17 April 2019

METALS & MINING

VSA capital

Q4 2018 Operational Update

Marketing Communication (Connected Research)

Central Asia Metals#

BBG Ticker: CAML LN   *Price: 248p*   *Mkt Cap: £436m*   **BUY**

Year to December	Revenue (US$'000)	EBITDA (US$'000)	Net Income (US$'000)	EPS (US$)	DPS (GBp)	EV/Sales (x)	EV/EBITDA (x)	P/E (x)	Div Yield (%)
2017A	102,123	66,485	36,315	0.30	16.50	5.6	9.6	15.8	4.0%
2018A	192,334	125,308	48,024	0.31	14.50	3.0	5.1	12.0	6.9%
2019F	187,801	120,023	59,331	0.34	15.66	3.1	5.3	9.7	6.3%
2020F	192,630	123,268	64,234	0.36	16.56	3.0	5.2	8.9	6.7%

***SOURCE**: Company Data, VSA Capital Research.*

2018 Full Year Results

Robust Full Year Financials

Central Asia Metals (CAML LN) having delivered on production guidance for 2018 released robust full year results underpinned by the low cost base of the group. Revenue of US$192m was up 88% YoY while Kounrad unit costs of US$0.54/lb were up 4% YoY, in line with our forecast. Sasa unit costs were 5% higher YoY. The stronger top line and low cost base meant EBITDA was up 88% YoY to US$125m. Net income from continuing operations was up 48% YoY while EPS up 8% YoY to 31 cents per share highlights the accretive nature of the transaction. The full year dividend of 14.5p/sh. was 5% ahead of our estimate.

Ongoing Strong Free Cash Flow Generation

We anticipate copper output of 13.4kt in 2019 with lead and zinc production of 29.4kt and 22.5kt. Although we anticipate modest inflationary pressure from higher power and pumping costs at Kounrad and rising zinc treatment charges at Sasa we expect margins to remain strong with EBITDA of US$120m in 2019. With capital expenditure expected to drop to US$11.2m following the completion of the tailings facility at Sasa, in H1 2019, levered FCF is likely to increase 15% YoY in 2019F to US$84.6m enabling a dividend of 15.7p.sh.

Sasa Mine Review

Having integrated Sasa, management is now focused on enhancing the operational efficiencies via a life of mine review covering all aspects of operations. The first step of this was an updated resource statement which included an increase in lead and zinc grades as well as the conversion of 17% of Golema Reka into the higher Indicated category. This confirms the mine's current 19 year life although drilling new areas in 2019 offers upside potential to the current resource.

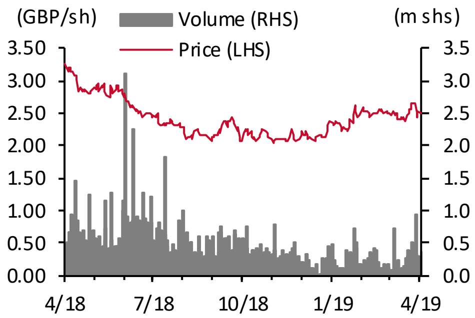
Recommendation and Target Price

Although the shares are up 14% YTD, trading on a dividend yield of 6% and at a 12% discount to peers this highlights the ongoing value opportunity and we expect FCF generation to continue to increase in 2019F and 2020F. **We reiterate our Buy recommendation although adjust our target price to 300p which implies 21% upside and 28% on a total return basis.**

Company Description

Central Asia Metals is a London listed base metals mining company with primary operations in Kazakhstan and Macedonia

One Year Price Performance



Price % chg	1mn	3mn	12mn
	0.8%	6.0%	-21.1%
12mn high/low			326p/203p

***SOURCE**: FactSet, as of 16 April 2019 close.*

Market:	LSE AIM
Target price:	300p
Shares in issue	176m
Free float:	95%
Net Debt (Dec 2019F):	£47.1m
Enterprise value:	£483.6m
Major shareholders	
JO Hambro Capital Mgt	9.72%
Blackrock Inc	9.19%
Orion Resource Partners	8.68%

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Full Year Earnings Highlights 2018

Central Asia Metals (CAML LN)[#] announced strong 2018 results having previously announced robust production numbers. CAML's full year production of 14,049 copper, 22,532t zinc and 29,388t lead comfortably achieved its guidance of 13-14kt copper, 22-24kt zinc and 28-30kt lead whilst being ahead of our prior estimates by 1-2%. With robust operational results the financial results also demonstrated the successful and accretive integration of the Sasa lead zinc mine in Macedonia which has driven an 88%, 48% and 63% YoY increase in EBITDA, net income from continuing operations and levered Free Cash Flow (on which the dividend is calculated). This maintains CAML's position as one of the strongest yielding stocks in the peer group.

Full Year Earnings Highlights

		FY 2018	FY 2017	*% Chng, YoY*	VSA FY 2018F	Difference
Copper Production	*kt*	14,049	14,103	0%	14,049	0%
Lead Production	*kt*	29,388	4,951		29,388	0%
Zinc Production	*kt*	22,532	3,625		22,532	0%
Copper Sold	*kt*	14,081	14,001	1%	14,049	0%
Lead Sold	*kt*	27,878		n/m	27,919	0%
Zinc Sold	*kt*	18,792		n/m	19,152	-2%
Copper Cash Cost	*USD/lb*	0.54	0.52	4%	0.54	0%
Zinc Cash Cost	*USD/lb*	0.46	0.44	5%	0.44	5%
Revenue	*USDm*	192,334	102,123	88%	197,725	-3%
EBITDA	*USDm*	125,308	66,485	88%	122,059	3%
EBITDA margin, %	*%*	61%	62%	-2%	61%	
Net finance Costs	*USDm*	(14,735)	3,278	n/m	(11,915)	24%
Profit Before Tax	*USDm*	72,681	49,788	46%	75,412	-4%
Tax	*USDm*	(18,822)	(13,433)	40%	(25,356)	-26%
Net Income from Cont. Operations	*USDm*	53,859	36,355	48%	50,056	8%
Net income	*USDm*	48,024	36,315	32%	49,756	-3%
Dividend	*GBp/sh.*	14.5	16.5	-12%	13.85	5%
Capex	*USDm*	(14,755)	(4,082)	n/m	(16,200)	-9%

***SOURCE:** Company Data, VSA Capital Research.*

Net revenue for 2019 was up 88% YoY to US$192m driven primarily by the Sasa acquisition but also by a 1% YoY increase in copper sold and a 7% YoY increase in average realised copper prices. The incremental benefit from Sasa far outweighed moves in lead and zinc prices with Sasa contributing 53% of net revenue in 2018.

Cash costs at Kounrad increased 4% YoY to US$0.54/lb in line with our estimate owing to the well flagged transition to the Western Dumps. This unit cost increase was in part offset by a depreciation in the USDKZT of 6% which has continued into 2019. At Sasa, unit costs increased 5% YoY to USD0.46/lb, as weaker commodity prices reduced the benefit of the lead byproduct, a stronger Euro resulted in Macedonian Dinar appreciation along with a 16% increase in wages. The first two factors were the reason that unit costs at Sasa came in above our expectations of unchanged unit costs YoY. However, despite this modest cost inflation CAML remains one of the lowest cost base metal producers globally and with strong cost control and the acquisition of Sasa EBITDA was up 88% YoY to US$125m, 3% above our forecast.

SG&A was up 58% YoY due to the expansion of the group while the stronger EURUSD resulted in an FX loss of US$3.9m. Given the stronger top line operating profit was also up 88% YoY. Finance costs of US$15m were up fivefold owing to the increased balance sheet to acquire Sasa; the loan structure was simplified in late 2018 as previously announced which resulted in additional charges of cUS$3m. Income taxes of US$18.8m were up 40% YoY owing to increased earnings and the withholding tax provision which we highlighted previously has now been resolved meaning that CAML will not be materially impacted by the charge on a cash basis. Net income from continuing operations was up strongly by 48%

YoY. However, CAML took two one off write downs for Shuak and Copper Bay in the period totalling US$7.3m which meant that net income after discontinued operations was US$48m.

The full year results confirmed the successful integration of Sasa and although the dividend was lower YoY in per share terms the transaction was accretive on other metrics including EBITDA/sh. and EPS. EBITDA/sh. of US$0.71/sh. was up 65% YoY while EPS from continuing operations was up 8% YoY to 31.33 cents per share but excludes the one-off impairments in relation to Shuak and Copper Bay.

Levered free cash flow of US$73.4m was up 63% YoY as a result of the the successful integration of Sasa. This is the metric utilised to determine the dividend payout and given the resolution of the tax dispute, CAML adjusted the measure up by US$5.5m to reflect the favourable resolution of this issue. Consequently, CAML continued with its record of strong dividend payments with the announcement of a final dividend of 8.5p/sh, implying 14.5p/sh for the full year. This was ahead of our full year estimate of 13.85p/sh, which was low as we had anticipated that the tax provision of cUS$6m would have impacted the payout.

We expect CAML to deliver again on guidance in 2019 maintaining its track record of operational consistency and reliability which we expect to drive continued robust earnings and strong cash flow generation. However, with lower capital spending requirements in 2019 we continue to expect an uplift in levered FCF generation to US$84.6m versus US$73.4m in 2018 enabling a higher dividend in 2019.

In addition to maintaining strong dividends CAML also reported robust deleveraging with net repayments of US$38.5m in borrowings as CAML sought to reduce leverage post acquisition. Furthermore, in early 2019 CAML announced a revised and simplified debt structure and CAML will therefore repay a further US$38.4m in 2019. The terms of the revised corporate facility, as previously announced, are interest of 4.75% plus 1-month US LIBOR to be repaid monthly on a straight-line basis within four years and there are now no cash sweeps in relation to free cash flow generation. With forecast net debt/EBITDA of 0.5X in 2019 CAML continues to have a strong balance sheet and having made significant progress to reposition itself to have flexibility to regear in the event of a potential acquisition given that management has highlighted that it has significantly reduced its shortlist in recent months.

