engaged a key employee (duration: 12 months).

- 6.5 The non-executive Directors have entered into appointment letters conditional upon Admission. 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 three months' written notice. The Company may pay the non-executive Directors in lieu of notice.

Name	Annual Fee (less deductions required by law)
Christopher Nigel Hurst-Brown	£40,000
Alexander Abraham Capelson	£30,000
Robert Maitland Cathery	£30,000
Michael Allan Price	£40,000

6.6 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	Empire Mining Corporation Obtala Resources Plc Sunkar Resources Plc	Afcan Mining Corp Brook Audley Resources Ltd Caledon Resources Plc CSMA (WA) Ltd Lero Gold Corp Oriel Resources plc Wardell Armstrong International Ltd
Nigel Francis Robinson	R2 Limited	JONAP Ltd
Robert Maitland Cathery	Dipley Resources Ltd IndigoVision Group Plc Salamander Energy Plc SOCO International Plc Vostok Energy Ltd 9 Redburn Street Ltd	Afren Plc
Alexander Abraham Capelson	None	International Energy Services UK Ltd Oxford Geoservice Ltd
Christopher Nigel Hurst-Brown	Borders & Southern Petroleum Plc Hotchkis and Wiley (UK) Ltd Miranca Energy Ltd Sainne Partnership Strath Halladale Partnership	None
Michael Allan Price	Canisp Consultants Ltd GV Gold Ltd Lincoln Mining Corp Q Resources Plc Ridgway Mining Ltd Sumatra Copper & Gold Plc	Crew Gold Corporation EMED Mining Public Ltd Monterrico Metals Ltd Tricky Tree Investments Ltd

6.7 Save as disclosed below, 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;

(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.

6.8 So far as the Company is aware, as at 23 September 2010 (being the latest practicable date prior to the publication of this document) and as they are expected to be immediately following the Placing and Admission, the following persons (other than the Directors) had notifiable interests in three per cent. or more of the issued share capital of the Company:

Shareholder	As at the date of this document		On Admission	
	Number of Ordinary Shares	Percentage of existing issued share capital	Number of Ordinary Shares	Percentage of issued share capital
Commonwealth American Partners LP	9,713,588	23.54	9,713,588	11.27
Lansdowne UK Strategic Investment Master Fund Limited	6,961,394	16.87	15,457,168	17.94
Edward Bloomstein	3,992,896	9.68	3,992,896	4.63
Chase Nominees Limited a/c Artemis	2,432,235	5.89	2,432,235	2.82
Texmon Ventures	1,990,000	4.82	1,990,000	2.31
MMS Holdings Group LLC	1,273,000	3.08	1,273,000	1.48

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 the Placing and Admission have a notifiable interest, in three per cent. or more of the issued share capital of the Company.

6.9 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.

6.10 Excluding professional advisers otherwise named in this document and trade suppliers, no person has at any time within the 12 months preceding the date of this document received, directly or indirectly, from the Company or entered into any contractual arrangement to receive, directly or indirectly, from the Company on or after Admission any fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more or any other benefit with a value of £10,000 or more.

6.11 A summary of payments aggregating over £10,000 made to any government or regulatory authority or similar body by the Group or on behalf of it, with regard to the acquisition of, or maintenance of, its assets is set out in the table below:

Government authority	Description	Acquisition £	Maintenance £	Total £
Ministry of Mineral Resources of Mongolia	Subscription bonus and geological information	—	98,980	98,980
Local Authority of Mandal soum, Selenge aimaq, Mongolia	Environmental payment – damage	—	23,000	23,000
NK Stepnogorskogo rayona, Kazakhstan	Subscription bonus	75,756	—	75,756
Local and Tax authorities, Kazakhstan	Subscription bonus	151,812	—	151,812
DGP Karaganda NPZem, Kazakhstan	Operating land lease	15,928	—	15,928
NK Almatinskogo rayona Almaty, Kazakhstan	Subscription bonus	60,000	—	60,000
Total		303,495	121,980	425,475

7. Working capital

The Directors are of the opinion having made due and careful enquiry that, taking into account the net proceeds of the Placing, the Group will have sufficient working capital available to it for its present requirements, that is, for at least 12 months from the date of Admission.

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 practice of the United Kingdom HM Revenue & Customs and may not apply to certain classes of investors, such as dealers in securities. Any person who is in doubt as to his tax position is strongly recommended to consult his own professional tax adviser.

8.2 Taxation of Dividends

(a) The Company

The Company will not be required to withhold tax at source on any dividends it pays to its shareholders in respect of the Ordinary Shares.

(b) UK resident shareholders

Individuals resident in the UK for taxation purposes are generally liable to UK income tax on the aggregate amount of any dividend received and a non-repayable tax credit equal to 10 per cent. of the gross dividend (or one-ninth of the dividend received). For example, on a dividend received of £90, the tax credit would be £10, and an individual would be liable to income tax on £100. No further income tax is payable in respect of the dividend by a UK resident individual to the extent such individual is not liable to income tax at the higher rate (currently 40 per cent.) or the additional rate (currently 50 per cent.). For UK resident individuals who are subject to tax at a rate less than the higher rate, dividends will be charged to tax on the gross dividend at the dividend ordinary rate of 10 per cent. but are entitled to offset the 10 per cent. tax credit against such liability resulting in an effective tax rate of 0 per cent. UK resident individuals who are subject to tax at the higher rate are subject to tax on dividends at the dividend upper rate (currently 32.5 per cent.) but are entitled to offset the 10 per cent. tax credit against such liability, resulting in an effective tax rate of 25 per cent. of the net dividend received. For example, on a dividend received of £90 such a taxpayer would have to pay additional tax of £22.50 (representing 32.5 per cent. of the gross dividend less the 10 per cent. tax credit). UK resident individuals who are subject to tax at the additional rate are subject to tax on dividends at the dividend additional rate (currently 42.5 per cent.) but are entitled to offset the 10 per cent. tax credit against such liability, resulting in an effective tax rate of 36.1 per cent. of the net dividend received. For example, on a dividend received of £90 such a taxpayer would have to pay additional tax of £32.50 (representing 42.5 per cent. of the gross dividend less the 10 per cent. tax credit). For this purpose, dividends are treated as the top slice of an individual's income.

No repayment of the tax credit in respect of dividends paid by the Company (including in respect of any dividend paid where the Ordinary Shares are held in a personal equity plan or in an individual savings account) can be claimed by a United Kingdom resident shareholder (including pension funds and charities).

Subject to certain exceptions for traders in securities and insurance companies, a corporate shareholder resident in the United Kingdom for tax purposes will generally not be subject to corporation tax or income tax on dividends received from the Company in respect of the Ordinary Shares.

(c) Non UK resident shareholders

Non-UK resident shareholders are not generally entitled to claim any part of the tax credit, subject to certain specific exemptions. Non-UK resident shareholders may also be subject to tax on dividend income under any law to which they are subject outside the UK. Such shareholders should consult their own tax advisers concerning their tax liabilities.

8.3 Taxation of Capital Chargeable Gains

(a) UK Resident Shareholders

A disposal of the Ordinary Shares by a shareholder who is (at any time in the relevant United Kingdom tax year) resident or, in the case of an individual, ordinarily resident in the United Kingdom for tax purposes, may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains, depending on the shareholder's circumstances and subject to any available exemption or relief.

(b) Non-resident Shareholders

A shareholder who is not resident in the United Kingdom for tax purposes but who carries on a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a non-UK resident corporate shareholder, a permanent establishment) to which the Ordinary Shares are attributable will be subject to the same rules which apply to United Kingdom resident shareholders.

A shareholder who is an individual and who after acquiring his Ordinary Shares, ceases to be resident or ordinarily resident for tax purposes in the United Kingdom for a period of less than five years of assessment and who disposes of the Ordinary Shares during that period may also be liable, on his return, to United Kingdom taxation of chargeable gains (subject to any available exemption or relief).

8.4 Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

The statements below summarise the current position and are intended as a general guide only to stamp duty and SDRT. Special rules apply to agreements made by brokers, dealers and market makers in the ordinary course of their business and to certain categories of person (such as depositories and clearance services) who may be liable to stamp duty or SDRT at a higher rate.

