



CENTRAL  
ASI  
METALS  
PLC

Annual Report  
and Accounts 2014

DELIVERING  
MORE





**CENTRAL ASIA METALS PLC (CAML) IS AN AIM LISTED COPPER PRODUCER WITH OPERATIONS IN KAZAKHSTAN AND CHILE. WITH A REPUTATION FOR DELIVERING ON OUR PROMISES AND STRONG TECHNICAL MANAGEMENT, WE ARE WELL PLACED TO GROW THE BUSINESS TO CONTINUE TO DELIVER VALUE TO OUR SHAREHOLDERS.**

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## 2014 HIGHLIGHTS

### OPERATIONAL

- ▶ Record annual copper production of 11,136 tonnes
- ▶ SX-EW plant utilisation increased to 98.7%
- ▶ Expansion to 15,000 tonnes per annum capacity commenced
- ▶ Increased ownership to 100% of Kounrad project

### FINANCIAL

- ▶ Record gross revenue of \$76.6m (2013: \$54.1m)
- ▶ Group EBITDA of \$47.3m (2013: \$32.4m)
- ▶ C1 cash costs of \$0.71/lb (2013: \$0.73/lb)
- ▶ Proposed 7.5 pence final 2014 dividend – making 12.5 pence for the full year (2013: 9 pence)
- ▶ Group cash balance as at 31 December 2014 of \$46.3m (2013: \$44.5m)

### Increased Group Revenue ...

2014		\$76.6m
2013		\$54.1m
2012		\$30.7m

### ... and Increased Dividend

2014		\$21.3m*
2013		\$15.6m
2012		\$14.2m

\* includes proposed 2014 final dividend

### With Low C1 Cash Cost

2014		\$0.71/lb
2013		\$0.73/lb
2012		\$0.71/lb





# AT A GLANCE

## OUR OPERATIONS

In 2014, CAML delivered record production at the Kounrad copper project in Kazakhstan and maintained it's low cost position.



Kounrad SX-EW plant

### Kounrad – Kazakhstan

#### Operation

CAML was awarded the contract to develop the Kounrad project in 2007. The agreement was structured as a 60/40 joint venture and in May 2014 the Company completed the transaction to acquire 100% ownership of the project.

Having raised \$60 million at the IPO in September 2010, CAML built its Kounrad SX-EW copper plant in central Kazakhstan. The construction was completed early in 2012 at a cost of \$39 million – approximately 15% below the budget. Built in just 21 months, the 10,000 tonnes per annum plant, started production in late April 2012. Since that time a total of 28,232 tonnes of copper has been produced up to 31 December 2014.

#### Resource

The resources at Kounrad were classified as JORC compliant during 2013 and it is estimated that the dumps contain over 650 million tonnes of material containing copper in excess of 600,000 tonnes.

The leaching process to extract the copper will recover between 35% and 51% of the contained copper depending on the mineralogy of the material. In parallel to the JORC classification the resources were also placed onto the approved 'State Balance' of geological resources during 2013. The Eastern and Western dumps cover a combined area of 22km<sup>2</sup>.

250,000 t

Recoverable copper

>15 years

Estimated life of mine



→ 2010  
IPO raised \$60m



→ 2011  
SX-EW construction \$39m  
– \$8m under budget



→ 2012  
First production: 6,586 tonnes in 8 months  
– cash flow positive

# WHERE WE OPERATE

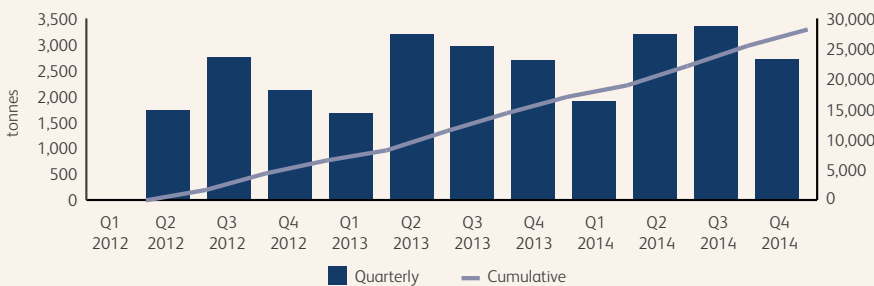
Our principal operations are at the Kounrad plant in Kazakhstan which is now owned 100 % by CAML.



## KAZAKHSTAN COUNTRY STATISTICS

- ▶ Ninth largest country in the world by area equivalent to Western Europe
- ▶ Largest economy in Central Asia
- ▶ Mining accounts for 27 % of the GDP
- ▶ 2014 GDP growth 4 %
- ▶ BBB+ Investment Grade

### Kounrad Copper Production



**28,232 t**

Cumulative production to 31 December 2014

**\$0.72/lb**

Average C1 cash cost since production commenced



→ **2013**  
First full year production: 10,509 tonnes



→ **2014**  
Own 100% of Kounrad project, record production of 11,136 tonnes



→ **2015**  
13,000 tonnes production target

# AT A GLANCE GROWTH

## Kounrad – Expansion

On schedule to grow annual production at Kounrad to 15,000 tonnes of copper cathode by 2016, fully funded by internal cash flows.

### SX-EW EXPANSION PROGRESS

- ▶ On target for commissioning in Q2 2015
- ▶ \$15.5m capital expenditure programme
- ▶ Increasing production to 15,000 tonnes per annum by 2016
- ▶ Addition of new mixer settler unit
- ▶ Additional 24 electro-winning (EW) cells

SX-EW expansion



Boiler house extension

- ▶ Additional 5.6 MW of boiler capacity commissioned in October 2014
- ▶ Facilitates increased production during winter
- ▶ Increasing pregnant leach solution (PLS) treatment rate
- ▶ On target for commissioning in Q2 2015



Copper Bay,  
Chile

## Business Opportunities

Our robust revenue base and strong cash position will allow CAML to pursue value accretive opportunities for growth in the region and beyond.