Production highlights Q1 2019 Show Continued Robust Performance

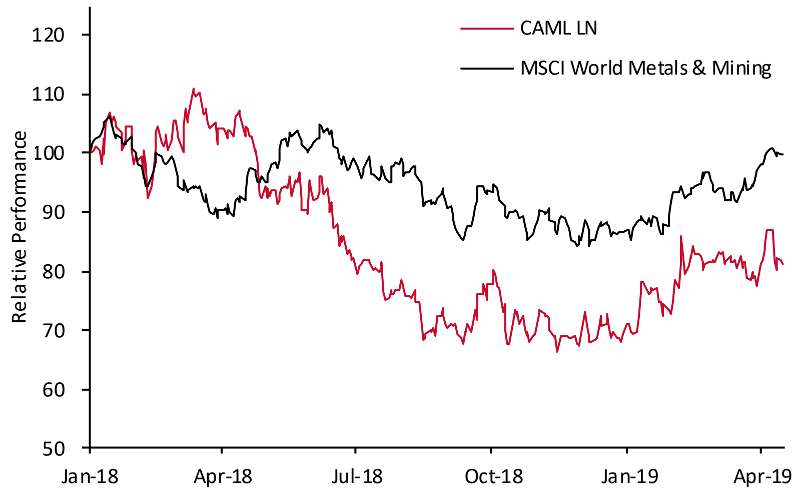
Metal Production	Q1 2019	Q4 2018	Q1 2018	% Chg, YoY	% Chg, QoQ	VSA 2019
Copper	2,952	3,363	3,070	-4%	-12%	13,400
Zinc	5,639	5,769	5,518	2%	-2%	22,298
Lead	7,212	7,401	7,020	3%	-3%	29,328

SOURCE: *Company Data, VSA Capital Research.*

In addition to full year financials CAML also announced Q1 production results which were in line with full year guidance and our forecasts. Copper production at Kounrad of 2.95kt was down 4% YoY which is in line with the lower 2019 guidance range of 12.5-13.5kt for 2019 and our forecast of 13.4kt remains unchanged. We highlight that Q1 is typically the weakest quarter for CAML's Kounrad production due to seasonality.

At Sasa, Q1 2019 zinc output was up 2% YoY to 5.6kt as higher throughput and recoveries offset a marginal decline in head grade while lead production of 7.2kt was 3% higher YoY as stable grades and recoveries combined with the benefit of the 2% YoY increase in plant throughput. As an underground operation, although temperatures do drop significantly in the winter, seasonality is not such an issue. Q1 production indicates CAML is well on track to meet guidance of 22-24kt zinc and 28-30kt lead in 2019 and our forecasts which are within the guidance range of 22.2kt and 29.4kt respectively.

CAML versus MSCI Metals & Mining



SOURCE: *Bloomberg, VSA Capital Research.*

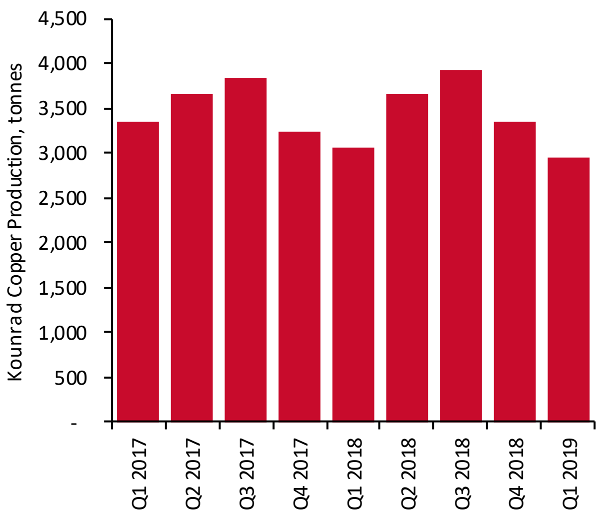
Kounrad

With flat YoY production CAML hit the top end of its production guidance range at 14,049t in 2019. Sales of 14,081t of copper in 2019 were up 1% YoY with the balance of inventory that had been built in the early part of the year unwound as anticipated. Realised copper prices of US$6,518/t were broadly in line with full year average LME prices which were up 7% YoY. Revenue was therefore up 7% YoY to US$89.8m and the stronger top line largely offset the modest increase in cash costs and EBITDA was up 5% YoY to US$66.8m for the segment.

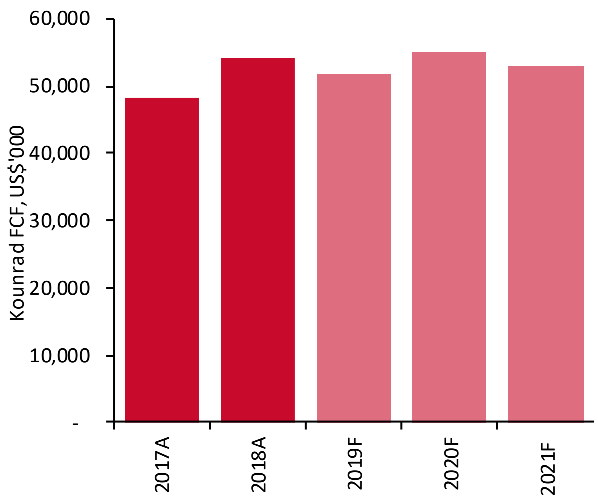
In 2018 approximately 65% of production was attributable to the Western dumps and this is set to rise to 70% in 2019 as part of a managed transition before the Eastern dumps are exhausted in 2022 with all production from the Western dumps in 2023. Differing metallurgical characteristics of the Western dumps mean longer leach times and lower recoveries (35-42% versus 45-50%) albeit on a significantly larger volume of waste dumps. Our LoM forecast is a managed decline in production from c14kt to around 12kt by the end of the mine life in 2032 and the marginally lower guidance in 2019 and our forecast of 13.4kt is in line with that. Despite this transition we expect CAML to continue to operate as one of the lowest cost copper producers in the world.

Kounrad has a relatively low fixed cost base and the impact of longer leach times and lower recoveries has a relatively limited impact due to the inherent nature of the process. The additional distance from the Western dumps to the processing plant does increase pumping and power costs which is the primary driver for cost inflation in the near term resulting from the transition. This is, however, likely to be offset at least in part by the weaker USDKZT which depreciated 13% through 2018 and has remained weak through 2019. Consequently, we have revised our USDKZT rate down 7% to an average of 370 in 2019. We expect unit costs to increase a further 5% YoY in 2019 to US$0.57/lb (previous estimate US$0.58/lb). This indicates ongoing strong EBITDA margins at Kounrad of 68% in 2019.

Kounrad Quarterly Production



Kounrad Forecast Free Cash Flow

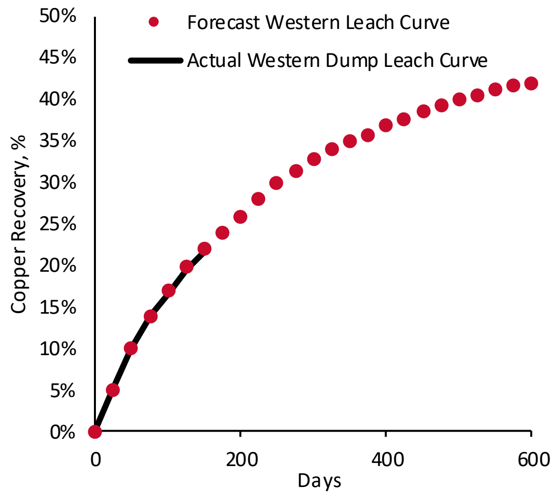


SOURCE: *Company data, VSA Capital Research.*

Capital spending at Kounrad came in lower than our forecast of US$2.3m at US$1.4m and the company has guided that sustaining capital is likely to be at this level going forward. We have therefore reduced our sustaining capital estimate for 2019 onwards to US$1.6mpa.

USDKZT

Western Dumps Leaching in Line with Forecast



SOURCE: *Bloomberg, Company data, VSA Capital Research.*

Q1 2019 copper production was 2,952t, down 4% YoY and 12% QoQ owing to a combination of seasonality and the transition to the Western dumps which as highlighted is the reason for the lower guidance range in 2019. However, we highlight that the Q1 number is on track for our full year forecast of 13.4kt and that actual leach recoveries to date are performing in line with the company's forecast leach recovery curve.

Kazakhstan's president, Nursultan Nazarbayev, stepped down after close to three decades in power last month. Whilst it was anticipated that a planned transition was in the making the timing of announcement in March took many, even close followers of the country by surprise. In early April it was announced that presidential elections would be held on June 9th 2019. Nazarbayev remains head of the Security Council of Kazakhstan and therefore despite stepping back from the presidency retains strong influence over the country and is expected to mentor whoever succeeds him. Given the Nur Otan party's dominant position we would anticipate that their chosen candidate is likely to succeed in the upcoming elections. The announcement of the transition of power does not appear to have a significant impact on currency markets with the move lower towards 380 USDKZT largely at the end of 2018.

Sasa

A strong first full year for CAML as it integrated the operations at Sasa into the wider business maintaining the consistent track record of operational performance that the prior owners had developed over a number of years. Full year zinc production of 22.53kt, up 4% YoY was in line with the guidance range. Ore mined and milled at 803kt was up 1.4% YoY. This was the primary reason for zinc and lead output beating our estimates. Our forward estimates for ore milled are now at 800ktpa. Zinc grades were consistent throughout 2018 averaging 3.31% which was 0.13pp above 2017. This was, however, offset by a dip in recoveries earlier in the year as a replacement stirred media detritor (SMD) mill was commissioned meaning that recoveries of 84.6% were 0.9pp lower YoY. However, we forecast 85.5% now incorporating some improvement after the Q1 2019 results were reported which achieved 86.8% and we will continue to monitor for consistent performance at the higher level.