No stamp duty or SDRT will generally be payable on the issue or on the registration of the Ordinary Shares to be issued pursuant to the Global Offer.

A transfer for value of the Ordinary Shares will generally be subject to stamp duty or SDRT. Stamp duty will arise on the execution of an instrument to transfer Ordinary Shares and SDRT will arise on the entry into an agreement to sell the Ordinary Shares.

Stamp duty and SDRT are normally a liability of the purchaser or transferee (although where such purchase is effected through a stockbroker or other financial intermediary, that person should normally account for the liability to SDRT and should indicate this has been done in any contract note issued to a buyer).

The amount of stamp duty or SDRT payable on the transfer is generally calculated at the rate of 0.5 per cent. of the consideration paid (with stamp duty rounded up to the nearest £5). A liability to SDRT will be cancelled and any SDRT already paid will be repaid, generally with interest, where an instrument of transfer is executed and stamp duty is paid on that instrument within six years of the date on which the liability to SDRT arises.

Paperless transfers of the Ordinary Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. SDRT on relevant transactions is generally settled within the CREST system. Deposits of shares into CREST will generally not be subject to SDRT, unless the transfer into CREST is itself for consideration.

9. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group (a) in the two years immediately preceding the date of this document and are, or may be, material or (b) contain provisions under which any member of the group has any obligation or entitlement which is material to the Group as at the date of this document:

Summaries of the key contracts relating to the Group’s assets in Kazakhstan and Mongolia can be found in Parts 3 and 4, respectively, of this document.

Convertible Loan Notes

On 10 May 2010 the Company constituted US\$8,000,000 5 per cent. unsecured convertible loan notes 2010 (the “Loan Notes”) pursuant to a loan note instrument (the “Instrument”), and placed US\$5,455,000 of the Loan Notes with noteholders pursuant to a private placement agreement (the “Placement Agreement”). Both the Instrument and the Placement Agreement are dated 10 May 2010.

The Loan Notes were issued in registered form in denominations of US\$1.00 in nominal amount or integral multiples thereof and may only be transferred with the prior written consent of the Company.

The Instrument contains the following material terms, among others: the Loan Notes represent a direct and unsecured obligation of the Company for the due and punctual payment of the principal and interest in respect of them; if not previously repaid, converted or purchased, the Loan Notes (together with accrued interest, if any (which shall be paid in cash)) will be converted by the Company into Ordinary Shares on 10 May 2011, being the maturity date under the Instrument and the first anniversary of the date of the issue of the Loan Notes; in the absence of certain events of default under the Instrument, the Loan Notes are subject to mandatory conversion into Ordinary Shares.

The Instrument contains detailed procedures in respect of conversion of the Loan Notes. In particular, in relation to Admission (which qualifies as a “Listing” under the Instrument), to the extent that there are any Loan Notes remaining capable of conversion, the Company shall (without requiring any consent from the noteholders) immediately following the final board meeting of the Company approving the pricing of, and resolving to proceed with Admission, convert the whole (but not part only) of the Loan Notes into Ordinary Shares at the conversion rate (the “Conversion Rate”) prevailing on the business day immediately prior to Admission becoming effective (the “Relevant Date”). The Conversion Rate is calculated based on a set of detailed formulae, and the quantum of such Conversion Rate depends upon the Relevant Date. If the Relevant Date falls: (a) prior to 30 September 2010, then the Loan Notes convert into Ordinary Shares at a discount of 30 per cent. to the pricing of the listing; (b) between 30 September 2010 and 1 January 2011, then the Notes convert into Ordinary Shares at a discount of 40 per cent. to the pricing of the listing, and (c) after 1 January 2011, but prior to first anniversary of the Loan Note issue, then the Loan Notes convert into Ordinary Shares at a discount of 40 per cent. to the pricing of the listing plus a further discount of two per cent. to the pricing of the listing for every full month that passes after 1 January 2011.

Private Placement Agreement

On 10 May 2010 the Company entered into the Placement Agreement with Mirabaud Securities in respect of the placing of up to US\$5,455,000 nominal of the Loan Notes. Pursuant to the Placement Agreement Mirabaud Securities as agent of the Company, agreed to use its reasonable endeavours to procure subscribers for the Loan Notes (referred to in the Placement Agreement as “loan stock”). The Placement Agreement contains, among others things, restrictions on the Company in relation to the use of placing proceeds, issues of shares and other securities, enforcement of service agreements and borrowing powers. Pursuant to the Placement Agreement, the Company gave certain customary indemnities to Mirabaud Securities; the Company also gave certain customary warranties to Mirabaud Securities in respect of the business and assets of the Company, some of which were given by reference to the knowledge of the Directors themselves.

GoviEx Services and Option Agreement

On 3 August 2009 CAML entered into a services and option agreement with GoviEx Mongolia LLC (“GoviEx”) pursuant to which GoviEx agreed to provide high resolution geophysical survey services within the physical boundaries of the Alag Bayan exploration area (the “tenement”) using its Zeus System and to prepare and deliver to CAML its I.P. Resistivity Survey as raw data, a verbal presentation covering data interpretation and recommendations for drilling and a written report summarising the same, the report to be delivered no later than 7 August 2009.

As consideration for these services, CAML agreed the following: (a) a fee payable to GoviEx of \$150,000 (such sum including any costs and expenses incurred by GoviEx) and (b) a call option for GoviEx to purchase a 19.99 per cent. interest in Bayan Resources LLC (or an equivalent economic interest i.e. through a holding company) at a fixed price of US\$650,000, such right exercisable from the date of the report produced by GoviEx until the later of (i) two years from the date of the report and (ii) 14 days after notice from CAML to GoviEx that CAML has spent no less than £5,000,000 in exploration costs on the tenement. The report was delivered to CAML in early August 2009. Should GoviEx exercise its call option, it is obliged to contribute *pro rata* to all ongoing capital funding requirements for Bayan Resources LLC; failure to do so resulting in GoviEx having its holding diluted accordingly.

Under the agreement, should CAML ever wish to dispose of its interest in Bayan Resources LLC, GoviEx Mongolia LLC has a right of first refusal to acquire CAML’s shareholding in Bayan Resources LLC “at fair market price”, subject to any rights of pre-emption third parties may have pursuant to the joint venture agreement for the Alag Bayan project dated 26 May 2008. GoviEx also has a right to an economic interest equivalent to the interest it takes up in Bayan Resources LLC in any licence CAML obtains over any new lands immediately abutting the tenement or within 40km of its outmost boundaries, subject to GoviEx contributing *pro rata* to CAML’s costs in obtaining such licences.

Neither party may assign the agreement without the written consent of the other party, save in the case of assignment to a majority-owned affiliate.

Central Asia Metals Limited Share Trust between CAML and Ogier Employee Benefit Trustee Limited

On 16 December 2009 the Company entered into a trust deed with the the Trustee (the “Trust Deed”) establishing The Central Asia Metals Limited Share Trust (the “Share Trust”). The Company established the Share Trust for the purposes of facilitating the acquisition of shares in the Company by or for the benefit of officers and employees of the Company and its subsidiaries. Pursuant to the terms of the Trust Deed the Trustee holds shares in the Company on trust for the benefit of employees of the Company and their dependents.

The Trustee has the power to acquire shares in the Company, to transfer such shares to beneficiaries of the Share Trust (whether under a share scheme or otherwise) and to join or enter into arrangements or schemes for providing benefits or emoluments for beneficiaries of the Share Trust. The trust period ends 80 years from the date of the Trust Deed (or such earlier date as the Trustees shall by deed specify).

Loan Agreement between CAML and Ogier Employee Benefit Trustee Limited dated 7 December 2009

On 7 December 2009 the Company entered into a loan agreement with the Trustee (the “Loan Agreement”). Pursuant to the Loan Agreement, the Company has agreed to make available to the Trustee a loan facility (the “Loan”) in order to acquire shares in the Company to be used in connection with the Share Trust. The maximum aggregate amount capable of drawdown is US\$2,475,980.