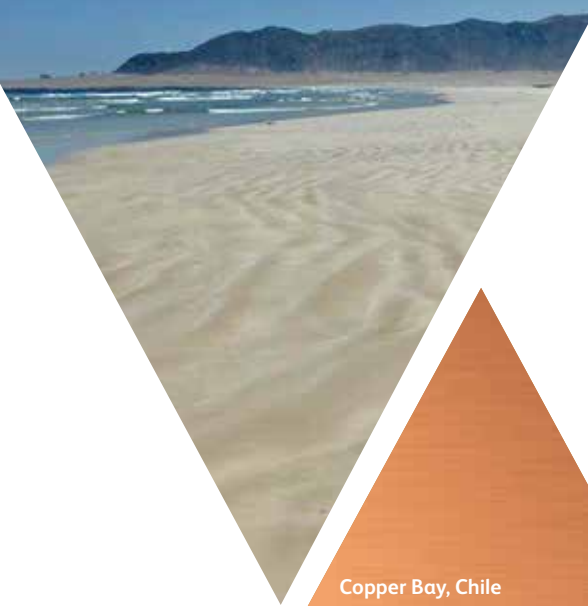
### PROGRESS IN CHILE - COPPER BAY

- ▶ 136 hole drilling campaign completed in September 2014
- ▶ Resource estimate statement in preparation
- ▶ Pre-feasibility study report expected Q2 2015



### GROWTH OPPORTUNITIES

- ▶ Assessing value accretive opportunities within the copper sector
- ▶ Targeting Kazakhstan, as well as Europe, Africa and the Americas



Copper Bay, Chile



# DELIVERING ON OUR PROMISES

Having established the Kounrad project as a low cost copper project in Kazakhstan, we now plan to increase production to 15,000 tonnes of copper per annum by 2016. We are also looking at expanding the business where we see an opportunity to create value for our shareholders.



Nigel Hurst-Brown  
Chairman



## \$53m\*

Total return to shareholders in dividends and share buy backs

## 12.5 pence\*

2014 dividend

\* includes proposed 2014 final dividend

### Dear Shareholders

#### Key Achievements

It is now over four years since the Company listed on AIM and raised \$60 million to implement its business plans. Thanks to the hard work, dedication and skill of our staff we have achieved a lot since that time and managed to deliver on all of our key promises to shareholders.

Since September 2010 we have now produced over 30,000 tonnes of cathode copper at Kounrad at extremely competitive cash costs of production. The CAML Board intend to propose a final dividend for 2014 of 7.5 pence per Ordinary Share taking the total dividend for 2014 to 12.5 pence per Ordinary Share subject to shareholder approval and to the proposed capital reduction as summarised in the Directors' Report on page 38. This will take the total dividend for 2014 to 12.5 pence per Ordinary Share. This latest dividend will increase the amount returned to shareholders in dividends and share buy backs since the listing to approximately \$53 million.

In addition the Company has retained sufficient cash resources to fund the \$35 million expansion programme at Kounrad. Stage 1 of this expansion programme will increase the SX-EW plant's capacity to 15,000 tonnes per annum at a total capital cost of \$15.5 million, inclusive of the boiler house expansion, whilst Stage 2 will commence on receipt of the relevant State approvals to enable the resource from the Western dumps to be leached and processed. The capital cost of the Stage 2 expansion is currently estimated at \$19.5 million.

In May 2014, the Company completed the transaction to acquire 100% ownership of the Kounrad project. This was a key milestone for the Company and prompted the commencement of the expansion programme mentioned above. As part of the completion of the transaction, Mr Kenges Rakishev, a Non-Executive Director of the Company, also became a 20% shareholder of the Company. We are pleased to have such an influential Kazakhstani businessman as Kenges as both a Board member and a supportive major shareholder.



## Annual Dividend (pence per share)

2014		12.5p*
2013		9.0p
2012		7.0p**

\* includes proposed 2014 final dividend

\*\* excludes special dividend of 3.7p

In recognition of the Company's achievements since the IPO, the Company was awarded 'Best Basic Resources PLC' in the UK Stock Market Awards in March 2014. The award was judged on the basis of the Company's performance within the mining sector and in comparison to its peer group and other larger mining companies.

### Corporate Governance

Dr Michael Price retired from the Board in June 2014, having served as a Director of the Company since 2006. During his time with the Company, Mike served both as a valued independent Non-Executive Director and as the Chairman of the Audit and Remuneration Committees of the Board. In these roles he helped lead the transition of the governance of the Company from the private arena to the public market. The rest of the Board and I wish to record our appreciation to Mike for his independent and insightful input over many years.

Following Mike's departure the Board has been strengthened by the appointment of David Swan in June 2014 as an independent Non-Executive Director of the Company and Chairman of the Audit Committee. David is a chartered accountant with broad commercial experience across a range of small to large companies. We are delighted to welcome David to the Board and believe he will provide great value to the Group as we continue developing CAML's controls and procedures.

The Company is committed to improving corporate governance wherever it can and the Board is well aware of the importance of maintaining strong controls and procedures across the Group's operations.

### Strategy and Growth

#### Kazakhstan

The Company has an established presence in Kazakhstan and since the commencement of operations at Kounrad, has paid almost \$50 million in various taxes to the Kazakhstan authorities, contributed close to \$690,000 towards the local community and currently employs approximately 330 staff on site, the majority of whom have been recruited locally.

The Company is keen to grow its business and reputation in Kazakhstan and the expansion of operations at Kounrad is testament to this goal. As a responsible operator, we place the highest priority on our obligations to protect the environment in the area of our copper recovery operations and to comply with the applicable health and safety regulations of Kazakhstan.

Alongside the main copper production facilities at Kounrad, the Company has established a business development focus within Kazakhstan which is tasked with seeking out additional opportunities.

#### Outside of Kazakhstan

Elsewhere, based on our strong financial position and technical experience, the Group is keen to consider other business opportunities. Such opportunities will only be actively pursued by management so long as they can be suitably incorporated into CAML and would add significant shareholder value.

In determining this, the management team will consider a number of factors from the strategic fit within the Group's operations to the funding requirements and overall impact on Group profitability. To support our business development activities we were delighted to appoint Gavin Ferrar as our Business Development Director in June 2014. Gavin brings with him a wealth of commercial experience in the natural resources sector and will be a valuable member of the CAML team.

### Outlook

During 2014, the copper price came under pressure due to increasing supply and continued concerns over the outlook for the growth of the Chinese economy. These price pressures became particularly acute in January 2015 when the price fell to a five and a half year low.

Whilst the current commodity price environment provides a challenge to all copper producers from which CAML is not immune, our low operating cash costs of production at Kounrad places us in an enviable position compared to our peers.



**Nigel Hurst-Brown**  
Chairman

# DELIVERING ON OUR TARGETS

Since the start of the project we have exceeded annual production targets and our cash costs of production have remained in the lowest quartile on the industry cost curve.



Nick Clarke  
CEO

## \$0.71/lb

2014 C1 cash costs

## \$76.6m

2014 gross revenue

### Kounrad Operations – Record Production in 2014

During 2014, the Company's production at the Kounrad project continued to be a success. We produced 11,136 tonnes of copper cathode and surpassed our production target of 11,000 tonnes whilst maintaining a low cash cost base. During 2014, our C1 cash cost of production was \$0.71/lb (2013: \$0.73/lb) and fully absorbed costs within Kazakhstan were \$1.30/lb (2013: \$1.13/lb). The increase in fully absorbed costs is due to increased depreciation and amortisation charges as a result of the accounting treatment of the acquisition of the additional 40% share in the Kounrad project in 2014.