Sasa Operating Highlights

	Q1 2019	Q1 2018	% chg, YoY	Q4 2018	2018	2017*	% Chg, YoY
Plant Feed	199,489	196,364	2%	205,130	804,749	793,332	1%
Lead grade, %	3.84	3.83		3.86	3.90	3.98	
Zinc grade, %	3.26	3.32		3.31	3.31	3.18	
Lead concentrate	9,870	9,587	3%	10,151	40,317	40,757	-1%
Recovery, %	94.0	93.3		93.4	93.6	94.6	
Grade, %	73.1	73.2		72.9	72.9	73.3	
Contained Lead	7,212	7,020	3%	7,401	29,388	29,881	-2%
Zinc Concentrate	11,447	11,385	1%	11,846	46,128	43,676	6%
Recovery, %	86.8	84.6		85.0	84.6	85.5	
Grade, %	49.3	48.5		48.7	48.9	49.4	
Contained zinc	5,639	5,518	2%	5,769	22,532	21,585	4%

Not attributable to CAML* ***SOURCE:* *Company Data, VSA Capital Research.*

Lead production in 2018 of 29.39kt was down 2% YoY. Lead grades declined by 0.8pp YoY while lead recovery was 1pp lower YoY which accounts for the modest decline in annual output. This does, however, remain well within the range of past performance and towards the top end of the guidance range.

Earnings YoY are not readily comparable due to the transaction taking place in late 2017, however, average LME lead and zinc prices were 3% and lower and unchanged YoY respectively and net revenue of US$102.5m contributed to 53% of group net revenue. Despite the robust operational performance, CAML did experience a 16% increase in salaries at Sasa owing to a renegotiation of the existing contract, however, labour costs account for only around 15% of overall costs. The main reason for the increase for the 5% YoY increase in unit costs to US$0.46/lb was the adverse USDEUR movement to which the Macedonian Dinar is pegged. EBITDA for the segment was US$71m.

Capital spending at Sasa was US$13.4m as CAML focused on the Tailings Storage Facility 4 (TSF 4) which is due to be completed in 2019 providing the company with an additional seven years of tailings capacity. We had previously estimated Sasa capex at US$13.9m for 2018 and our estimate was therefore slightly ahead of the actual figure. Guidance for 2019 is less than US$10m as some final TSF costs fall into this year and we estimate US$9.5m falling to US$8m in 2020.

We expect robust operational performance to be maintained at Sasa with 2019 lead and zinc production of 29.3kt and 22.5kt respectively within the guidance ranges of 28-30kt and 22-24kt. Our zinc forecast on grade at 3.25% is in line with the previously announced mine plan. Q1 2019 zinc production demonstrated that with plant throughput up 2% YoY and zinc grades down to 3.26%. This was offset with higher recoveries at 86.8%. Lead grades were stable and recoveries also improved by 0.7pp to 94%.

However, the most significant impact is likely to be from rising treatment charges for zinc concentrate. Low smelter margins in recent years have resulted in capacity shutdowns and now with rising demand for zinc metal resulting in a sharp drawdown in inventory the smelting cycle is turning. Higher refined metal prices have incentivised mine restarts and concentrate production has increased enabling smelters to hike treatment charges. The impact has therefore been a rise in TCRCs from to cUS$250/t from US$110/t in the last year according to recent market data. CAML receives a favourable rate due to the quality of its concentrate, however, the quantum of change is still significant. Given that the cycle has only recently turned we expect that TCRCs are likely to rise to historic highs over the next two years and may exceed US$300/t.

CAML is, as previously announced, is undertaking a full mine plan review at Sasa. The first announcement in this regard is the updated reserves and resources statement following additional infill drilling in 2018. As indicated in the Q1 2019 operational update, CAML completed in excess of 3,000m at each of Svinja Reka and Golema Reka. CAML successfully converted 1.3mnt of inferred resource to indicated at Golema Reka while we note at both deposits the increase in lead and zinc grades. Through the drilling programmes CAML intercepted wider veins with higher grades at depth which is encouraging as in 2019 CAML intends to carry out further drilling as the resource remains open in this direction. In addition, a central area, Kozja Reka, where 3.2mnt was mined out historically is due to be drilled in 2019 which could further benefit the upgraded resource. We also not the decrease in Svinja Reka reserves given ongoing mining since July 2017.

Sasa Ore Reserves and Mineral Resources (July 2017)

Svinja Reka Reserve	Tonnes, mnt	Pb, %	Zn, %	Ag, g/t	Pb, kt	Zn, kt	Ag, koz
Probable	10.9	3.9	3.1	18.4	421	337	6,447
Svinja Reka Resources	**Tonnes, mnt**	**Pb, %**	**Zn, %**	**Ag, g/t**	**Pb, kt**	**Zn, kt**	**Ag, koz**
Indicated	13.3	4.6	3.7	22.0	611	490	9,403
Inferred	2.7	3.2	2.1	17.0	84	56	1,426
Total	16.0	4.3	3.4	21.0	695	546	10,829
Golema Reka Resources	**Tonnes, mnt**	**Pb, %**	**Zn, %**	**Ag, g/t**	**Pb, kt**	**Zn, kt**	**Ag, koz**
Inferred	7.4	3.7	1.5	18.6	273	112	4,424

SOURCE: *Company Data, VSA Capital Research.*

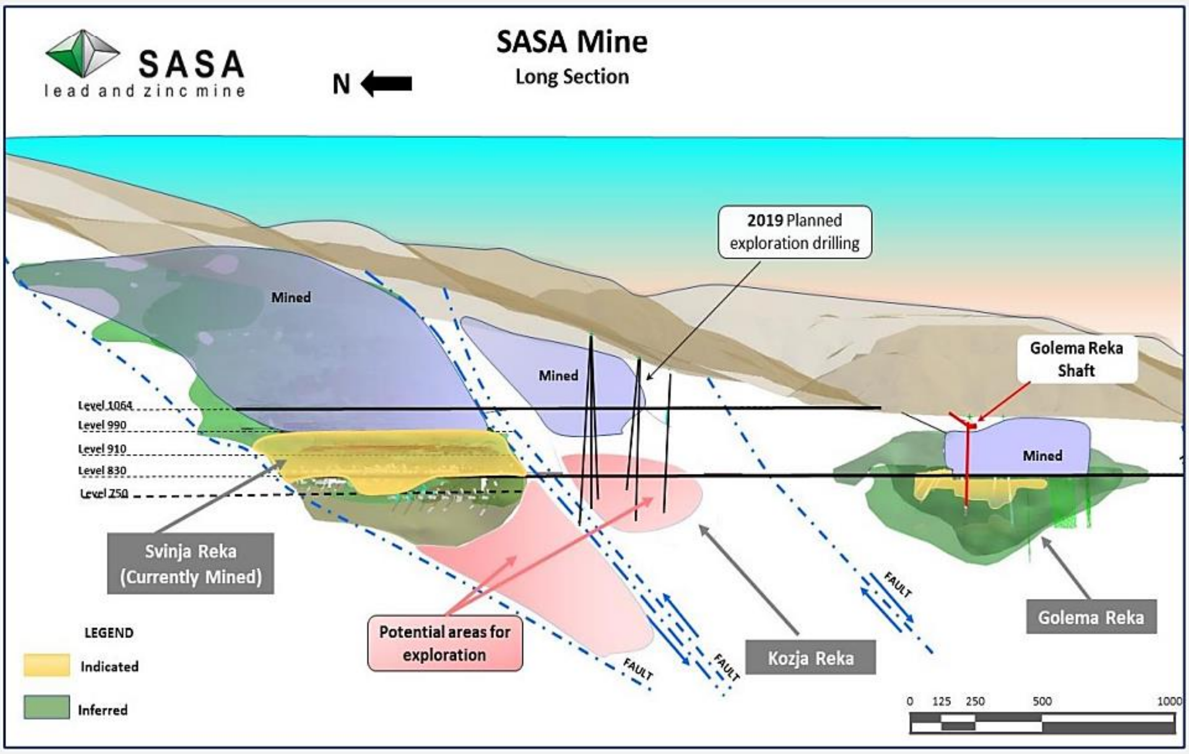
Sasa Ore Reserves and Mineral Resources (December 2018)

Svinja Reka Reserve	Tonnes, mnt	Pb (%)	Zn (%)	Ag (g/t)	Pb (kt)	Zn (kt)	Ag (koz)
Probable	9.7	3.8	3.10	18	373	298	5,659
Svinja Reka Resources	**Tonnes, mnt**	**Pb (%)**	**Zn (%)**	**Ag (g/t)**	**Pb (kt)**	**Zn (kt)**	**Ag (koz)**
Indicated	12.3	4.8	3.8	25	592	468	9,857
Inferred	2.7	3.6	2.6	18	96	71	1,545
Total	15.0	4.6	3.6	24	695	546	11,042
Golema Reka Resources	**Tonnes, mnt**	**Pb (%)**	**Zn (%)**	**Ag (g/t)**	**Pb (kt)**	**Zn (kt)**	**Ag (koz)**
Indicated	1.3	3.8	1.6	13	48	20	528
Inferred	6.3	3.5	1.4	12	217	86	2,444
Total	7.6	3.5	1.4	12	265	107	2,972

SOURCE: *Company Data, VSA Capital Research.*

The mine review at Sasa is one of the key near term focus areas for CAML management and all operational and geological aspects are being reviewed. Indeed, the upgraded resource estimates are the first step in this process. We therefore see efficiencies potentially benefitting costs along with increased throughput as some of the possible outcomes of the study. Although recent output has been consistent at around the 800ktpa run rate, we note that in prior years under previous ownership the annual throughput has been as high as 850kt. We currently anticipate 800kt in 2019.