The Loan must be applied by the Trustee in the purchase of interests in fully paid shares in the Company or deposited in a bank account approved by the finance director of the Company. The shares so purchased must be held on the trusts set out in the Trust Deed of the Share Trust. In addition, the Trustee has given no security in respect of the Loan. The Loan is payable on 30 days notice by the Company to the extent of the unallocated cash assets in the Share Trust.

Joint Ownership Agreements

The Trustee of the Share Trust has entered into Joint Ownership Agreements with seven individuals, being Colin Hunter, Howard Nicholson, Mike Price, Nick Clarke, Nigel Robinson, Slav Shumov and Nigel Hurst-Brown, (each a “Participant” and together, the “Participants”) pursuant to which the Participants hold, in aggregate, 3,387,946 Jointly Owned Shares jointly with the Trustee.

Pursuant to the terms of the Joint Ownership Agreements, on an IPO (defined under the Joint Ownership Agreements as “the admission of any part of the share capital of the Company to listing on any investment exchange which has been approved by the board of the Company” and therefore including Admission as defined herein), the board of the Company may request in writing that the Trustee sell all or part of the Jointly Owned Shares. Receipt by the Trustee of any such notice constitutes sufficient consent to the sale of the Jointly Owned Shares.

On or at any time after an IPO (but subject to any lock-in or orderly market restrictions that apply to the Company or are required by the sponsor or the board of the Company), the Participants may request in writing that the board of the Company (consent to such request not to be unreasonably withheld) ask the Trustee to sell all or part of the Jointly Owned Shares.

Option Plan

On 14 December 2007 the Board approved the Option Plan.

Any employee (including a Director) of the Company or any participating member of the Group is eligible to participate in the Option Plan. The Board may in its absolute discretion grant Options to eligible employees. No payment is required for the grant of an Option.

The Board may grant an Option subject to such performance condition or conditions as it in its discretion sees fit. Performance will be measured over a period determined by the Board. A performance condition attached to an Option is not be capable of variation or waiver unless events occur which cause the Board to consider that such a condition shall have ceased to be appropriate whereupon the Board may vary or waive such condition provided that any new condition imposed or any variation is in its opinion fair and reasonable and no more difficult to satisfy than the previous condition. No performance conditions were applied to the initial grant of Options.

No Option may be granted under the Option Plan if, as a result, the aggregate number of Ordinary Shares issued or transferred from treasury or committed to be issued or transferred from treasury pursuant to grants made under the Option Plan and during the previous ten years under all other

employee share schemes established by the Company would exceed ten per cent. of the issued ordinary share capital of the Company on that date. Ordinary Shares which have been the subject of options or rights granted under any share plan which have lapsed shall not be taken into account for the purposes of this limit. The exercise price of an Option shall be determined by the Board no later than the date of grant and shall be such amount as may be determined by the Board. In normal circumstances, an Option is capable of exercise at any time between the third and tenth anniversaries of its date of grant (or such other period as may be determined by the Board) provided that any performance condition(s) to which it is subject have been fulfilled or waived. An Option lapses on the expiry of ten years from its date of grant. Grants were made to certain directors and employees in February 2008. These options were exercisable from February 2011 at an exercise price of US\$6.42. In February 2010 those participants who remained with the Group surrendered their Options and those who remained in the Option Plan were granted new Options exercisable from February 2011 at an exercise price of US\$0.68. In September 2010 certain participants were granted further Options exercisable from February 2011 at an exercise price of US\$0.68.

Options may be satisfied by the issue of new Ordinary Shares or by the transfer of existing Ordinary Shares, either from treasury or otherwise.

In the event of 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.

Until Options are exercised, option holders have no voting or other rights in respect of the Ordinary Shares subject to their Options. Ordinary Shares issued or transferred pursuant to the Option Plan shall rank *pari passu* in all respects with the Ordinary Shares already in issue except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the option. The Option Plan shall not form part of any contract of employment. Options are not assignable or transferable.

The Board may amend the Option Plan by resolution provided that no amendment may be made which would alter to the disadvantage of a participant any rights already acquired by him under the Option Plan without the prior approval of the majority of the affected participants.

The Board may at any time and without further formality establish further plans in overseas territories, any such plan to be similar to the Option Plan but modified to take account of local tax, exchange control or securities laws, regulation or practice. Ordinary Shares made available under any such plan will count against any limits on overall or individual participation in the Option Plan.

The Option Plan may be terminated at any time by resolution of the Board or of the Company in general meeting and shall in any event terminate on the tenth anniversary of the date on which the Plan was approved by the Company in general meeting. Termination will not affect the outstanding rights of participants.

Placing Agreement

On 24 September 2010 the Company entered into the Placing Agreement with the Directors, KPMG and Mirabaud Securities pursuant to which Mirabaud Securities has agreed, subject to certain conditions, to act as agent for the Company and to use its reasonable endeavours to procure places to subscribe for the Placing Shares at the Placing Price.

The Placing Agreement is conditional upon, *inter alia*, Admission occurring on or before 8.00 a.m. on 30 September 2010 (or such later date as the Company, KPMG and Mirabaud Securities may agree, being not later than 8.00 a.m. on 15 October 2010). The Placing Agreement contains warranties from the Company and the Directors in favour of KPMG and Mirabaud Securities in relation to, *inter alia*, the accuracy of the information in this document and other matters relating to the Group and its business. In addition, the Company has agreed to indemnify KPMG and Mirabaud Securities in respect of certain liabilities they may incur in respect of the Placing. KPMG and Mirabaud Securities have the right to terminate the Placing Agreement in certain circumstances prior to Admission, in particular, in the event of a material breach of the warranties.

Under the Placing Agreement and subject to it becoming unconditional and not being terminated in accordance with its terms, the Company has agreed to pay (i) KPMG a corporate finance fee plus a discretionary performance bonus and (ii) Mirabaud a commission of 4 per cent. on the value at the Placing Price of the Placing Shares and an additional discretionary commission of 1 per cent. on the value at the Placing Price of the Placing Shares, together in each case with any applicable VAT. Additionally, the Company has agreed to pay all of KPMG's and Mirabaud Securities' costs and

expenses (including any applicable VAT) of the Placing. The Company has also agreed to grant a warrant to Mirabaud Securities to subscribe for Ordinary Shares, further details of which are set out below.

Lock-in Agreements

On 24 September 2010 the Company entered into lock-in and orderly market agreements with KPMG, Mirabaud Securities and all of the Directors, (the “Locked-in Persons”) pursuant to which each of the Locked-in Persons have undertaken to the Company, KPMG and Mirabaud Securities in respect of an aggregate of 17,726,796 Ordinary Shares (subject to certain limited exceptions including transfers to related parties or to trustees for their benefit, disposals by way of acceptance of a takeover offer for the entire issued share capital of the Company, disposals pursuant to a court order and, if applicable, the death of the Locked-in Person) not to dispose of such Ordinary Shares following Admission or any other securities in exchange for or convertible into, or substantially similar to, Ordinary Shares (or any interest in them or in respect of them) at any time prior to the first anniversary of Admission. In addition, the Locked-in Persons have agreed for a further period of 12 months to only dispose of an interest in Ordinary Shares with the prior written consent of KPMG and Mirabaud Securities and provided such disposal is effected through Mirabaud Securities and in accordance with orderly market principles.

The Company has entered in a lock-in agreement with Edward Bloomstein, a founder of the Company, pursuant to which he has undertaken in respect of 3,541,896 Ordinary Shares, comprising 4.1 per cent. of the Enlarged Share Capital, not to dispose of his interest in such Ordinary Shares at any time prior to the first anniversary of Admission, without the prior approval and agreement of Mirabaud Securities.

Broker Agreement

On 24 September 2010 the Company entered into a broker agreement with Mirabaud Securities pursuant to which the Company has appointed Mirabaud Securities to act as broker to the Company for the purposes of the AIM Rules for Companies. The Company has agreed to pay Mirabaud Securities a fee of £30,000 plus VAT per annum for its services as broker. The broker agreement contains certain undertakings and indemnities from the Company in favour of Mirabaud Securities. The broker agreement is for a fixed term of 12 months and thereafter is terminable upon not less than three months’ prior written notice by either the Company or Mirabaud Securities.