A total of 11,163 tonnes of copper (2013: 10,689) were sold at an average copper price of \$6,794 per tonne (2013: \$7,114) resulting in annual 2014 gross revenue for CAML of \$76.6 million (2013: \$54.1 million) and \$161.4 million cumulative gross revenues to 31 December 2014 since operations commenced. This revenue stream combined with the low costs of production helped to generate a Kounrad project EBITDA for the year ended 31 December 2014 of \$56.0 million.

During 2014, the utilisation rate of the plant was 98.7%. The performance and efficiency of the SX-EW plant continued to meet our expectations and is further evidence of the reliability of the plant design, equipment selection and construction methods employed from the outset.

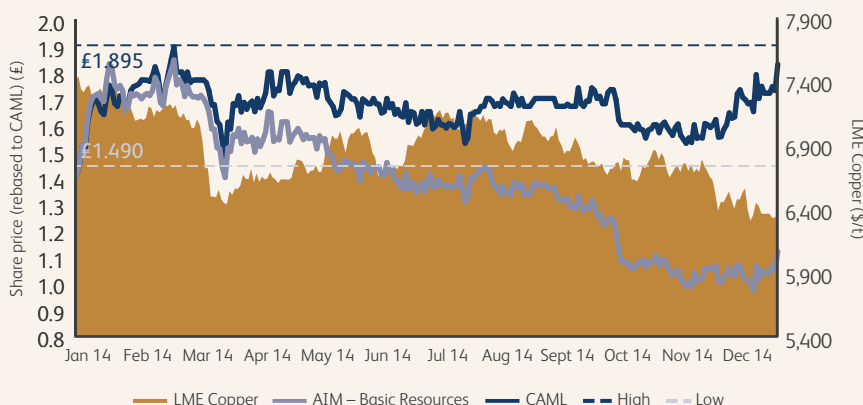
Similarly, the quality of the copper cathodes produced continued to be of a high standard and met all contractual conditions and London Metal Exchange (LME) specifications.

Our commitments to the local community and environment continued to be a key focus during the year. Significant efforts have been made to ensure that we comply with all the local environmental and health and safety legislation.

Our Corporate Social Responsibility (CSR) Director, Nick Shirley, is based on site in Kazakhstan to lead these activities and is tasked with raising environmental and health and safety standards to ensure they meet industry best practice.

Whilst health and safety is key to the welfare of our employees, the Group did record its first lost time injury (LTI) since the commencement of construction four years ago. The injury to the employee was relatively minor and he made a quick and full recovery and has since returned to duties. Finally, Kounrad is a valuable contributor to the

### CAML Share Price and Copper Price



## 2014 OVERVIEW

- ▶ Record production of 11,136 tonnes
- ▶ Project 100% owned
- ▶ Expansion on site commenced
- ▶ Only 1 lost time incident in 4 years

Kazakhstan economy and specifically in the local area. We currently employ approximately 330 staff on site and paid \$24.8 million in taxation to the Republic of Kazakhstan during 2014 whilst contributing \$280,000 to local causes through our voluntary and regulated subsoil use contract (SUC) social contributions.

### Kounrad Ownership and Expansion

During the year, and as part of the process of purchasing the remaining 40% ownership of the Kounrad project, the Group received all the necessary approvals from the State for the transfer of ownership. On completion of the transaction in May 2014, Mr Kenges Rakishev, a Non-Executive Director of the Company became a 20% shareholder of the Company.

Following the completion of the transaction, the expansion plans for the project commenced in May 2014. The Company plans to invest \$35 million into the project in two specific stages. Stage 1 is to increase copper production at the SX-EW plant to 15,000 tonnes per annum by 2016. The estimated cost for this stage is \$15.5 million inclusive of the capital costs for constructing the boiler house extension. Stage 2, at an additional estimated capital cost of \$19.5 million, will extend the life of the mine to enable the resource from the Western dumps to be leached and processed. The programme of works for Stage 1 will be completed in Q2 2015 using the same CAML construction personnel that worked on the construction of the current SX-EW plant.

### Stage 1

An additional 5.6 MW of boiler capacity was commissioned on schedule in October 2014 to facilitate increased production throughout the winter months. The total capital cost of building and commissioning the boiler was \$1.4 million. In June 2014, the Company commenced the construction programme for the expansion of the existing SX-EW plant. This involves the addition of a new mixer settler unit (SX), a new 5,000 tonne per annum capacity Electro-Winning (EW) facility and an upgrade to the existing electrical sub-station. As at 31 December 2014, work was progressing well and we remain on target for commissioning in Q2 2015.

### Stage 2

The Stage 2 expansion will only commence upon receipt of all the necessary approvals and mining permits required from the State to allow leaching operations on the Western dumps. All the required applications have been submitted and we hope to have obtained all approvals by Q2 2015.

## 2015 OUTLOOK

- ▶ SX-EW expansion to be completed in Q2 2015
- ▶ 2015 production target 13,000 tonnes
- ▶ Completion of pre-feasibility study for Copper Bay, Chile
- ▶ Assess growth opportunities in Kazakhstan and elsewhere

The Stage 2 expansion programme's focus is on the extraction of copper from the Western dump area. Exploitation of the Western Kounrad resource area will be facilitated by the construction of two 12.6km pipelines from the expanded SX-EW plant in the East to the Western dumps. This will allow for the transportation of pregnant leach solution (PLS) and raffinate solution from the Western leaching areas to the plant for processing. The Stage 2 expansion plans also involve the construction of three additional boilers at the Western leaching area together with solution collection and pumping facilities. The anticipated cost is approximately \$19.5 million, phased from late 2015 and completion is planned for 2017.

### Growth Opportunities Copper Bay Project – Chile

During 2014 we progressed the Copper Bay project having acquired a 50% shareholding in November 2013. As at 31 December 2014, significant progress had been made on the in-house developed preliminary feasibility study (PFS) although a number of technical aspects required additional work.

At the time of CAML's investment there was no approved JORC resource despite several previous drilling campaigns and resource calculations prepared by former owners. Consequently, a drilling campaign was planned in consultation with Wardell Armstrong International (WAI) and conducted in August 2014 during which a total of 136 holes were drilled to an average depth of 9.2m. The analysis of the data has enabled WAI to commence preparation of a JORC compliant resource statement.