Mine Plan at Sasa and Target Drilling areas for 2019



***SOURCE:** Company data, VSA Capital Research.*

Shuak

Following the exploration drilling programme carried out at CAML's Shuak project in Kazakhstan the company has now reviewed the data and determined that the project most likely no longer fits into CAML's growth plans. The licenses were acquired in 2016 whilst CAML was still a single asset producer, however, as a multi asset producer now its hurdle rates for projects have advanced, particularly in terms of scalability. Previously announced results indicated promise, however, the latest announcement indicates that the project is not going to fulfil CAML's development criteria. This may well be an attractive asset for a smaller player although CAML will now focus its growth strategy on inorganics growth. CAML now plan to return Shuak to the current 20% shareholders while retaining a minority interest for the future. In the meantime the carrying value has been reduced to zero.

Growth Strategy Update

The results from Shuak announced in early 2019 have confirmed that CAML will look to grow via acquisition and has been actively screening opportunities over the last six months. Our forecasts suggest that CAML will have further reduced its leverage to 0.5x net debt / EBITDA by the end of 2019 giving the company significant flexibility to regear to fund growth.

The company has indicated its criteria for investment and is clearly looking to build on the current portfolio of low cost cash generative assets. However, in order to potentially realise greater value over the life of the asset the company is now also considering development projects in addition to low cost producers. Base metals and stable jurisdictions remain key priorities and the company appears to have narrowed down to a shortlist which includes assets in Kazakhstan. Given that management have a successful track record of executing the development of new operations, at Kounrad, and with the initial integration of Sasa successfully completed we are confident that a third asset would create an opportunity for significant value generation.

CAML Operational and Financial Highlights

	2017A	2018A	2019F	2020F	2021F
Copper Production, t	14,103	14,049	13,400	13,400	13,400
Lead Production, t	4,951	29,388	29,328	29,328	29,328
Zinc Production, t	3,625	22,532	22,298	22,230	22,230
C1 Cash Cost, Copper, USD/lb	0.52	0.54	0.57	0.58	0.58
C1 Cash Cost Zinc, USD/lb	0.44	0.46	0.55	0.61	0.63
Revenue, USD'000	102,123	192,334	187,801	192,630	184,126
EBITDA, USD'000	66,485	125,308	120,023	123,268	115,444
Operating Profit, USD'000	46,510	87,416	84,948	88,279	80,455
Net Income, USD'000	36,315	48,024	59,331	64,234	60,194
EPS, USD/sh.	0.29	0.31	0.34	0.36	0.34
P/E, x	15.8x	12.0x	9.7x	8.9x	9.5x
EV/EBITDA, x	9.6x	5.1x	5.3x	5.2x	5.5x
Net Debt/EBITDA, x	2.1x	0.9x	0.5x	0.1x	-0.3x
Capex, USD'000	(4,082)	(14,755)	(11,100)	(9,600)	(7,600)
Unlevered FCF	48,846	93,094	95,285	97,360	93,623
Unlevered FCF Yield, %	9%	16%	17%	17%	16%
Levered FCF	45,080	73,362	84,557	89,426	88,465
Levered FCF Yield, %	8%	13%	15%	16%	15%
Dividend Yield, %	4%	7%	6%	7%	7%
Dividend Per Share, GBP	16.50	14.50	15.66	16.56	16.38

Adjusted for One off withholding tax paid on behalf of previous owner (recovered 2019). **SOURCE: Company Data, VSA Capital Research.*

Changes to Earnings Estimates

Our assumptions and earnings estimates are broadly unchanged. A full year's accounts incorporating Sasa has enabled us to fine tune our model and more accurately model the enlarged group, however, our operating estimates are broadly unchanged albeit with some modestly adjusted macro assumptions as we mark to market after Q1 2019. Crucially, we continue to expect strong free cash flow generation at CAML and strong margins which with a reduction in capital spending indicate the potential for an increase in the dividend YoY to 15.7p/sh.

Our mark to market results in an 2% and 4% reduction in our forecast copper and lead prices for 2019. This is partly offset by enhanced operating assumptions at Sasa where Q1 2019 performance suggests that throughput of 800kt is more likely than our prior estimate of 790kt whilst zinc recoveries have improved QoQ and we have adjusted our assumption to 85.5% going forward. This results in net revenue of US$188m for 2019, 4% lower than our previous estimate and 2% lower than in 2018.

Although the higher proportion of production from the Western Dumps results in higher power costs due to increased pumping distances this has been in part offset by currency depreciation and we anticipate a 6% increase in unit costs to US$0.57/lb. At Sasa, however, lower lead prices and rising zinc treatment charges indicate additional cost pressure from higher treatment charges and although margins are expected to remain robust combination means an 20% increase in our Sasa forecast unit cost to US$0.55/lb. The net impact on EBITDA is negligible which is broadly unchanged at US$120m.

With EBITDA margins expected to remain strong despite a modest increase in unit costs we anticipate that levered free cashflow will continue to be strong, benefitting from a reduction in capital spending as guided. This is due to the completion of the Sasa tailings dam which is expected in H1 2019. We forecast US$11.2m in capital spending, a reduction from US$15.9m in 2018 as this is largely confined to sustaining capital. Combined with reduced interest payments, due to lower gross debt, we therefore expect levered free cash flow of US$85m, 15% up YoY enabling an increase in the dividend to an estimated 15.7p/sh which implies a yield of 6% which continues to be amongst the strongest in the peer group.

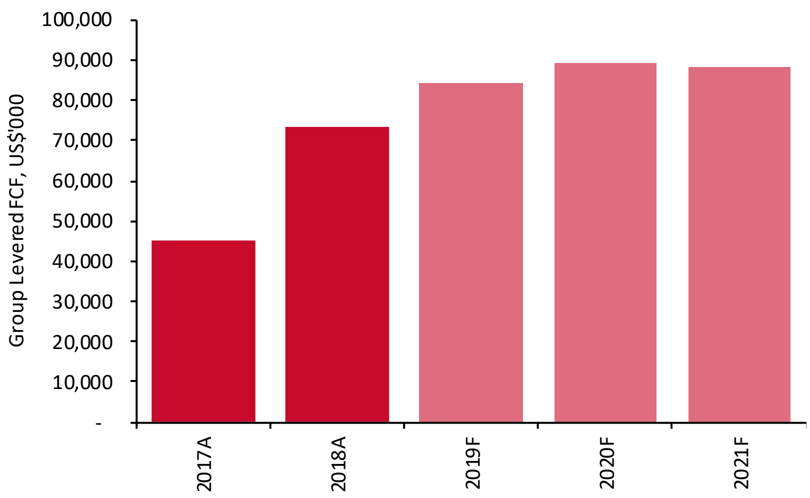
Earnings Changes Highlights

	Revenue			EBITDA			Net Income			Capex		
	Old	**New**	**% Chg**	**Old**	**New**	**% Chg**	**Old**	**New**	**% Chg**	**Old**	**New**	**% Chg**
2019F	196,144	187,801	-4%	119,427	120,023	0%	57,955	59,331	2%	(11,000)	(11,100)	1%
2020F	197,514	192,630	-2%	119,836	123,268	3%	61,220	64,234	5%	(10,300)	(9,600)	-7%
2021F	189,793	184,126	-3%	112,882	115,444	2%	57,799	60,194	4%	(8,300)	(7,600)	-8%

***SOURCE:** Company Data, VSA Capital Research.*

The simplified debt structure indicates monthly repayments of US$3.2m per month, i.e. US$38.4mpa which in line with our update in January indicates that debt will be fully repaid in 2021 which given the strong free cash flow outlook and robust margins continues to be comfortably achievable, in our view.

CAML Group Levered Free Cash Flow Outlook



***SOURCE:** Company data, VSA Capital Research.*

Valuation Update

Commodity Price and Macro Assumptions

Our commodity price assumptions are adjusted as although positive progress has been reportedly been made in the US China trade talks no final resolution means that the recovery in base metals pricing has been modest YTD. Marking our forecasts to market for Q1 mean a reduction in our copper and lead forecasts for 2019F of 2.8% and 4.4% respectively. We continue to have a positive outlook on prices for base metals with deficits likely to persist in the near term in zinc and copper in particular with a technical rally likely should a final deal be announced.

Changes to Commodity Price Forecasts

		2018A	2019F	2020F	2021F	2022F	LT
Copper	Old	6,544	7,000	7,250	7,000	6,750	6,500
	New	**6,544**	**6,800**	**7,250**	**7,000**	**6,750**	**6,750**
Lead	Old	2,248	2,250	2,150	2,100	2,100	2,100
	New	**2,248**	**2,150**	**2,150**	**2,100**	**2,100**	**2,100**
Zinc	Unchanged	2,892	3,000	3,100	2,950	2,750	2,500

SOURCE: *Company data, VSA Capital Research.*

Changes to Macro Assumptions

		2018A	2019F	2020F	2021F	2022F	LT
USDKZT	Old	345	350	330	315	300	300
	New	**345**	**370**	**350**	**330**	**315**	**300**
EURUSD	Old	1.20	1.25	1.27	1.27	1.28	1.29
	New	**1.18**	**1.15**	**1.17**	**1.20**	**1.20**	**1.20**

SOURCE: *Company data, VSA Capital Research.*

We also note the decline in the USDKZT which has remained close to all-time lows through Q1 2019. The full year average of USDKZT 345 was 5.8% lower YoY. Given that the currency weakness has persisted we have reduced our full year average forecast for 2019 by 5.7% to USDKZT 370.