Warrant Agreement

On 24 September 2010 the Company entered into a warrant agreement with Mirabaud Securities pursuant to which it granted Mirabaud Securities with a warrant to subscribe for up to 1,192,053 Ordinary Shares in the Company at the Placing Price. The warrant is granted conditional on Admission and is exercisable until 24 September 2013. The warrant agreement contains provisions relating to the variation of the terms of the warrant in the event of changes to the share capital of the Company and the allotment of Ordinary Shares by way of a capitalisation of profits.

Nominated Adviser Agreement

On 24 September 2010 the Company entered into a nominated adviser agreement with KPMG and the Directors pursuant to which CAML has, conditional on Admission, appointed KPMG to act as nominated adviser to the Company for the purposes of the AIM Rules. The nominated adviser agreement contains undertakings from the Company to KPMG regarding, *inter alia*, compliance with the AIM Rules for Companies. The Company has agreed to pay KPMG an annual retainer of £45,000 plus VAT in connection with its appointment as nominated adviser. In the period of 12 months following Admission, the nominated adviser agreement may be terminated by KPMG either on one month’s notice to the Company or immediately in certain circumstances including a breach by the Company of its obligations pursuant to the agreement. Following the first anniversary of Admission, the nominated adviser agreement may be terminated by either party giving the other one month’s written notice.

10. Litigation

Save as disclosed in this paragraph 10, 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.

In early 2010 a dispute in Kazakhstan between the Company's subsidiary Sary Kazna LLP and Saryarka, arose in respect of certain provisions of the Joint Operating Agreement, such dispute being subject to arbitration proceedings in Kazakhstan. Arbitration proceedings were brought by Saryarka on 19 January 2010 against Sary Kazna in relation to disputes between the parties under the Kounrad JOA as to the occurrence of a "breakeven date" (as defined in the Kounrad JOA) and related monthly payments. This dispute has been settled and arbitration proceedings discontinued. The arbitration proceeding ended with Saryarka having withdrawn its claim and with both parties' having petitioned the arbitrator to terminate the arbitration proceedings on 18 May 2010. Such settlement and termination of arbitration proceedings were respectively documented by the parties thereto in a settlement agreement dated 29 April 2010 and an Agreement on Amicable Settlement of Existing Controversies under the Kounrad JOA dated 18 May 2010 (together, the "Settlement Agreements"). The material terms of the Settlement Agreements are summarised in more detail below.

The Settlement Agreements contained the following material provisions: (i) the Kounrad JOA would be amended to remove any obligation on Sary Kazna to make monthly advance payments to Saryarka from 6 November 2008; and (ii) all provisions referring to the "breakeven date" in the Kounrad JOA would be deleted. The parties agreed that Saryarka would waive its claim in arbitration subject to compliance by Sary Kazna with the settlement agreement dated April 29 2010.

11. Subsidiaries

The Company acts as the holding company of the Group. The Company has the following significant subsidiary undertakings.

Name	Country of incorporation and residence	Business activity	Percentage ownership
CAML Kazakhstan BV	Netherlands	Holding company	100
CAML Mongolia BV	Netherlands	Holding company	100
Sary Kazna LLP (and its branch office Kounrad Mining Company)	Kazakhstan	Management Services	100
CAML Kazakshtan Holding LLP	Kazakhstan	Holding company	100
Kounrad Copper Company LLP	Kazakhstan	Copper Production	60
Tochtar Mining Company LLP	Kazakhstan	Gold mining	75 (A)
Bayan Resources LLC (Alag Bayan)	Mongolia	Exploration – Copper/ Gold	70 (B)
Zuun Mod UUL LLC (Ereen)	Mongolia	Exploration – Gold	85
Mon Resources LLC (Handgait)	Mongolia	Exploration – Molybdenum	80
Mongolian Silver Mountain LLC	Mongolia	Exploration – Silver	100
New CAML Mongolia LLC	Mongolia	Management services	100

Notes: A. Although CAML is the registered owner of a 100 per cent. interest in the shares of Tochtar Mining Company LLP, its economic interest in the asset is considered by the Directors to be 75 per cent. CAML has an understanding with third parties that on any onward sale of Tochtar, the third parties will be entitled to 25 per cent. of the consideration once the funding provided by CAML to Tochtar Mining Company LLP has been repaid. As CAML has not yet made payment for a 25 per cent. interest acquired from the third parties, in law the third parties may therefore claim back their 25 per cent. interest in the asset.

B. GoviEx Mongolia LLC has an option to acquire a 19.99 per cent. interest in the Alag Bayan asset. See paragraph 9 of Part 8 for more information.

12. Property, Plant and Equipment

CAML entered into an office occupation agreement dated 20 July 2010 with the owner E.O.G (UK) Ltd for the occupation by CAML of office number 13 at 4-5 Park Place, London SW1A 1LP. The occupation agreement is for a term of 21 months beginning on 7 July 2010 up to 7 May 2012. CAML pays a monthly occupation fee in the amount of £5,095 per month (exclusive of VAT). CAML has paid a service retainer of £10,190. The agreement is governed by English law.

CAML entered into an office occupation agreement dated 7 June 2010 with the owner E.O.G (UK) Ltd for the occupation by CAML of office number 12 at 4-5 Park Place, London SW1A 1LP. The occupation agreement is for a term of two years beginning on 8 May 2010 up to 7 May 2012. CAML pays a monthly occupation fee in the amount of £4,870 per month (exclusive of VAT). CAML has paid a service retainer of £9,740. The agreement is governed by English law.

13. No Significant Change

Save as disclosed in paragraph 12 of Part 2, Part 3, Part 4, Part 6, paragraph 9 of Part 8, paragraph 15 of Part 2, paragraph 3.2 of Part 8, and paragraph 5 of Part 8 of this document, there has been no significant change in the financial or trading position of the Group since 31 December 2009, being the date of the last audited financial information of the Group, contained in Part 7 of this document.

14. Related party transactions

The transactions or arrangements entered into between members of the Group and related parties are summarised at paragraph 15 of Part 2 of this document.

15. Employees

The Group has a total of 100 full time employees with 6 in the United Kingdom, 80 in Kazakhstan and 14 in Mongolia.

16. Miscellaneous

- 16.1 The total costs and expenses payable by the Company in connection with or incidental to the Placing and Admission, including commission, London Stock Exchange Fees, professional fees, consulting and investor relation services and the costs of printing and distribution, are estimated to amount to approximately £3.1 million (excluding VAT).
- 16.2 The gross proceeds expected to be raised by the Placing are approximately £38.1 million. The net proceeds are expected to be £35.0 million.
- 16.3 KPMG 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.
- 16.4 Wardell Armstrong International 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 6 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.
- 16.5 The Ordinary Shares are in registered form and will, on Admission, be capable of being held in uncertificated form. The Ordinary Shares will be admitted with the ISIN GB00B67KBV28.
- 16.6 The Company is not aware of any arrangements which may at a subsequent date result in a change of control of the Company.
- 16.7 No public takeover bids have been made by third parties in respect of the Company's issued share capital in the current financial year nor in the last financial year.
- 16.8 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.
- 16.9 The Placing Shares represent 46.1 per cent. of the Company's issued share capital on Admission.

16.10 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.

17. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) at the offices of Ashurst LLP, Broadwalk House, 5 Appold Street, London EC2A 2HA from the date of this document until at least 30 days after the date of Admission:

- (a) the Articles;
- (b) the audited consolidated accounts of the Group for the two financial years ended 31 December 2009; and
- (c) this document.