During much of the year the focus of the PFS work has been on assessing the most efficient means of extracting the copper from the resource. The preferred process route is for the tailings to be reclaimed by dredging from the beach zone, with the reclaimed solids then pumped to the processing plant for copper recovery through an acid leaching process followed by froth flotation. The treated waste tailings from the plant will then be either returned to the beach zone as coarse backfill or sent to a tailings management facility (TMF) as fine tailings.

During this period emphasis was placed on metallurgical testing, using the WAI laboratory facilities in Cornwall. The results from the test programme have indicated that a copper recovery in the range of 70% to 73% can be achieved using the process mentioned above. Additional testing performed on a 7 tonne bulk sample taken from the

2014 drilling programme is under consideration as part of the next stage of the project.

These additional aspects of the work remain ongoing, together with the environmental and social studies, and it is anticipated that the PFS will be completed in Q2 2015. A decision whether to then invest a further \$3 million to increase CAML's stake to 75%, in line with the Investment and Shareholder's Agreement, will be made shortly thereafter.

### Other Opportunities

Elsewhere, we continue to look for additional business opportunities to enhance the value of the CAML portfolio. Whilst the expansion at Kounrad and the 100% ownership of the project will increase the cash generation capabilities of the Company, the CAML Board is keen to further increase returns to shareholders by taking advantage of the Group's balance sheet strength and technical skills.

During the year the Company established a formal business development function in its management structure to establish and execute an accretive growth strategy. Underlying these objectives is to ensure solid shareholder value by targeting only those opportunities that will deliver profitable production and be accretive to our shareholders.

CAML's management has well-established expertise in project delivery, mining and processing operations, which together with the financial strength afforded by strong cash flow and a debt-free balance sheet, will allow the Company to assess a broad range of opportunities.

CAML will assess opportunities in Kazakhstan as well as Europe, Africa and the Americas. Although business development activities are constant, there are currently no transactions in process.

### Outlook

During 2014 the copper price fell by 18% and a further reduction in prices was seen in January 2015. Indeed, by the end of January 2015 copper prices had fallen to a five and a half year low of approximately \$5,505 per tonne.

Whilst such price reductions are not ideal they are also outside of our control. Consequently, we will focus our efforts on what we can control and strive to maintain our low cash costs of production and meet our production target for 2015 of 13,000 tonnes of copper. Delivery on time and within the capital budget of the expansion programme at Kounrad is a primary objective for the year.

Alongside all of the above operational objectives we will continue to actively pursue additional business opportunities that may arise from the challenging nature of the commodities market as well as making some key decisions on the future of the Copper Bay project in Q2 2015.



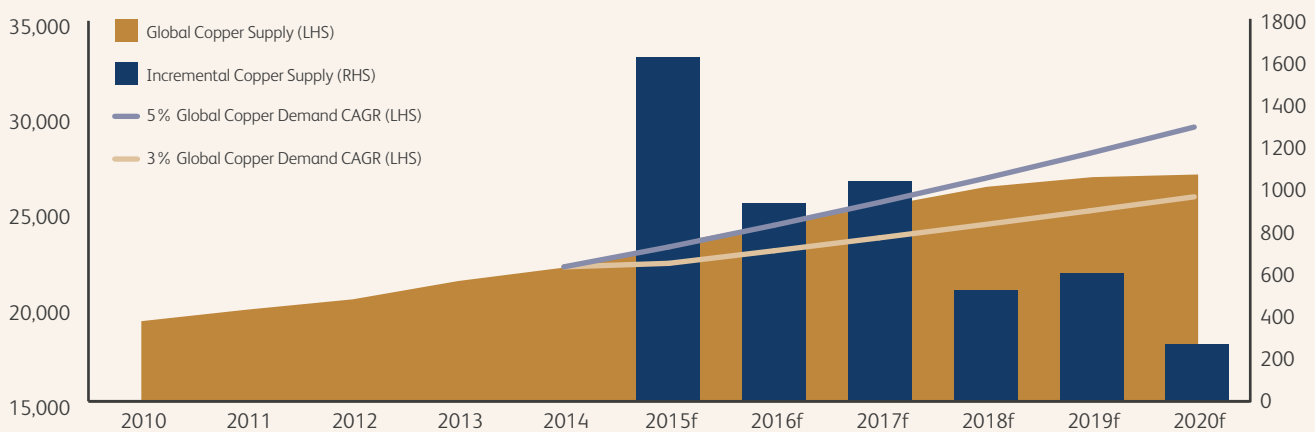
**Nick Clarke**  
Chief Executive Officer



# FOCUSED ON COPPER

**During 2014 the copper price fell by 18%, however as a low cost producer CAML is able to continue to operate profitably.**

Global Copper Supply & Demand Projections ('000t)



Sources: Bloomberg Intelligence and Peel Hunt

## Demand

In spite of global stock market indices reaching record levels during 2014, it has been a difficult year for the commodities markets. This is due to a number of factors including the slowing growth in China which is affecting the fundamental demand for nearly all commodities, and the tapering of quantitative easing by the US Federal Reserve. The latter has also resulted in a strengthening of the US dollar over the year which has led to the softening of US dollar denominated commodity prices.

The underlying concerns over demand evident during 2014 took a dramatic turn for the worse in early 2015 when the World Bank reduced its global growth forecast from 3.4% to 3.0%. The bank specifically cited concerns over a "disorderly slowdown" in China emphasising the slowdown in the Chinese property and land sales which could restrict growth from infrastructure related projects.

Given that approximately a third of all copper is used in construction, with another third in transport and infrastructure projects, the metal is clearly sensitive to both the demand from developing countries, notably China, but also the huge infrastructure projects and building programmes that have supported Chinese growth since the global financial crisis in 2008. Indeed, China's economy is crucial to the copper market and the demand side of the equation and according to a study by the International Copper Studies Group in December 2014 it is estimated to consume 48% of the world's copper in 2015.

Concerns about growth in the construction sector in China have been compounded by the huge over capacity that has been constructed in the major cities of China, mainly financed by debt. In December 2014 average house prices had fallen almost 4.3% from 12 months earlier and it was estimated that unsold floor space was up by more than 26% (Financial Times, January 2015). The correction in China's real estate sector could prove damaging to the world economy as a whole and more specifically to the demand for copper.

Despite this scenario, China's copper consumption is still expected to grow around 4% this year, slower than a few years ago, but still increasing off a larger base and accounting for more than 40% of the world's copper consumption. It seems that the price of copper is increasingly determined in China as evidenced by the 33% increase in 2014 copper trading volume on the Shanghai Futures Exchange (Reuters Inside Metals, January 2015).