Regarding Sasa, manufacturing weakness in Germany has resulted in EURUSD weakness through early 2019 which is likely to have a supportive impact for margins at Sasa. We remain constructive on the outlook for the global economy, however, recent macro data from Europe has weakened.

Valuation Update

Our valuation of **Central Asia Metals (CAML LN)** is based on a 50/50 blend of NAV and a peer based 12-month EV/EBITDA multiple. Despite briefly trading on a premium to its peer group earlier this year, CAML has reverted to trading at a 12% discount to the peer group on a one year forward EV/EBITDA multiple. Given that CAML leads the peer group on unit costs and dividends we continue to view this as a value opportunity at the current level and believe that with Sasa successfully integrated, we believe a premium rating is now warranted and apply a modest 10% premium to the peer group. Recent performance, with the shares up 14% YTD, has been supported by a recovery in commodity prices as the chances of a resolution to the US China trade war have increased through 2019.

We believe that although there are considerable variables for any potential acquisition, the strong cash flow generating core of the business provides the potential to support the dividend through an acquisition process. The structure of a potential acquisition and the stage of development present the biggest risk to our dividend forecast, however, having deleveraged since the Sasa acquisition CAML has increased its flexibility in that regard. Furthermore, the template of the prior acquisition which combined new equity with raising debt is, in our view, likely to be repeated. This could fund the acquisition and /or development capital for a new asset indicating that although there may be a period of adjustment the dividend is likely to remain a key part of the investment case for CAML.

With the rerating of the sector through 2019 the peer group multiple has risen 12% since our last update in January 2019 along with rolling over our one year forward peer group multiple has increased to 5.8x EV/EBITDA. With our DCF model also rolled one year forward as well as modest reductions to our near term commodity price forecasts our target price is decreased by 3% to 300p/sh. which implies upside potential of 21% and 28% on a total return basis.

Our sum of the parts target price for CAML is reduced to 300p/sh. which implies 21% upside potential and 28% on a total return basis.

Central Asia Metals NAV Valuation

Division	Division NAV (US$'000)	Share, %	Attributable NAV, USD'000	P/NAV	Fair Equity Value (US$m)	Fair Equity Value (£m)
Kounrad	323,764	100%	323,764	1.00	323,764	246,061
Sasa	438,206	100%	438,206	1.00	438,206	333,037
Consolidated Net Debt					62,103	47,198
Total Equity Value					**696,787**	**531,900**

SOURCE: Company data, VSA Capital Research.

Valuation Summary

	USD'000	£'000
2019F EBITDA, VSA Capital	120,023	90,498
Sector 12-mo forward EV/EBITDA	5.8x	5.8x
Target 12-mo forward EV/EBITDA	6.4x	6.4x
Fair EV	764,554	576,474
Net Debt	62,103	46,825
Total Fair Equity Value	**702,452**	**529,649**
No. of Shares, m		176
Per Share Fair Value		301
NAV fair target price		300
Blended 12-mo Target Price, /sh.		**300**
Current Price, /sh.		248
Upside, %		21%

SOURCE: Company data, VSA Capital Research.

Risks

- **Commodity Prices**. The company is primarily exposed to base metal price (copper, zinc and lead) and unexpected changes to commodity prices are likely to affect our valuation.
- **Political Risk.** Changes to the political regime and mining code in Kazakhstan and/or Macedonia would potentially alter the risk profile.
- **Macro Risk.** Unexpected moves in the KZT or EUR and higher than expected inflationary pressure might significantly impact the company's earnings.
- **Operational Risk.** The potential for delays and operating issues are an inherent industry risk.

Peer Group Comparison

						EV/EBITDA, x			P/E, x			Dividend Yield, %		
	Ticker	Location	Commodity	Market Cap (USDm)	Enterprise Value (USDm)	2018	2019F	2020F	2018	2019F	2020F	2018	2019F	2020F
DM														
Atalaya Mining	ATYM LN	Spain	Cu	421	364	6.25	5.79	4.83	17.00	11.58	20.30	-	-	-
Boliden AB	BOL SS	Sweden	Cu, Pb, Zn, Ag, Ni, Au	8,482	9,039	5.62	6.11	6.25	10.42	11.64	12.14	5.1%	4.2%	4.0%
Titan Mining	TI CN	USA	Zn	130	118	1.55	1.38	neg	n/a	neg	neg	-	n/a	n/a
EM														
Antofagasta	ANTO LN	Chile	Cu	12,955	13,687	5.44	6.15	5.26	16.76	24.44	17.31	2.0%	2.4%	2.5%
Griffin Mining	GFM LN	China	Zn, Au	249	250	3.83	4.03	4.68	6.32			-	4.8%	#VALUE!
Hudbay Minerals	HBM CN	USA/ Peru	Cu, Zn, Au, Ag	1,911	2,540	4.10	4.12	4.96	13.32	20.55	41.99	0.3%	0.3%	0.3%
Kaz Minerals	KAZ LN	Kazakhstan	Cu, Au	4,399	6,639	6.29	5.12	5.24	9.41	8.78	7.87	0.01	1.3%	1.3%
KGHM	KGH PW	Poland / Chile	Cu, Au, Ag, Mo	5,855	7,990	4.73	6.27	5.28	8.25	12.38	8.82	2.7%	1.9%	2.7%
Lundin Mining	LUN CN	Global	Cu, Au, Ag, Co, Zn, Pb	4,061	2,931	2.73	4.52	4.13	10.60	19.71	18.46	1.7%	1.6%	1.6%
Trevali	TV CN	Global	Zn, Pb, Ag	266	298	2.15	1.96	2.16	7.61	6.25	7.09	5.2%	5.2%	6.1%
Weighted Average						5.26	5.79	5.04	11.77	15.44	14.81			
Central Asia Metals	CAML LN	Kazakhstan, Macedonia		579	723	9.40	5.08	5.30	15.81	11.96	9.68	4.0%	6.9%	6.3%
					Discount/ Premium, %	**79%**	**-12%**	**5%**	**34%**	**-23%**	**-35%**			

SOURCE: *Company Data, Bloomberg, VSA Capital Research*

Commodity Markets Update

Chinese macroeconomic indicators have been broadly stable through the initial part of 2019. Steadily slower growth, on an increasing base, remains the headline with 2019 GDP target growth of 6-6.5%. Key indicators remain robust, in our view, notwithstanding the impact of Chinese New Year although the major change has been a marked improvement in sentiment in the early part of the year as demonstrated by the bounce back in the Shenzhen stock market, up 38% YTD.

This equity rally, not a useful barometer of economic health but an important indicator of sentiment has tracked closely the newsflow from the US China trade talks which are now reportedly reaching their final and perhaps most challenging stages. Both sides are going to need to make concessions which is likely to be the stumbling block. China wants to see a reversal of the US$250bn of goods affected by US tariffs as part of the agreement although as part of the enforcement mechanism the US want they would like to see tariffs maintained. The US are also pushing for Chinese concessions on foreign ownership of companies and IP protection with the ability for US and other foreign companies to be able to wholly own enterprises in mainland China. China is reportedly preparing to ramp up purchases of US commodities in the form of soybeans and energy products by 2025. There are, however, non-trade issues where tensions remain including Taiwan, Xinjiang and the South China Sea although a trade deal would provide a foundation for progress on these issues also.

Fundamentals for base metal markets remain firm, in our view, and prices have recovered in Q1 2019 in line with the advances in the trade talks. Market deficits are driving ongoing drawdowns of inventory in copper, lead and zinc whilst demand remains robust. Success in trade talks continues to be the major catalyst for a sustained breakout in metal pricing.

VSA Commodity Price Forecasts, USD/t

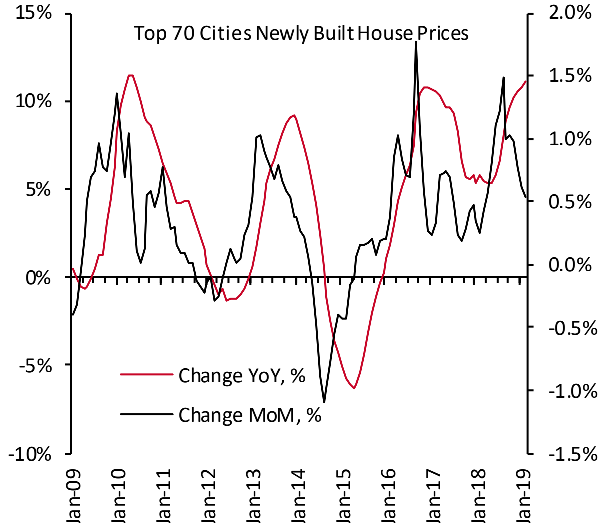
		2016A	2017A	2018A	2019F	2020F	2021F	2022F	LT
Copper Price	USD/t	5,800	6,200	6,544	6,800	7,250	7,000	6,750	6,500
Lead Price	USD/t	2,175	2,325	2,248	2,150	2,150	2,100	2,100	2,100
Zinc Price	USD/t	2,600	2,890	2,892	3,000	3,100	2,950	2,750	2,500

SOURCE: *Bloomberg, VSA Capital Research.*

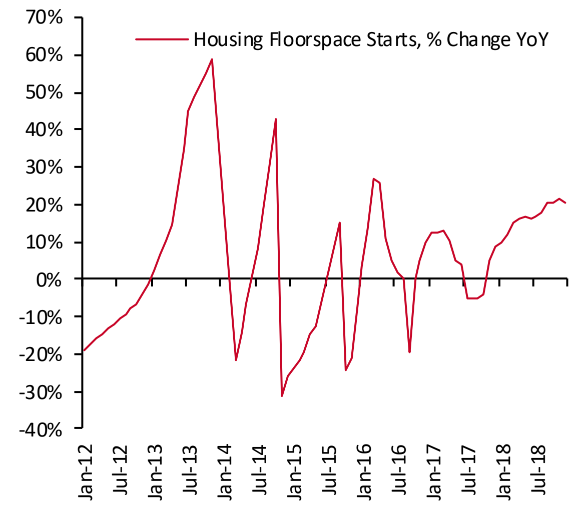
Chinese Growth Remains Robust

Slower growth is part of a managed transition of the company and the data suggest that the government is having some initial success in its attempts to reduce the debt burden, primarily in relation to SOE debt. China's corporate debt ratio of 153% to GDP is amongst the highest in the world, however, around two thirds is attributable to SOEs, i.e. state directed loans lent to state operated companies. This enables greater flexibility for managing the deleveraging process as the government is in control and we believe that this is the key factor which enables a managed deleveraging rather than the much debated hard landing. There is however a trade off against slower growth during this process. With other indicators supportive of ongoing growth we believe that this provides a positive backdrop for continuing demand growth for commodities.