Dated 24 September 2010

DEFINITIONS

“1985 Act”	The Companies Act 1985
“ABI”	The Association of British Insurers
“Act”	The Companies Act 2006
“Admission”	The admission of the Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
“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
“AIM Rules for Nominated Advisers”	The AIM Rules for Nominated Advisers as published by the London Stock Exchange from time to time
“Applicable Employees”	Any employee of the Company or its subsidiaries who is likely to be in the possession of unpublished price sensitive information in relation to the Company because of his or her employment in the Company or its subsidiary
“Article 71”	Article 71 of the Subsoil Law
“Articles”	The articles of association of the Company, as amended from time to time
“BGRIMM”	Beijing General Research Institute of Mining and Metallurgy. BGRIMM has prepared the feasibility study for the Kounrad Project
“Broker”	Mirabaud Securities
“Business Day”	Any day (other than a Saturday or Sunday) on which clearing banks in the City of London are open for business
“CIS”	The commonwealth of independent states of the former Soviet Union
“Company” or “CAML”	Central Asia Metals Plc, a company incorporated in England and Wales under the Companies Act 1985 with registered number 5559627
“Competent Body”	The Kazakhstan Ministry of Industry and New Technologies (previously the Ministry of Energy and Mineral Resources)
“Competent Person”, “Wardell Armstrong” or “WAI”	Wardell Armstrong International Limited, the Company’s independent technical consultant
“CPR” or “Competent Person’s Report”	The report on the Group’s material assets prepared by Wardell Armstrong and reproduced in full in Part 6 of this document
“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

“DTR”	The Disclosure and Transparency Rules published by the FSA from time to time
“Enlarged Share Capital”	The issued share capital of the Company immediately following Admission as enlarged by the Placing (assuming all of the Placing Shares are allotted) and the conversion of the Loan Notes
“Euroclear”	Euroclear UK & Ireland Limited
“FSA”	The Financial Services 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)
“GoviEx”	GoviEx Mongolia LLC
“Group”	The Company and its subsidiaries
“IFRS”	International Financial Reporting Standards
“Kazakhstan”	The Republic of Kazakhstan
“KCC”	Kounrad Copper Company LLP, in which the Group has a 60 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
“KPMG” or “KPMG Corporate Finance”	KPMG Corporate Finance, a division of KPMG LLP which is authorised and regulated by the FSA for investment business activities. KPMG LLP is registered in England with number OC301540 and has its registered office at 8 Salisbury Square, London EC4Y 8BB, United Kingdom
“LME”	The London Metal Exchange
“Loan Notes”	The US\$5,455,000 convertible loan notes issued by the Company on 10 May 2010 that will be converted into 5,160,833 new Ordinary Shares in connection with the Placing and Admission
“London Stock Exchange”	London Stock Exchange plc
“Mirabaud Securities”	Mirabaud Securities LLP, which is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange
“Memorandum”	The memorandum of association of the Company, as amended from time to time
“MEMR”	The Ministry of Energy and Mineral Resources of Kazakhstan
“MRAM”	The Mineral Resources Authority of Mongolia
“Nominated Adviser”	KPMG Corporate Finance
“Official List”	The Official List of the United Kingdom Listing Authority
“Options”	Share options awarded under the Option Plan

“Option Plan”	The Central Asia Metals Limited Employee Share Option Plan adopted by the Board on 14 December 2007
“Ordinary Shares”	The ordinary shares of US\$0.01 par value in the capital of the Company
“Panel”	The Panel on Takeovers and Mergers in the UK
“Placing”	The placing of the Placing Shares by Mirabaud Securities at the Placing Price pursuant to the Placing Agreement
“Placing Agreement”	The agreement dated 24 September 2010 between the Company, the Directors, KPMG Corporate Finance and Mirabaud Securities, pursuant to which Mirabaud Securities agrees to procure subscribers for the Placing Shares
“Placing Price”	The price at which each Ordinary Share is to be issued pursuant to the Placing, being 96 pence
“Placing Shares”	39,735,100 new Ordinary Shares to be issued by the Company pursuant to the Placing
“Registrar”	Computershare Investor Services
“Registrar Agreement”	The agreement between the Company and the Registrar, pursuant to which the Registrar provides registrar services to the Company
“Regulations”	The uncertificated Securities Regulations 2001 of the UK, as amended
“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
“Shareholder”	A person recorded in the Company’s register of shareholders as a holder of Ordinary Shares
“Shareholding”	A holding of Ordinary Shares
“Share Trust”	The Central Asia Metals Limited Share Trust adopted by the Board on 6 August 2010
“Sterling” or “£”	The lawful currency of the United Kingdom
“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”	The City Code on Takeovers and Mergers in the UK
“Taxes Act”	The Income and Corporation Taxes Act 1988 of the United Kingdom, as amended
“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 Dollar” or “US\$” or “\$”	The lawful currency of the United States of America
“US Securities Act”	United States Securities Act of 1933, as amended
“Warrants”	Warrants to subscribe for Ordinary Shares

GLOSSARY

“°C”	Degrees Celsius
“Acid”	An igneous or volcanic rock containing more than about 60 per cent. silica (SiO ₂) by weight, most of the silica being in the form of silicate minerals, but with the excess of about 10 per cent. being free quartz
“Adit”	A horizontal or sub-horizontal underground development providing access to underground workings from surface
“Ag”	The chemical symbol for the element silver
“Al”	Chemical symbol for aluminium
“Albite”	Sodic feldspar, Na(AlSi ₃ O ₈); variety of plagioclase feldspars
“Aleurolite”	Siltstone
“Alteration”	Changes in the chemical or mineralogical composition of a rock, generally produced by weathering or hydrothermal solutions
“Amphibole”	A mineral group characterised by double chains of silica tetrahedra, in the orthorhombic or monoclinic crystal systems
“Andesine”	A member of the plagioclase feldspar solid solution series; formula (Ca, Na)(Al, Si) ₄ O ₈ where Ca/Ca+Na is between 30-50 per cent.
“Andesite”	A fine-grained igneous rock with no quartz or orthoclase, composed of about 75 per cent. plagioclase feldspars, balance ferromagnesian silicates
“Ankerite”	A calcium, iron, magnesium, manganese carbonate mineral with formula: Ca(Fe, Mg, Mn)(CO ₃) ₂ .
“Antimony”	An extremely brittle metal with a flaky, crystalline texture; chemical symbol, Sb. Sometimes found native, but more frequently as the sulphide, stibnite “aplite” a light-coloured igneous rock characterised by a fine-grained saccharoidal (i.e. aplitic) texture
“Aplite”	A light coloured igneous rock characterised by a fine-grained saccharoidal (i.e. aplitic) texture
“Apophyses”	A branch or irregular extension from a dyke, vein or body of igneous rock
“Arc (Island Arc)”	A series of volcanoes that lie on the continental side of an oceanic trench, resulting from the subduction process
“Argillic”	Pertaining to clay or clay minerals; e.g., argillic alteration in which certain minerals of a rock are converted to minerals of the clay group
“Arsenic”	Metallic, steel-grey, brittle element; chemical symbol, As
“Arsenopyrite”	Monoclinic mineral, chemical formula FeAsS; metallic silver-white to steel grey; the most common arsenic mineral and principal ore of arsenic; occurs in many sulphide ore deposits
“ASL”	Above sea level
“Au”	The chemical symbol for the element gold
“Augite”	A monoclinic mineral from the pyroxene group common rock forming mineral in igneous and metamorphic rocks
“Azurite”	Basic copper carbonate mineral produced by weathering of copper ores; formula Cu ₃ (CO ₃) ₂ (OH) ₂
“Barite”	An orthorhombic mineral, chemical formula BaSO ₄ ; occurs as masses of crystals with sand and clay (desert roses); in veins or in residual masses on limestone; the principal source of barium
“Barren”	Of rock or vein material containing no minerals of value