## Supply

On the supply side of the equation, the variables are also not clear. Whilst many analysts have been predicting a surplus of copper supply in 2015 and 2016 due to production capacity increases gradually coming on stream from the major miners, the recent reductions in the copper price have led many to reassess this expected surplus.

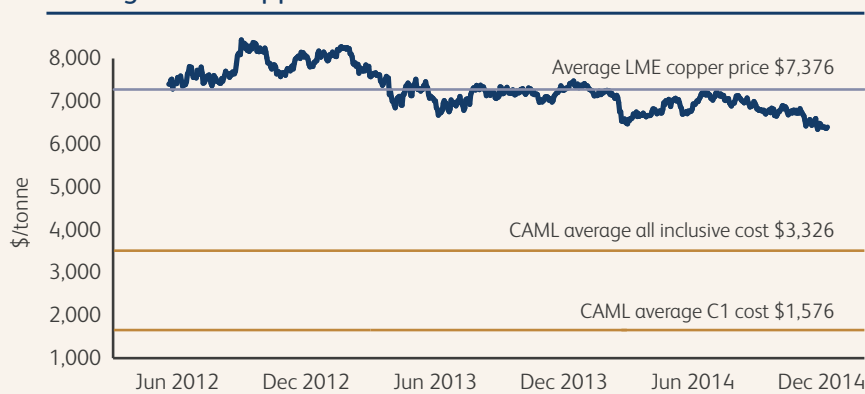
In recent months Rio Tinto has lowered forecasts for its Kennecott mine by 100,000 tonnes, BHP has cut 150,000 tonnes from Escondida's 2015 outlook and Glencore shaved guidance for Minera Alumbrera by 50,000 tonnes.

This reaction to the price drops, together with the usual industry expectations for anticipated production disruptions and the under delivery of major mine projects, could quickly turn an anticipated surplus into a shortfall. Indeed, one of the major producers estimated recently that as much as 1.8 million tonnes of new capacity might not materialise. Bearing in mind that world demand for copper is approximately 21 million tonnes per annum the estimated surplus forecasts are insignificant at 55,000 tonnes (Macquarie, February 2015).

Fundamentally the outlook for copper remains robust as average head grades continue to decrease, new mine locations are ever more remote or the jurisdictions politically challenging, and capital costs continue to rise. Due to its physical properties of malleability and conductivity, copper is still the primary electrical conductor in use today and hence a fundamental element in our technology-obsessed world as well as a key component of the construction industry.

Consensus is that the market will return to a deficit post 2016. In current market conditions it is clearly an advantage to be a low cost producer.

### Average LME Copper Price vs. CAML Costs



# \$7,376/t

Average LME copper price since production commenced

# \$1,576/t

CAML average C1 cost since production commenced

### Impact on Copper Price

The copper price chart above highlights the impact the finely balanced arguments regarding supply and demand have had on the selling price of copper over the past two years.

Copper prices started the year at \$7,395/tonne and ended at \$6,359/tonne, a decrease of 18% over the course of the year. The volatility in the copper price was evident throughout 2014 with major price declines in March on the back of Chinese fund selling which took the price below \$6,500/tonne, and then in June when the market reacted sharply to the Qingdao Port stock financing probe which sent the price below \$6,700/tonne. Between these two events the copper price peaked at over \$7,000/tonne.

Post-Qingdao the price again rallied to reach a high of \$7,100/tonne during August but declined steadily for the remainder of the year as the macro outlook for China and other copper consumer nations was called into question and copper eventually closed at \$6,359/tonne at the end of the year.

The early weeks of January 2015 saw a significant shift in the general market sentiment towards copper and the downward price pressure that was evident in the second half of 2014 turned into something more material.

Copper plunged 18% in January 2015 and by 31 January 2015 prices were at their lowest since 2009. The key question now for the industry is which way

will the copper price go next and has it further to fall or is this the end of a long expected correction. As ever there are different views with the more bearish anticipating further falls below \$5,000/tonne and others believing that the steep price decline is not reflective of fundamental supply and demand in the global economy but driven by aggressive fund managers looking for the next commodity to short.

Despite all the above commentary, CAML is a copper producer, and whilst concerned by the short term fluctuations, has a primary focus on

the long term fundamentals for copper. The Company's view is that the key to survival in the current market is to focus on maintaining its low costs of production and remaining profitable through the cycle.

As the chart above illustrates, the price of copper will need to drop below \$3,500/tonne before CAML becomes unprofitable. Despite all the current gloom in the copper market it has only been below this price twice in the last 10 years as the long term chart below shows.

### LME Copper Price (\$/t) – Last 20 Years




# STRATEGY AND OBJECTIVES

CAML's strategy is based on developing and managing profitable mining projects, primarily in the copper space, for the benefit of its stakeholders. In order to achieve this the Group has set itself a number of strategic objectives.

Objective	Progress during 2014
<b>Increase copper production whilst maintaining CSR and quality standards</b>	<p><b>Ongoing operations at Kounrad</b> 11,136 tonnes of copper produced in 2014</p> <p>Expansion programme commenced in May 2014 to 15,000 tonnes per annum capacity</p> <p>Completion in May 2014 of transaction to increase ownership of Kounrad project to 100%</p> <p>Average copper purity of 99.997%</p> <p>Only one lost time incident since construction commenced in 2010</p>
<b>Maintain low cost base of operations</b>	<p><b>Ongoing operations at Kounrad</b> C1 cash cost of production in 2014 of \$0.71/lb (2013: \$0.73/lb)</p> <p>Group all inclusive cost of production costs, of \$1.65/lb (2013: \$1.43/lb)</p> <p>Kounrad remains in the lowest quartile of cash costs for copper production</p>
<b>Diversify our asset base and maintain a strong balance sheet</b>	<p><b>Ongoing operations at Kounrad</b> Strong operational and financial performance in 2014 improved the balance sheet</p> <p><b>Growth opportunities</b> During the year the Company established a formal business development function in its management structure to establish and execute an accretive growth strategy</p> <p>Copper Bay has undertaken a number of studies as part of the PFS</p>
<b>Ensure increased shareholder value</b>	<p>Completion of the 100% ownership transaction at Kounrad</p> <p>Total repaid to shareholders since 2012 is \$53m or 88% of funds raised at IPO including proposed 2014 final dividend of 7.5 pence per share</p>





Strategy in progress  
EW stripping copper

#### Priorities for 2015

##### Ongoing operations at Kounrad

2015 Kounrad production target of 13,000 tonnes of copper

Complete Stage 1 of the expansion plans at Kounrad – a fully commissioned 15,000 tonnes per annum SX-EW plant

##### Growth opportunities

Finalise the PFS for Copper Bay

Assessment of additional M&A opportunities to increase copper production

##### Ongoing operations at Kounrad

Maintain focus on all aspects of operational and capital costs

##### Growth opportunities

Target acquisition opportunities with a C1 cash cost in the lowest half of the cost curve


##### Growth opportunities

Continue to assess other business opportunities as and when they arise

Completion of PFS on Copper Bay

Maintain the Group dividend policy based on an increasing revenue from the Kounrad project

Pursue value accretive opportunities for growth in the region and beyond



Strategy in progress  
EW building expansion

# OPERATIONS: KAZAKHSTAN

## Kounrad Operations

“Leaching performance is key to any SX-EW project’s success, where performance is closely related to ore mineralisation with respect to the rate of copper recovery, grade of the off-flow solutions and the consumption of acid. In Kounrad’s case the mineralisation has certainly proved to be favourable.”