China House Prices Growth Rebounds



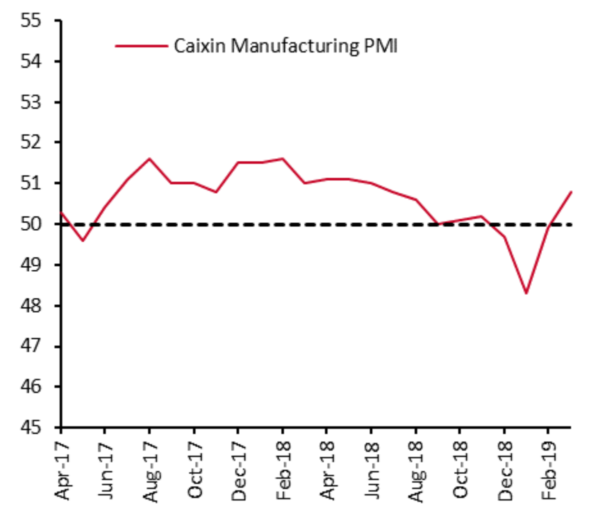
Housing Starts Rising Strongly



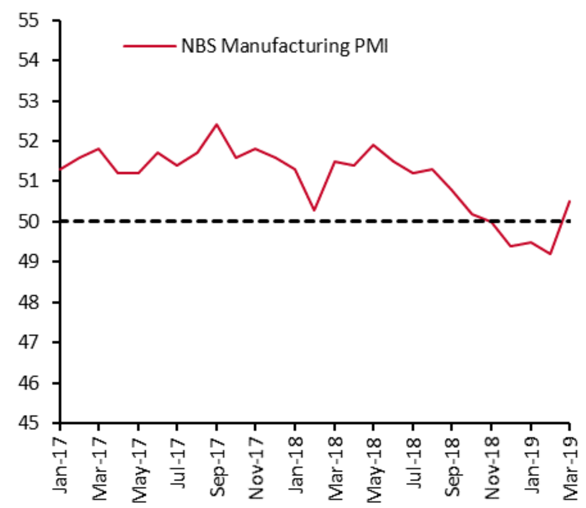
SOURCE: *Bloomberg, VSA Capital Research.*

House price controls which are not expected to be loosened are having an impact on both monthly and annual price changes in the top 70 cities. In February YoY prices increased 11.% although the chart appears to show that the peak in this cycle may be approaching particularly as monthly price changes slowed to 0.5%. That said, housing starts, which are more prescient for commodity demand, remain robust with YoY growth of around 20% continuing.

China Unofficial Manufacturing PMI



China Official Manufacturing PMI

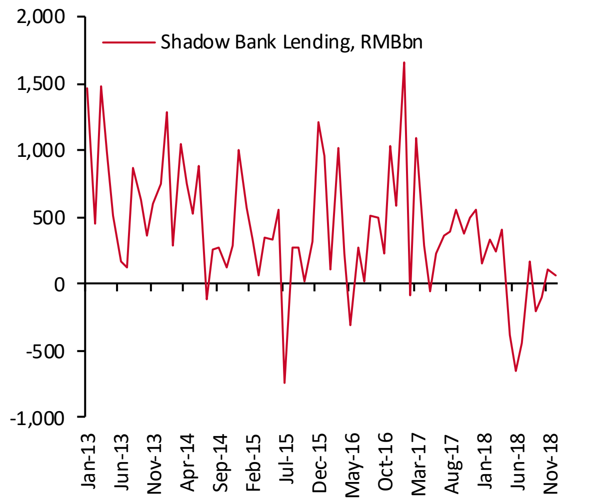


SOURCE: *Bloomberg, VSA Capital Research*.

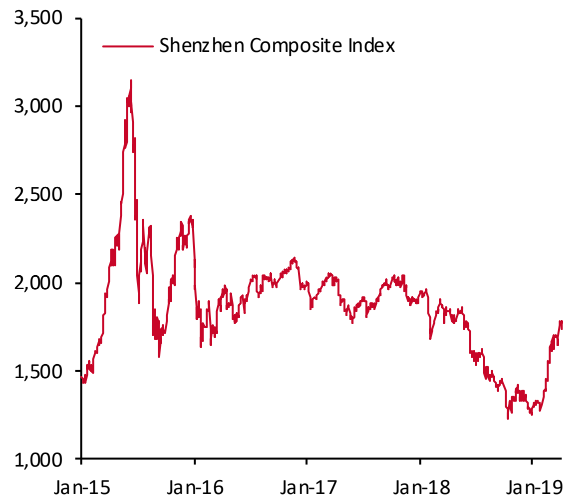
Manufacturing PMI in recent months for both private SMEs in China (Caixin) and SOEs (NBS) indicate a recovery in sentiment. In 2018 Xi Jinping made comments which were strongly supportive of SOEs and overlooked private businesses, which now employ 85% of the workforce and are China's growth engine. In combination with the shadow banking crackdown where private businesses look to liquidity caused sentiment to weaken. However, Xi has rowed back on such overt support for the SOEs in 2019 and has shown greater recognition of the importance of these firms. That, in our view, is the reason for the steady drop in the Caixin PMI before a sharp correction and subsequent bounceback. However, with the deleveraging process ongoing at the SOE level this is perhaps why the bounceback has been in the official NBS number has come later.

Shadow banking activity experienced a sustained contraction through H2 2018. We are encouraged that the Government are focused on derisking the economy and believe that the PBoC liquidity injection in January of RMB 560bn (US$83bn) was a direct response to the side effects of reducing shadow banking liquidity. Although this is not a direct intervention into the real economy, it is a source of lower risk financing which does not carry the same risk as the more opaque and less well regulated shadow banking sector. We see these latest measures as a method of bringing credit more directly into the government's control allowing that process to be managed directly.

China Shadow Bank Lending Contraction



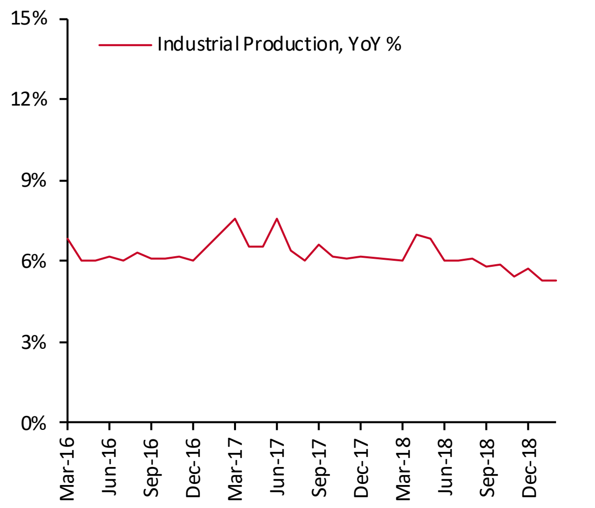
Shenzhen Index Recovery



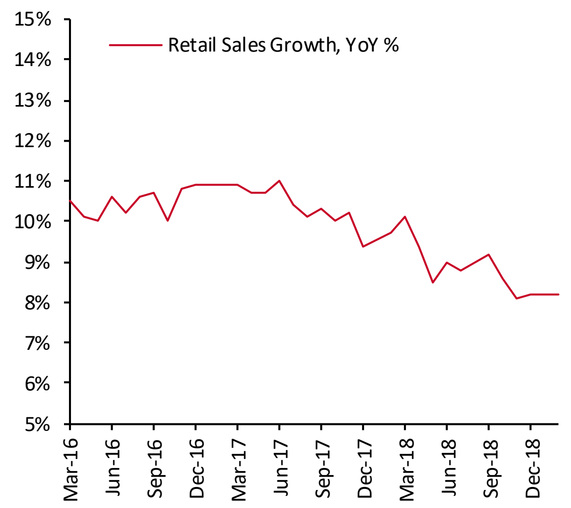
SOURCE: *Bloomberg, VSA Capital Research.*

Industrial production experienced a gradual slowdown through 2018 from 6.1% in January to 5.7% while data for the first two months of 2019 indicated growth of 5.3%. The US China trade war and deleveraging programme have both had an impact, however, we believe that these figures remain robust and supportive of growth. Retail sales showed a more marked slowdown driven by a combination of weaker consumer confidence and a sharp slowdown in new ICE vehicle sales. However, this was impacted by two factors which suggest that this slowdown is not indicative of weaker growth since an announced end to a temporary tax cut brought forward auto demand to the end of 2017 along with the growth of a second hand market.