“Basalt”	A fine-grained igneous rock dominated by dark-coloured minerals, consisting of plagioclase feldspars (over 50 per cent.) and ferromagnesian silicates “base metals” any of the more common and more chemically active metals, e.g., lead, copper
“Base metals”	Any of the more common and more chemically active metals, e.g., lead, copper
“Basement”	Oldest rocks exposed in an area
“Biotite”	A phyllosilicate mineral in the mica group; formula $K(Mg,Fe)_3AlSi_3O_{10}(F,OH)_2$
“Bismuth”	A white crystalline, brittle metal with a pink tinge; chemical symbol, Bi
“Bornite”	A copper ore mineral, Cu_5FeS_4 ; often found in hydrothermal veins
“Breccia”	Clastic rock made up of angular fragments of such size that an appreciable percentage of rock volume consists of particles of granule size or larger
“Bt”	Billion tonnes
“Cadmium”	Soft, bluish-white metal, chemical symbol, Cd
“Calcareous”	A substance that contains calcium carbonate; when applied to a rock name, it implies that as much as 50 per cent. of the rock is calcium carbonate
“Calcite”	Mineral composed of calcium carbonate, $CaCO_3$
“Cambrian”	Geologic period of time from 590 to 505Ma
“Carbonate”	Refers to a carbonate mineral such as calcite $CaCO_3$
“carbonatisation”	Metasomatic changes producing carbonates as a result of hydrothermal processes
“Carboniferous”	A period of geologic time from about 345 to 280 million years
“Category C₁”	Soviet ‘ore reserves’ whose blocks are delineated by mine workings above and below (approximately equivalent to Indicated Mineral Resources under the JORC, CIM and IOM ³ Reporting Codes)
“Chalcopyrite”	The mineral sulphide of iron and copper, $CuFeS$
“Chert”	Very fine grained silica
“Chlorite”	Tetrahedral sheet silicates of iron, magnesium, and aluminium, characteristic of low-grade metamorphism; green colour, with cleavage like mica
“Chloritisation”	Alteration of rocks to chlorite as a result of low-grade metamorphism
“Chromite”	Mineral oxide of iron and chromium, $FeCr_2O_4$, only ore of commercial chromium; one of first minerals to crystallize from magma
“CIL”	A recovery process in which a slurry of gold ore, carbon granules and cyanide are mixed together; the cyanide dissolves the gold content and the gold is adsorbed on the carbon; the carbon is subsequently separated from the slurry for further gold removal.
“CIP”	Similar to carbon-in-leach process, but initially the slurry is subjected to cyanide leaching in separate tanks followed by carbon-in-pulp; carbon-in-pulp is a sequential process whereas carbon-in-leach is a simultaneous process.
“CO₂”	Carbon dioxide
“Conglomerate”	Detrital sedimentary rock made up of more or less rounded fragments of such size that an appreciable percentage of volume of rock consists of particles of granule size or larger

“Covellite”	A copper ore mineral, chemical symbol CuS, found in the zones of secondary enrichment of copper veins
“Cretaceous”	Geologic period of time from 144 to 65Ma
“Cu”	The chemical symbol for copper
“Cut-off grade”	Lowest grade of mineralised material considered economic, used in the calculation of ore resources
“Cyanidation”	A metallurgical technique for extracting gold by leaching from low-grade ore, converting the gold to water soluble aurocyanide metallic complex ions
“Cyanide leach”	Chemical extraction method using a dilute cyanide solution to leach gold from the mineralisation
“Dacite”	Fine-grained igneous rock with composition between rhyolite and trachyte
“Deposit”	Coherent geological body such as a mineralised body
“Devonian”	Geological period of time from 408 to 362Ma
“Diabase”	Metamorphosed medium-grained igneous rock (also dolerite)
“Diamond drill hole”	Hole made by a rotary drill using diamond-edged bits which produces a solid continuous core sample of the rock
“Diamond drilling”	Drilling method which obtains a cylindrical core of rock by drilling with an annular bit impregnated with diamonds “dilution” the amount of barren or low-grade material that has to be extracted to recover the ore
“Dilution”	The amount of barren or low-grade material that has to be extracted to recover ore
“Diorite”	Coarse-grained igneous rock with composition of andesite (no quartz or orthoclase), composed of 75 per cent. plagioclase feldspars and balance ferromagnesian silicates
“Dip”	The true dip of a plane is the angle it makes with the horizontal plane
“Disseminated”	A mineral deposit in which the desired minerals occur as scattered particles in the rock, but in sufficient quantity to make the deposit an ore
“Drive”	A horizontal underground tunnel
“Drusy”	A cavity in a rock or mineral vein into which crystals of the minerals forming the rock or vein project
“Dump leach”	Similar to heap leach except ore is not crushed
“Dyke”	A sheet-like body of igneous rock which is discordant, generally steeply dipping
“EA”	Environmental Assessment
“Effusive”	Igneous rock that erupts on to the earth’s surface e.g. lava flows and pyroclastic material such as volcanic ash (also extrusive)
“EIA”	Environmental Impact Assessment
“EMP”	Environmental Management Plan
“Enrichment”	Process by which the relative amount of one constituent mineral or element contained in a rock is increased
“Epidote”	A calcium aluminium iron sorosilicate mineral, $\text{Ca}_2\text{Al}_2(\text{Fe}^{3+};\text{Al})(\text{SiO}_4)(\text{Si}_2\text{O}_7)\text{O}(\text{OH})$, crystallising in the monoclinic system
“ESIA”	Environmental and Social Impact Assessment
“Exploration”	Method by which ore deposits are evaluated

“Fault”	Surface of rock fracture along which there has been differential movement
“Fe”	Chemical symbol for iron
“Feasibility study”	An extensive technical and financial study to assess the commercial viability of a project
“Feldspar”	The most important group of rock forming silicate minerals, with end-members, alkali feldspar $KAlSi_3O_8$, sodium feldspar $NaAlSi_3O_8$ and calcium feldspar $CaAl_2Si_2O_8$
“FIMMM”	Fellow of the Institute of Material, Mining and Metallurgy
“Fineness”	Referring to gold: purity
“Fire assay”	A dry thermal technique for gold analysis
“Flocculant”	A chemical used to aggregate fine particles to improve settling rates
“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
“Foci”	Point from which rays or waves appear to proceed
“Fold”	A flexure in rocks
“g/t”	Gramme per metric tonne
“Gabbro”	Coarse-grained igneous rock with the composition of basalt
“Galena”	Important sulphide ore of lead, PbS
“Gangue”	General term for minerals that are not considered to be of economic significance; that part of the mineral deposit from which a metal or metals is not extracted
“Garnet”	Family of silicates of iron, magnesium, aluminium, calcium, manganese, and chromium; characteristic of metamorphic rocks
“GDP”	Gross Domestic Product; total value of goods produced and services provided in a country in one year
“Geochemical”	Prospecting techniques which measure the content of specified metals in soils and rocks; sampling defines anomalies for further testing
“Geophysical”	Prospecting techniques which measure the physical properties (magnetism, conductivity, density, etc.) of rocks and define anomalies for further testing
“GPS”	Global Positioning System
“Grade”	Relative quantity or the percentage of ore mineral or metal content in an ore body
“Granite”	Coarse-grained igneous rock dominated by lightcoloured minerals, consisting of about 50 per cent. orthoclase, 25 per cent. quartz, and balance of plagioclase feldspars and ferromagnesian silicates
“Granodiorite”	Coarse-grained igneous rock intermediate in composition between granite and diorite
“Ground water”	Water occupying openings, cavities, and spaces in rocks and soils
“Halo”	Circular or crescent distribution pattern about the source or origin of a mineral, ore, mineral association, or petrographic feature
“HDPE”	High Density Polyethylene
“Heap leach”	Process used for the recovery of metal ore from weathered low-grade ore. Crushed material is laid on a slightly sloping, impervious pad and uniformly leached by the percolation of the leach liquor trickling through the beds by gravity to ponds. The metals are recovered by conventional methods from the solution