PCMETS Consulting, Australia



Howard Nicholson  
Technical Director

A total of 11,136 tonnes of copper cathode were produced during 2014 which represented a marginal increase on the production target of 11,000 tonnes. As at 31 December 2014, the SX-EW plant at Kounrad had produced 28,232 tonnes of copper cathode since production first commenced in April 2012, some 32 months ago.

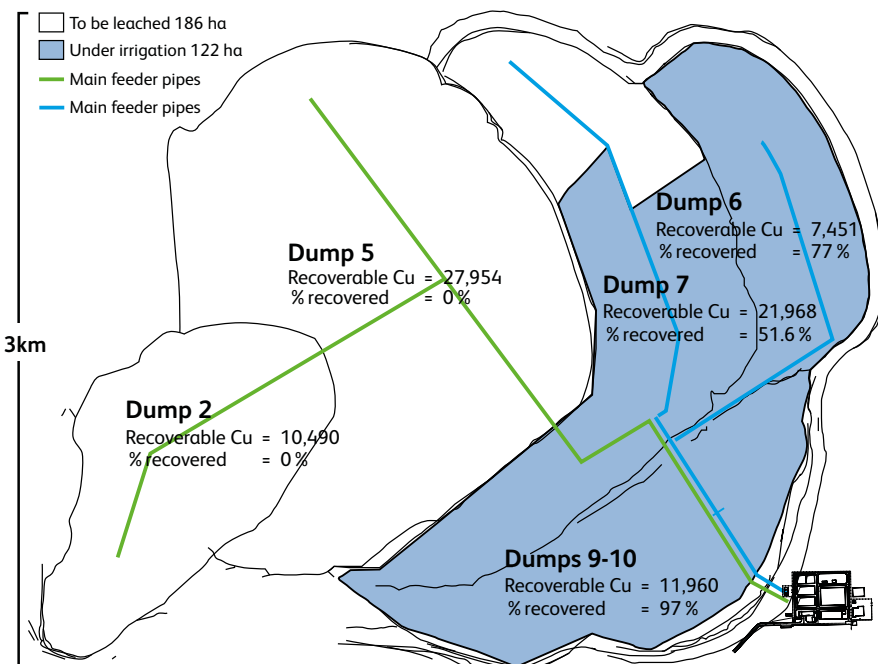
### Leaching Operations

Since the commencement of leaching operations in April 2012, the focus of the activity has been on the Eastern dump area. The Eastern areas consisting of dumps 9-10, 6, 7, 5 and 2 are illustrated in the adjacent diagram. These dumps cover a total area of 308 hectares and are estimated to contain approximately 168,000 tonnes of copper at the outset of operations, of which the CAML management team have estimated approximately 80,000 tonnes will be recovered.

Initially leaching was confined to dumps 9-10, immediately adjacent to the SX-EW plant. As the recoverable copper in dumps 9-10 became exhausted, the leaching operations have moved further afield to dumps 6 and then 7 and will be followed by dump 5 in 2016.

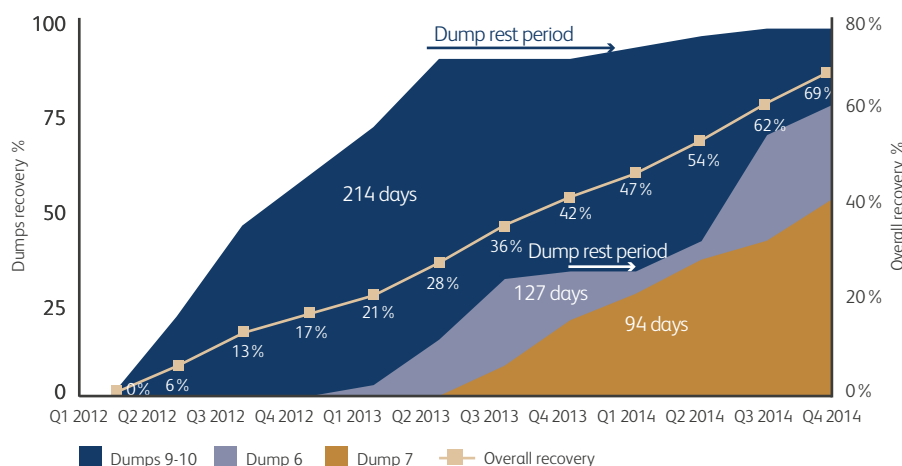
The graph on page 15 shows the calculated percentage recovery of copper achieved to date compared to the IPO Feasibility Study predictions for dumps 9-10, 6 and 7. As at 31 December 2014, approximately 69% of the total expected soluble copper had been recovered from these dumps and it is projected that this recovery will be close to 90% by the end of 2015, with the remaining balance achieved in 2016.

## Eastern Dumps Resource



- ▶ Total Area – 308 hectares (3.08m<sup>2</sup>)
- ▶ Total Contained Copper – 168,000 tonnes
- ▶ Total Estimated Recoverable Copper – 80,000 tonnes
- ▶ Recovered Copper as at 31 December 2014 – 28,232 tonnes (35%)

## Calculated % Copper Recovery



The site metallurgical team work on the basis of an average leaching time of 270 days per block of material in order to achieve the planned target. The graph above indicates the number of days each of the 3 active dumps has been leached for in accordance with this approach; noting that only dump 9-10 is nearing the target time period at 214 days.

All of the current Kounrad leaching activity is based on the Eastern dump areas, which over the next 4 years will continue to supply the bulk of copper recovered through the expanded SX-EW facility. Beginning in mid-2017 there will be an increasing proportion of recovered copper supplied by the transfer of leach solutions from the Western dump areas. By 2019 the Western dump area will be the predominant feed source to the SX-EW facility following the gradual depletion of the Eastern dumps.