Industrial Production Robust



Retail Sales Stabilising

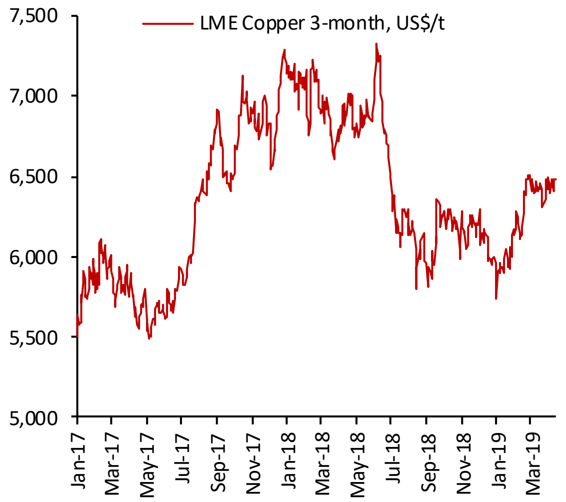


SOURCE: *Bloomberg, VSA Capital Research.*

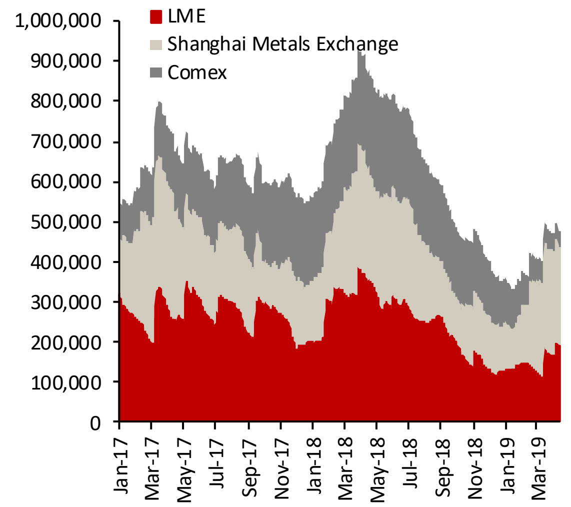
Copper Update

Copper prices were down 17% through 2018 having sharply corrected during Q2 2018 on the back of trade war fears between the US and China. In 2019, however, as reports of US China progress have unfolded, prices have recovered 11%. Chinese imports in 2018 were up 13% YoY to 5.3mnt and to account for Chinese New year the combined imports for Jan and Feb were unchanged YoY at 790kt although March data showed a 4% decline YoY in Q1 2019. A bounceback in PMIs suggests potential for stronger demand through the balance of the year. The medium to long term outlook remains positive, in our view, with supply growth affected by falling grades, rising costs and resource nationalism and demand set to remain robust.

Copper Price, US$/t



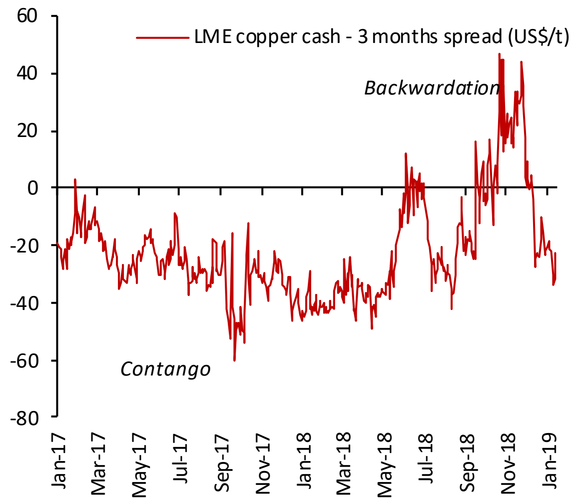
Copper Inventories



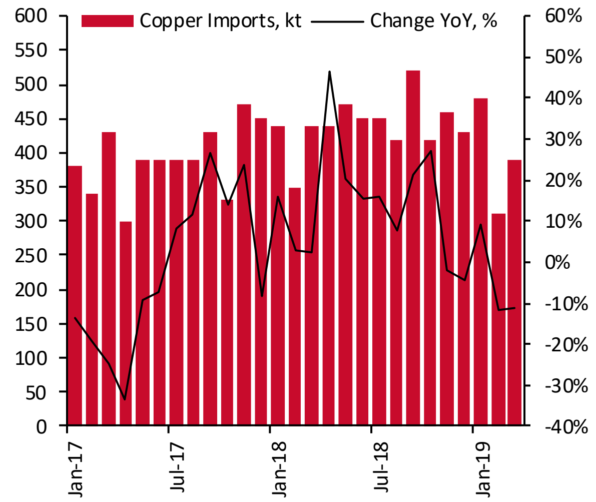
***SOURCE:** Bloomberg, VSA Capital Research.*

Data from the ICSG showed a widening deficit in the refined copper market of 387kt in 2018. Consequently, with robust demand over the same period inventories have recovered through 2019, however, remain low. With inventories at such low level, the market in deficit and with ongoing robust demand we believe this provides a backdrop for higher prices.

Trending Towards Backwardation



China Copper Imports, mnt



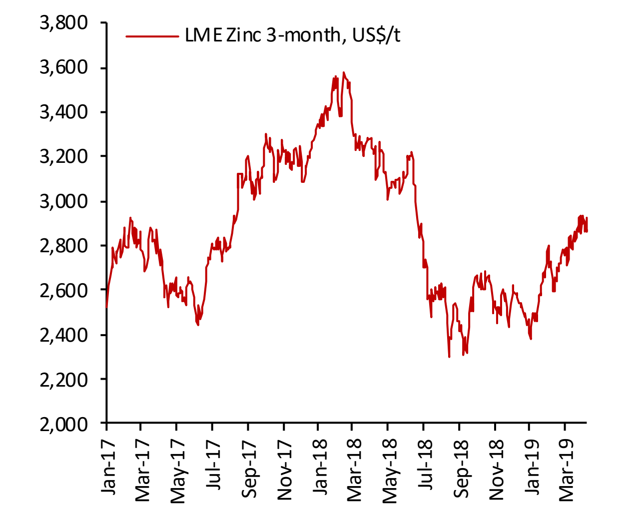
***SOURCE:** Bloomberg, VSA Capital Research.*

Zinc Update

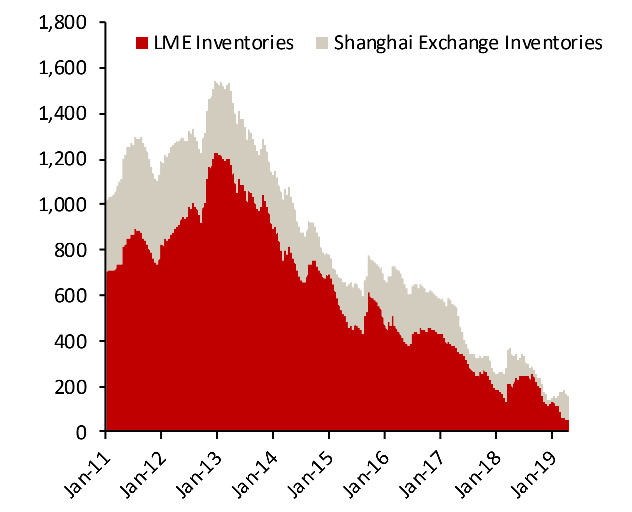
In 2018 zinc prices ended the year down 26% although have rebounded 21.5% YTD. Refined metal usage was broadly flat YoY at 13.7mnt with a 393kt deficit for refined metal and 2019 demand is expected to grow by around 1%. The refined market in 2018 was kept in deficit as mine closures in China, India and Australia offset a rise in European output, however, in 2019 **Glencore (GLEN LN), MMG**, **Vedanta Zinc International** and **Heron Resources** are expected to bring on mine production which will have a substantial impact on concentrate production. We anticipate a 6% increase in mine production YoY in 2019 as a result, however, we do expect refined zinc prices to remain supported. This is due to a bottleneck for refined production at the smelting stage. Indeed, this bottleneck means that the refined metal market is in deficit and has driven a further drawdown of inventories which now stand at just 153kt.

However, the rising output of zinc concentrate and tight refined market has turned the smelting cycle in favour of the smelters and treatment charges jumped sharply in late 2018 from around US$110/t in 2018 to US$249/t in April 2019. With mined concentrate expected to rise further and smelting capacity hard to bring online rapidly given its capital intensity there is a risk that further treatment charge rises are likely.

Zinc Price, LME US$/t



Zinc Inventories, kt



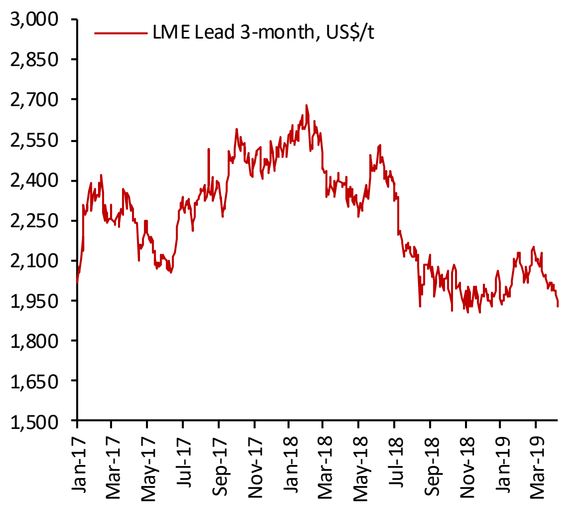
SOURCE: *Bloomberg, VSA Capital Research.*

Lead Update

Lead prices averaged US$2,248/t in 2018, falling 21% through the year, and remaining range bound in 2019. The market was finely balanced with the ILZSG reporting a small 89kt deficit in 2018 versus a 148kt deficit in the prior year. This fine balance as opposed to the wider deficit in the zinc market is the primary reason for the underperformance of lead versus zinc YTD. Owing to the restart of the previously mentioned zinc lead mines by GLEN etc, there is also an anticipated increase in mine supply. That said, demand is expected to strengthen in 2019 and we therefore anticipate that the market will remain balanced providing support for pricing.