“Hematite”	Important ore mineral of iron, Fe ₂ O ₃ , found as an accessory in igneous rocks, in hydrothermal veins and replacements, and in sediments
“Hg”	Chemical symbol for mercury
“Holocene”	A geological epoch which began approximately 12,000 years ago and, according to traditional geological thinking, continues to the present day
“Hornfels”	A fine-grained rock composed of a mosaic of equidimensional grains without preferred orientation and typically formed by contact metamorphism
“Hubnerite”	A mineral consisting of manganese tungstate (chemical formula: MnWO ₄); it is the manganese endmember of the manganese – iron wolframite solid solution series; it forms reddish brown to black monoclinic prismatic submetallic crystals
“Hydrocarbon”	Any organic compound, gaseous, liquid, or solid, consisting solely of carbon and hydrogen
“Hydrogeology”	The study of the water cycle
“Hydrothermal”	Refers in the broad sense to the process associated with alteration and mineralisation by a hot mineralised fluid (water)
“Hypabyssal”	An igneous rock that originates at medium to shallow depths within the crust and contains intermediate grain size and often porphyritic texture (between volcanic and plutonic rocks); e.g. diabase and porphyry.
“IDW”	A geostatistical estimation technique whereby the estimated value is calculated by weighting each sample by the inverse power of its distance from the cell. If the power is set to zero, then the arithmetic mean of the samples is calculated. If power is set to 2, the inverse of the distance to the power of two is used to weight each sample. Similarly, if the power is set to 3, the inverse of the distance to the power of 3 is used to weight the samples and so on.
“Igneous”	Said of a rock or mineral that solidified from molten or partly molten material, i.e., from a magma
“Ignimbrite”	Rock formed by the widespread deposition and consolidation of ash flows and nuée ardentes
“Inclusion”	Any size fragment of another rock enclosed in an igneous rock; a particle of nonmetallic material retained in a solid metal or alloy
“Indicated Resource”	As defined in the JORC Code, is that part of a Mineral Resource which has been sampled by drill holes, underground openings or other sampling procedures at locations that are too widely spaced to ensure continuity but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable degree of reliability; an Indicated Mineral resource will be based on more data and therefore will be more reliable than an Inferred resource estimate
“Indicated”	An estimate of mineral resources made from geological evidence as defined by the JORC Code for reporting ore reserves and resources; means a mineral resource that has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity but close enough to give a reasonable indication of continuity
“Inferred”	An estimate of mineral resources made from geological evidence as defined by the JORC Code for reporting ore reserves and resources; 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
“Intermediate”	The composition of igneous or volcanic rocks whose composition lies between those of basic and acid rocks
“Intrusive”	Of or pertaining to intrusion-both the processes and the rock so formed
“IP”	Induced Polarisation; geophysical method whereby an induced electrical polarisation is manifested by a decay of voltage in the ground following the cessation of an excitation current pulse
“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”	Joint Ore Reserve Committee Code; the Committee is convened under the auspices of the Australasian Institute of Mining and Metallurgy
“JORC”	Joint Ore Reserves Committee of the Australian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals council of Australia
“Jurassic”	Geologic period of time from 190 to 135Ma
“JV”	Joint Venture
“K-feldspar”	Potassic feldspar end member $KAlSi_3O_8$
“Km(s)”	Kilometres
“Km²”	Square kilometres
“Kriging”	a weighted, moving-average interpolation method used in the estimation of Mineral Resources by geostatistical methods
“kt”	Kilo tonnes (1,000 tonnes)
“KV”	Kilo-volt
“Leached”	A rock that is in the process of being broken down by the action of substances dissolved in water
“Leaching”	See cyanidation
“Limestone”	Sedimentary rock composed largely of the mineral calcite, $CaCO_3$, formed by either organic or inorganic processes
“m”	Metre
“MA”	million years
“Mafic”	A dark-coloured igneous rock which has a high proportion of pyroxene and olivine minerals
“Magnetics”	A geophysical technique used to measure the magnetic susceptibility of rocks
“Magnetite”	An iron ore mineral, Fe_3O_4
“Malachite”	A bright green copper carbonate found in the oxide zone of copper deposits
“Massif”	A very large topographic or structural feature, usually of greater rigidity than the surrounding rock
“Measured”	An estimate of mineral resources from geological data as defined by the JORC Code for reporting ore reserves and resources; this is part of a mineral resource where exploration data are distributed in sufficient density and are of sufficient reliability to allow the estimation of the resource, volume, shape, tonnage and grade to a

	level of confidence in their accuracy to allow a detailed mining feasibility study to be carried out
“Melange”	a geological breccia above a subduction zone environment
“Mesothermal”	hydrothermal mineral deposit, formed at great depth at temperatures of 200-300°C.
“Mesozoic”	An era of geologic time, from the end of the Paleozoic to the beginning of the Cenozoic, or from about 225 million years to about 65 million years ago.
“Metallogenic province”	A belt of rocks, often structurally controlled, that are host to a specific selection of minerals
“Metallogenic”	Study of the genesis of mineral deposits, with emphasis on their relationship in space and time to regional petrographic and tectonic features of the Earth’s crust
“Metallurgical”	Describing the science concerned with the production, purification and properties of metals and their applications
“Metamorphism”	Process whereby rocks undergo physical or chemical changes or both to achieve equilibrium with conditions other than those under which they were originally formed (excluding process of weathering); agents of metamorphism are heat, pressure, and chemically active fluids
“Metasedimentary”	Sediment or sedimentary rock that shows evidence of having been subjected to metamorphism
“Metasomatic”	Process whereby rocks are altered when volatiles exchange ions with them
“Metasomatism or metasomatic”	Metamorphic change which involves the introduction of material from an external source
“Mg”	Chemical symbol for magnesium
“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
“Microcline”	Igneous rock-forming tectosilicate mineral. It is a potassium-rich alkali feldspar; formula KAlSi ₃ O ₈
“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, Indicated and Measured categories
“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
“Mo”	Chemical symbol for molybdenum
“Molasse”	Sandstones, shales and conglomerates formed as terrestrial or shallow marine deposits in front of rising mountain chains; the molasse is deposited in a foreland basin
“Molybdenite”	mineral compound of molybdenum and sulphur, MoS ₂
“Molybdenum”	silvery-white, very hard, metallic element; chemical symbol, Mo; does not occur native, but is obtained principally from molybdenite
“Moz”	Million troy ounces

“MPa”	Unit to measure rock strength
“Mt”	Million tonnes
“Muscovite”	Also known as potash mica; formula: $KAl_2(AlSi_3O_{10})(F,OH)_2$.
“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.
“Nugget effect”	Anomalously high precious metal assays resulting from the analysis of samples that may not adequately represent the composition of the bulk material tested due to non-uniform distribution of high-grade nuggets in the material to be sampled
“NUP”	Natural Use Permit
“Oceanic”	Lying below the ocean
“Olistostrome”	A sedimentary deposit composed of a chaotic mass of heterogeneous material, such as blocks and mud, known as olistoliths, that accumulates as a semi-fluid body by submarine gravity sliding or slumping of the unconsolidated sediments
“Open-pit”	A large scale hard rock surface mine
“Ophiolite”	Group of mafic and ultramafic igneous rocks, whose origin is associated with an early phase of the development of a geosyncline
“Ordovician”	A period of geologic time from about 500 to 435 million years
“Ore body”	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”	A mineral deposit that can be extracted and marketed profitably
“Organic”	Being, containing, or relating to carbon compounds; relating to or derived from living matter
“Ounce” or “oz”	Troy ounce (= 31.1035 grammes)
“OVOS”	Soviet EIA
“Palaeo”	A prefix common in geological terminology, meaning ancient, of past times, and sometimes suggesting an early or primitive nature
“Paleozoic”	Geological era from 570 to 245Ma
“Paragenesis”	The relationship of minerals expressed in terms of a time sequence
“pb”	The chemical symbol for lead
“Permian”	A geologic period that extends from about 299.0Ma to 248.0 Ma
“Phosphorite”	Any rock containing calcium phosphate of sufficient purity and quantity to permit its commercial use as a source of phosphatic compounds or elemental phosphorus
“Phyllite”	A fine grained low-grade metamorphic rock “placer” a mineral deposit formed by the winnowing action of either water, or air to concentrate minerals of different mass by gravity separation
“Plagioclase”	A series of sodium/calcium feldspars, plagioclase feldspars are common rock-forming minerals
“Plunge”	A fold is said to plunge if the axis is not horizontal
“Pluton”	An igneous intrusion
“Plutonic”	Pertaining to igneous rocks formed at great depths