### Winter Operations

Leaching operations during the winter months are facilitated by a combination of heating the dump irrigation solution, known as raffinate, and also covering certain areas of the dripper piping system with a layer of protective high-density polyethylene (HDPE) sheeting. For leaching operations during the first quarter of 2014, a total area of 24 hectares was covered with HDPE on dumps 9-10 and dump 7. This ensured successful and continuous operations, despite temperatures regularly dropping to minus 20°C and below for much of the quarter.

An additional area of 27 hectares of HDPE was laid on dump 7 over the period August 2014 through to October 2014 in readiness for leaching during the winter months through to March 2015.

### Transporting Copper Solution Around the Kounrad Site

During the year the average area irrigated on a daily basis was 35 hectares and in order to achieve this, the quantity of distribution pipework and dripper irrigation pipe installed is significant. To give an indication of the magnitude of this quantity, since the commencement of leaching operations in early 2012, a total of 2,275km of irrigation and distribution pipelines have been installed which laid end to end would stretch from London to Athens. With the requirements to purchase an additional 3,000km of piping over the next two years, it will not be long before the irrigation piping laid will be the equivalent distance of London to New York.

As leaching operations progress on the Eastern dumps, the distances from the SX-EW plant to the leaching cells become greater. During 2015 the operations plan involves leaching various blocks located in the Northern part of dump 7 and this will result in pumping raffinate a distance from the SX-EW plant of 2.5 to 3.0km. The main twin distribution lines for the dripper piping system are shown in blue and green on the diagram on page 14.

In order to achieve the delivery of the required volume of raffinate solution for this area, and also to ensure that dumps 5 and 2 can be irrigated from 2016 onwards, a modification to the pump delivery system is being undertaken. This involves the addition of a second parallel 450mm diameter pipeline.

These two pipelines will then be equipped with booster pumps, at a point close to the junction of dumps 7 and 5, in order to overcome the calculated extra head pressure that is required to maintain the flow volumes. This necessary enhancement is not only associated with extra distance, but also with the extra height of the dumps.

# 11,136 t

Copper produced 2014

# 98.7%

Plant utilisation 2014

As at 31 December 2014 the pipeline had already been installed and all necessary pumping equipment ordered and ready for delivery to site. It is anticipated that the pumping system will be commissioned in late Q2 2015.

### Managing the Grade

Copper recovery from the dumps is controlled by manipulating the irrigation flow rate, in a planned sequence to maintain the resulting grade of the leached solution, known as pregnant leach solution (PLS), within desired ranges. The SX-EW plant is designed such that it can accommodate a wide range of flow rates, from 250 to 900m<sup>3</sup>/hr, and PLS grades, from 1 to 4 grams of copper per litre of solution (gpl).

A further important parameter is the maintenance of a steady raffinate solution application rate. This has been optimally determined to be 2.5 to 3.0l/m<sup>2</sup>/hr. During the course of 2014 the average raffinate application rate was 3.0l/m<sup>2</sup>/hr and the average flow rate was 801m<sup>3</sup>/hr with a resulting PLS grade that averaged 2.24gpl.

The graph on page 16 illustrates how these two parameters have varied quarterly since start-up of operation in 2012, whilst producing an increasing quantity of copper cathode.

The Kounrad site operations team have become proficient at controlling the daily leaching activity on the dumps. To assist them, an Australian consultancy firm PCMETS Consulting Pty Ltd (PCMETS), are retained as advisors for their significant experience in dump leaching and SX-EW operations. PCMETS undertake a monthly review of all Kounrad leaching and SX-EW plant data and make an annual site visit to provide advice and guidance to the site team.



# OPERATIONS: KAZAKHSTAN CONTINUED



EW building expansion

## SX-EW Plant Operations

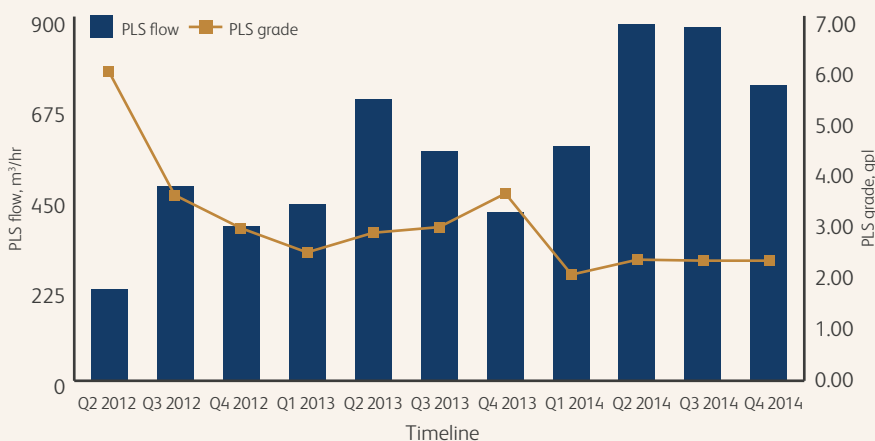
The SX-EW plant performed in line with expectations during 2014 and utilisation rates improved to 98.7% for both the SX and EW sections compared to 97.0% during 2013. This contributed to the record production for the year of 11,136 tonnes of cathode copper.

During 2014 the average PLS flow volumes through the SX-EW plant increased to around 771 m<sup>3</sup>/hr representing an increase of approximately 44% compared to 2013 flow volumes. This along with an ability to easily adapt the process flowsheet to accommodate any fluctuations in PLS grade or other variable, demonstrates the operational flexibility of the plant design that allows us to achieve consistent copper production.

A detailed review of the reagents used in conjunction with BASF, our supplier of the extracting reagent (LIX), resulted in a change of the specific LIX product to minimise iron transfer from the PLS solution into the EW feed solution. The transfer of too much iron, in particular during winter months when PLS copper grades tend to reduce, can have a negative impact on the power efficiency in the EW plating cells. Such modifications and regular reviews are an integral part of the operation of the SX-EW plant management team as they strive to improve efficiency and maintain budgeted costs.

The leaching of the copper from the dump does not simply involve the addition of dilute sulphuric acid to the dissolved copper. There are several interacting processes related to the copper mineralisation which involve natural bacterial activity and ferric/ferrous iron reactions, which degrade the stability of sulphide associated copper species. In addition, due to the virtual absence of acid consuming minerals in the bulk waste material, and with this combination of favourable conditions the consumption of sulphuric acid at Kounrad has been low both in the irrigation of the dumps and also within the EW circuit. During 2014, the consumption rate was approximately 228kg/t of copper produced which was approximately 10% lower than that achieved in 2013. This low consumption rate combined with lower sulphuric acid purchase prices during

### PLS flow vs. PLS grade, 2012-2014



# 99.997%

Average purity of CAML copper

# 28,232 t

Cumulative production to  
31 December 2014

the year helped to maintain the low cost base of the Kounrad operation.