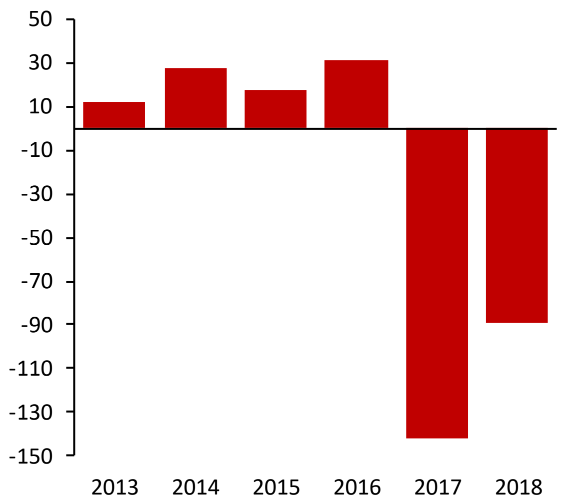
Trade tariffs and resolution of the US China trade war again suggest that there is potential pricing upside as a nearing resolution results in improved sentiment. Offsetting the bounce back in Western mine supply is the ongoing Chinese environmental crackdown is likely to result in continuing mine closures across China, particularly smaller scale operations over the short to medium term. We therefore anticipate that prices are likely to remain rangebound. We do note, however, that on the demand side over the longer term EV's continue to require a traditional lead acid battery due to the stability of the charge which is suitable for starting motors unlike lithium ion batteries.

Lead Price, LME US$/t



SOURCE: *Bloomberg, VSA Capital Research.*

Lead Market Balance, kt



SOURCE: *ILZSG, VSA Capital Research.*

Appendix 1: Financial Statements

Profit and Loss (US$'000), December Year End

	2017A	2018A	2019F	2020F	2021F
Revenue	102,123	192,334	187,801	192,630	184,126
Cost of sales	(31,425)	(76,418)	(79,468)	(80,365)	(80,743)
Gross Profit	70,698	115,916	108,333	112,266	103,383
Administrative Expenses	-	-	-	-	-
Other (expense)/income	(15,202)	(23,950)	(23,386)	(23,987)	(22,928)
Foreign exchange gain / (loss)	(12,600)	(1,030)	-	-	-
Other (expense)/income	3,362	(3,879)	-	-	-
EBIT	**46,510**	**87,416**	**84,948**	**88,279**	**80,455**
Net finance costs	3,278	(14,735)	(10,509)	(7,725)	(4,941)
Profit before taxation	49,788	72,681	74,439	80,554	75,515
Mining and income tax	(13,433)	(18,822)	(14,888)	(16,111)	(15,103)
Profit for the year	**36,355**	**53,859**	**59,551**	**64,443**	**60,412**
Profit/loss for the year from discontinued operations	(76)	(7,274)	(345)	(345)	(345)
Non-controlling interest	(36)	(1,439)	(125)	(136)	(127)
Attributable to equity holders of the company	**36,315**	**48,024**	**59,331**	**64,234**	**60,194**

SOURCE: *Company Data, VSA Capital Research.*

Balance Sheet (US$'000), December Year End

	2017A	2018A	2019F	2020F	2021F
Non-current Assets					
Property, plant and equipment	469,261	429,601	405,625	380,236	352,847
Intangible Assets	69,915	61,311	61,311	61,311	61,311
Other non-current receivables	2,519	2,120	2,120	2,120	2,120
Total non-current assets	**541,695**	**493,032**	**469,056**	**443,667**	**416,278**
Current assets					
Inventories	6,998	7,529	7,352	7,541	7,208
Trade and Other Receivables	19,705	10,078	9,841	10,094	9,648
Restricted Cash	2,812	4,376	4,376	4,376	4,376
Cash and bank balances	43,022	34,649	44,446	57,019	69,044
Assets of disposal group classified as held for sale	5,760	61	61	61	61
Total current assets	**78,297**	**56,693**	**66,076**	**79,090**	**90,337**
Total assets	**619,992**	**549,725**	**535,132**	**522,758**	**506,615**
Equity and liabilities					
Ordinary shares	1,765	1,765	1,765	1,765	1,765
Share Premium	191,184	191,184	191,184	191,184	191,184
Treasury Shares	(7,780)	(6,526)	(6,526)	(6,526)	(6,526)
Currency Translation Reserve	(79,166)	(89,454)	(89,454)	(89,454)	(89,454)
Retained Earnings	215,479	231,241	254,213	279,993	302,147
Profit for the year attributable to the owners	36,315	48,024	59,331	64,234	64,234
Other changes in retained earnings	(20,553)	(48,984)	(60,291)	(65,194)	(65,194)
Non-Controlling Interest	55	(1,384)	(1,384)	(1,384)	(1,384)
Total equity	**337,299**	**325,866**	**348,838**	**374,618**	**396,772**
Non-current liabilities					
Borrowings	141,839	106,549	68,149	29,749	-
Deferred revenue	25,711	22,905	22,905	22,905	22,905
Other non-current payables	8,000	-	-	-	-
Deferred income tax liability	31,196	27,670	27,670	27,670	27,670
Provisions for other liabilities and charges	5,319	5,069	5,069	5,069	5,069
Total non-current liabilities	**212,065**	**162,193**	**123,793**	**85,393**	**55,644**
Current liabilities					
Borrowings	40,075	38,400	38,400	38,400	29,749
Deferred Revenue	2,056	2,263	2,263	2,263	2,263
Provisions for other liabilities and charges	46	47	47	47	47
Liabilities of disposal group classified as held for sale	90	40	40	40	40
Trade and other payables	28,361	20,916	21,751	21,996	22,100
Total current liabilities	**70,628**	**61,666**	**62,501**	**62,746**	**54,199**
Total liabilities	**282,693**	**223,859**	**186,294**	**148,139**	**109,843**
Total equity and liabilities	**619,992**	**549,725**	**535,132**	**522,758**	**506,615**

SOURCE: *Company Data, VSA Capital Research.*

Statement of Cash Flows (US$'000), December Year End

	2017A	2018A	2019F	2020F	2021F
Cash flows from operating activities					
Net Income	36,315	48,024	59,331	64,234	60,194
Adjustments for:					
Depreciation & Amortisation	10,927	33,342	35,076	34,989	34,989
Amortisation of deferred revenue - received advances for silver delivery	(304)	(1,599)	-	-	-
Gain on Disposal of Property, Plant and Equipment	-	561	-	-	-
Foreign Currency Translation	(3,349)	3,879	-	-	-
Share based payments	2,823	4,904	-	-	-
Finance income	(5,597)	(264)	-	-	-
Finance costs	2,319	14,999	10,509	7,725	4,941
Other	-	6,770	-	-	-
Movements in working capital:					
Change in working capital	3,488	2,132	1,250	(197)	882
Interest paid	(2,127)	(14,510)	(10,509)	(7,725)	(4,941)
Taxes Paid	(12,294)	(31,833)	-	-	-
Net cash generated by operating activities	**45,687**	**83,788**	**95,657**	**99,026**	**96,065**
Cash flows from investing activities					
Acquisition of property, plant and equipment	(4,082)	(15,019)	(11,100)	(9,600)	(7,600)
Purchase of intangible assets	(2,025)	(907)	-	-	-
Proceeds from sale of PPE	-	3,300	-	-	-
Interest received	323	264	-	-	-
Acquisitions, net of cash acquired	(268,008)	-	-	-	-
Restricted cash decrease/ (increase)	(2,694)	(1,564)	-	-	-
Net cash (used in)/generated by investing activities	**(276,486)**	**(13,926)**	**(11,100)**	**(9,600)**	**(7,600)**
Cash flows from financing activities					
Proceeds from Issue of Share Capital	142,945	-	-	-	-
Gains on currency hedge	2,977	-	-	-	-
Proceeds from borrowings	120,000	60,809	-	-	-
Repayment of borrowings	(8,362)	(99,265)	(38,400)	(38,400)	(38,400)
Dividends Paid	(23,146)	(39,603)	(36,359)	(38,453)	(38,040)
Settlement on exercise of share options	(1,491)	(21)	-	-	-
Net cash used in financing activities	**232,923**	**(78,080)**	**(74,759)**	**(76,853)**	**(76,440)**
Net increase in cash and cash equivalents	**2,857**	**(8,466)**	**9,797**	**12,573**	**12,025**
Effects of exchange rate changes on the balance of cash held in foreign currencies	733	(248)	-	-	-
Cash and cash equivalents at the beginning of the year	**40,258**	**43,115**	**34,649**	**44,446**	**57,019**
Cash and cash equivalents at the end of the year	**43,115**	**34,649**	**44,446**	**57,019**	**69,044**

SOURCE: *Company Data, VSA Capital Research.*

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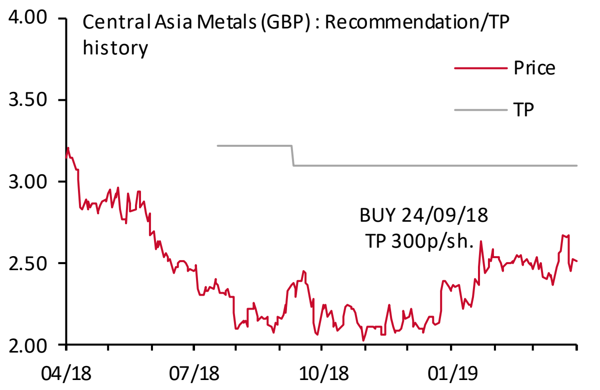
Recommendation and Target Price History



__SOURCE__: FactSet data, VSA Capital Research.

Valuation basis

Our valuation for Central Asia Metals is based on a 50/50 blend of DCF analysis and EV/EBITDA peer based multiples.

Risks to that valuation

Commodity prices, political risk, execution risk.

This recommendation was first published on 2 August 2018.