“ Porphyritic ”	A medium coarse-grained intrusive or volcanic rock which is conspicuous by containing more than 25 per cent. large well-formed crystals by volume
“ Porphyry ”	Igneous rock containing conspicuous phenocrysts (crystals) in fine-grained or glassy groundmass
“ Potassic ”	Of, pertaining to, or containing potassium; relating to or containing potash
“ Potassium ”	Highly reactive metallic element of the alkali group; it is soft, light, and silvery; chemical symbol, K; occurs abundantly in nature
“ ppb ”	Parts per billion
“ ppm ”	Parts per million
“ Precambrian ”	Era before 590 million years
“ Precious metal ”	Gold, silver and platinum group minerals
“ Propylitic ”	Plagioclase in an igneous rock is altered to epidote, sericite and secondary albite, and ferro-magnesian minerals are altered to chlorite-calcite-epidote-iron oxide assemblages
“ Proterozoic ”	Most recent geological Eon of three sub-divisions of the Precambrian, from 2,500 to 570Ma
“ Pyrite ”	A mineral compound of iron and sulphur, sulphide mineral, iron sulphide, chemical symbol FeS ₂
“ Pyroxene ”	A group of chiefly magnesium-iron minerals
“ QA/QC ”	Quality Assurance/Quality Control: procedures to ensure the validity of e.g. drilling, sampling and analyses
“ Quartz ”	A mineral composed of silicon dioxide
“ Quaternary ”	Geological period of time from 2Ma; youngest period of the Cenozoic
“ Raise ”	A vertical or near-vertical opening driven upward from a level to connect with the level above
“ 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
“ Reserves ”	Proven: measured mineral resources, where technical economic studies show that extraction is justifiable at the time of the determination and under specific economic conditions. Probable: measured and/or indicated mineral resources which are not yet proven, but where technical economic studies show that extraction is justifiable at the time of the determination and under specific economic conditions
“ Resistivity ”	A geophysical technique to measure the electrical resistance of rocks
“ Resources ”	Measured: a mineral resource intersected and tested by drill holes, underground openings or other sampling procedures at locations which are spaced closely enough to confirm continuity and where geoscientific data are reliably known; a measured mineral resource estimate will be based on a substantial amount of reliable data, interpretation and evaluation which allows a clear determination to be made of shapes, sizes, densities and grades. Indicated: a mineral resource sampled by drill holes, underground openings or other sampling procedures at locations too widely spaced to ensure continuity but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable degree of reliability; an indicated resource will be based on more data, and therefore will be more reliable than an

inferred resource estimate. **Inferred:** a mineral resource inferred from geoscientific evidence, underground openings or other sampling procedures where the lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability

“Rhyolite”	A group of extrusive igneous rocks, typically porphyritic and commonly exhibiting flow texture, with phenocrysts of quartz and alkali feldspar in a glassy to cryptocrystalline groundmass
“Rift”	A regional-scale strike-slip fault, with offset measured up to hundreds of kilometres or a trough or valley formed by faulting
“Run-of-mine”	Average grade of mineralisation to be extracted from a mine
“Russian Standard”	Russian system of protocols for the estimation and reporting of resources and reserves
“S”	Chemical symbol for sulphur
“Sandstone”	Detrital sedimentary rock in which particles range from 1/16 to 2mm
“Saturated”	A rock or soil where all its interstices are filled with water, holding as much water or moisture as can be absorbed
“Scheelite”	A tungsten ore mineral, chemical symbol CaWO_4
“Schist or schistosity”	Metamorphic rock dominated by fibrous or platy minerals with parallel alignment that splits readily; has schistose cleavage and is a product of regional metamorphism
“Scoriaceous”	A term used to describe a pyroclastic rock containing cavities
“Sedimentary”	Rocks formed from material derived from pre-existing rocks by processes of denudation
“Selvages”	Rims or edges around mineral grains
“Sericite”	A white mica
“Shaft”	Vertical or inclined excavation into mine workings
“Siderite”	An iron mineral
“Silicification”	The introduction of silica into a rock, either filling pore spaces or replacing pre-existing minerals
“Sill”	A tabular mass of igneous rock that has been intruded laterally between layers of older rock
“Siltstone”	Detrital sedimentary rock in which particles are less than 1/16mm
“Silurian”	A period of geologic time from about 435 to 395 million years
“Sinistral”	A term applied to a fault to describe the apparent direction of relative movement of each side, in this case to the left
“Skarn”	An old Swedish mining term for silicate gangue (amphibole, pyroxene, garnet, etc.) of certain iron ore and sulphide deposits of Archean age, particularly those that have replaced limestone and dolomite; its meaning has been generally expanded to include lime-bearing silicates, of any geologic age, derived from nearly pure limestone and dolomite with the introduction of large amounts of Si, Al, Fe, and Mg
“Smelting”	A metallurgical operation (at a smelter) in which metal is separated from impurities by a process that includes melting
“Specific gravity”	Specific gravity usually means relative density with respect to water; (the term “relative density” is often preferred in modern scientific usage)
“Sphalerite”	A zinc sulphide mineral

“Splay”	One of a series of divergent small faults at the extremities of a major fault; splays are typically associated with rifts
“Standard deviation”	The standard deviation of a statistical population, a data set, or a probability distribution is the square root of its variance; standard deviation is a widely used measure of the variability or dispersion, being algebraically more tractable though practically less robust than the expected deviation or average absolute deviation
“Stockwork”	A mineral deposit consisting of a three-dimensional network of planar to irregular veinlets
“Stratigraphy”	Study of the stratified rocks, sedimentary and volcanics, especially their sequence in time, the character of the rocks and the correlation of beds in different localities
“Strike length”	The longest horizontal dimension of an ore body or zone of mineralisation
“Strike”	Direction in which a horizontal line can be drawn on a plane, and determines the direction in which to measure the true dip
“Strike-slip”	Component of the movement or slip that is parallel to the strike of the fault; horizontal displacement; horizontal separation
“String”	Essentially, a sequence of characters; a string is generally understood as a data type storing a sequence of data values, usually bytes
“Stringers”	Mineral veinlet or filament, usually one of a number, occurring in a discontinuous sub parallel pattern in host rock
“Strip ratio”	The ratio of waste to ore in an open pit mining operation
“Subduction”	The process that takes place at convergent boundaries by which one tectonic plate moves under another tectonic plate, sinking into the Earth’s mantle, as the plates converge
“Sulphide”	Mineral containing sulphur in its non-oxidised form
“Supergene”	Said of a mineral deposit or enrichment formed near the surface, commonly by descending solutions, used almost exclusively for processes involving water
“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
“Tectonic”	Said of or pertaining to the forces involved in, or the resulting structures or features of, tectonics: branch of geology dealing with the broad architecture of the outer part of the Earth; i.e., the regional assembling of structural or deformational features
“Terrigenous”	Derived from the land or continent
“Tetrahedrite”	A copper, iron, antimony sulphide mineral
“Thrust”	Overriding movement of one crustal unit over another, such as in thrust faulting
“TMF”	Tailings management facility
“Top-cut”	Process applied to grade evaluation to eradicate “nugget-effect”
“Tourmaline”	Is a complex silicate of aluminium and boron, its composition varies widely with sodium, calcium, iron, magnesium, lithium and other elements entering into the structure.
“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)
“Tuffs”	Rock consolidated from volcanic ash
“Tungsten”	Hard, brittle, white or grey metallic element. Chemical symbol,W; also known as wolfram
“Ultramafic”	An igneous rock composed chiefly of mafic minerals
“Underground working”	Mine openings for evaluation for ore extraction excavated beneath the ground surface
“Variography”	A geostatistical method of determining the spatial variations in the grade and nature of mineralization within a particular ore body
“Vein”	A tabular deposit of minerals occupying a fracture, in which particles may grow away from the walls towards the middle
“W”	Chemical symbol for tungsten
“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
“wireframed”	A technique to convert ore body intersections in a 3D computer model to assist interpretation
“Zn”	The chemical symbol for zinc; bluish-white, lustrous metal
“μm”	Micron (one millionth of a metre)