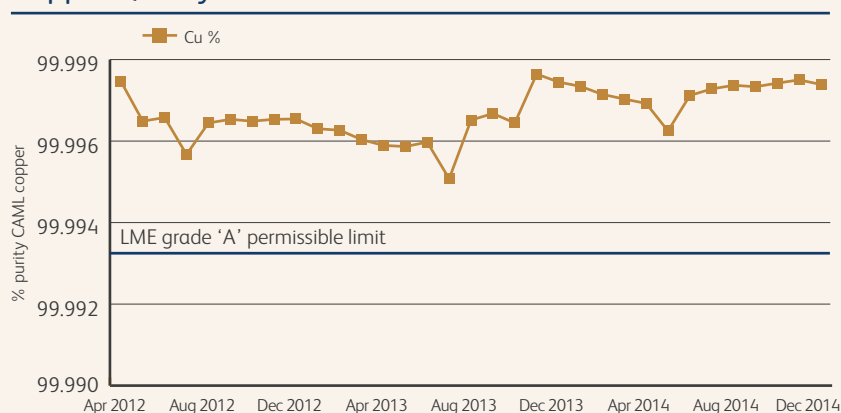
One of the main costs associated with the SX-EW plant operation is the consumption of electricity. During 2014 the average consumption of electricity per tonne of copper produced was approximately 2,992kWhr. The EW process utilises direct current (DC) for the plating of the copper cathodes and during 2014 the main rectifier unit operated at an annualised 84% of its design capacity. This average figure is impacted during the winter months as the quantity of copper available for plating drops due to limitations on the irrigation circuit, as a consequence the rectifier power demand is lowered. The Chinese supplied rectifier unit has proved to be extremely resilient and reliable since production commenced and for several months of the year was operating at 100% of its design capacity.

### Quality Control

The quality of the copper cathodes produced at Kounrad continues to be to a high standard and meets all our contractual obligations and the technical LME specifications. The adjacent graph highlights the quality of the production from the Kounrad SX-EW plant since production commenced in April 2012.



### Copper Quality 2012-2014



# EXPANSION: KAZAKHSTAN

On schedule to grow annual production at Kounrad to 15,000 tonnes per annum by 2016, funded by internal cash flows.

## Kounrad Resource Statement

Dump	Approx Area (Hectares)	Contained Copper (Tonnes)	Estimated Recoverable Copper (Tonnes)
<b>Eastern Dumps</b>	<b>308</b>	<b>168,000</b>	<b>80,000</b>
<b>Western Dumps</b>			
Dumps 15-16	74	247,000	94,000
Dump 1	408	93,000	35,000
Dump 21	55	42,000	16,000
Dump 22	108	54,000	21,000
Others	96	10,000	4,000
	<b>741</b>	<b>446,000</b>	<b>170,000</b>
<b>Total</b>	<b>1,049</b>	<b>614,000</b>	<b>250,000</b>

Prepared by WAI in 2012 in accordance with the JORC Code 2004

### Increased Copper Production to 15,000 Tonnes Per Annum

In May 2014, the Company completed the acquisition of the remaining 40% of the Kounrad project. Whilst the commercial advantages of acquiring the additional shareholding in the Kounrad project were significant, it also prompted the Company to commence the implementation of its expansion plans for the project.

The JORC compliant resources at Kounrad are estimated at approximately 614,000 tonnes of contained copper. CAML management have estimated that the amount of recoverable copper is approximately 250,000 tonnes.

As can be seen from the resource summary above, some 80,000 tonnes of the recoverable copper (32%) is situated in the Eastern dumps adjacent to the location of the SX-EW plant. The remaining resource at Kounrad is situated in the Western dumps that are located 10km from the plant.

The rationale and basis for the Kounrad expansion plans had to consider a number of factors in order to determine the most cost effective approach to processing all the Group owned resource at the Kounrad site.

This included the physical location of the resource at Kounrad, differing metallurgical characteristics, and the estimated remaining useful life of the SX-EW plant.

After due consideration, the CAML Board agreed on a phased expansion of annual copper cathode production to 15,000 tonnes at the existing plant with a capital expenditure programme over the next three years through to 2017.

The key parameter in these studies was the ability of the existing SX-EW facility to operate for a further 15 years, provided normal standards of maintenance are met. Through the expansion of the existing SX-EW facility to a nominal capacity of 15,000 tonnes per annum the forecast is that the Eastern dumps can provide the required quantity of copper to reach this by 2016. Thereafter, through the phased introduction of leach solutions from the Western dump area this capacity can be maintained until the cessation of leaching in the Eastern dumps.

Engineering studies have verified that the required quantity of solutions transferred between the East and West sites can be achieved by the installation of two 12.6km pipelines. Cost comparisons have illustrated this option to be preferable to any other option.

### Stage 1 – Expansion of the SX-EW Plant to 15,000 Tonnes Per Annum

During the year detailed engineering plans were finalised for the expansion of the existing SX-EW facility. They comprised two stages, firstly the installation of extra heating capacity through the addition of two 2.8 MW boilers thus allowing increased winter production. In addition the SX-EW plant is to be expanded by the inclusion of a sixth mixer-settler and construction of a separate EW building containing 24 new EW cells and associated equipment, thus increasing our copper plating capacity by approximately 50%.

The construction work on the new boilers commenced in June 2014 and was completed by late October 2014. The addition of these two new boilers, housed in an extension to the existing boiler house, increased the total installed heating capacity to 14 MW. This provides for a planned design increase in heating winter raffinate flows from 450m<sup>3</sup>/hr to 750m<sup>3</sup>/hr, which through the use of a heat exchanger system raises the temperature of cold incoming solution at 1°C to 10°C, prior to passing through the SX mixer-settler units. By mid-December 2014 the boiler house was performing somewhat better than design forecasts, heating up to 770m<sup>3</sup>/hr of raffinate, and achieving a temperature differential of plus 10°C between the incoming cold and outgoing warm solutions. This being achieved whilst daily external temperatures of minus 25°C was common place.

The second stage of the SX-EW expansion requires the addition of a sixth mixer-settler unit in the SX section and a new EW section, containing 24 EW cells. As per the original SX-EW plant, the design and main equipment supply contract was placed with the Beijing General Research Institute of Mining & Metallurgy (BGRIMM), with all on site construction being managed and undertaken by our in-house construction team. Following the receipt of all necessary State permits, work commenced on site at the beginning of July 2014, and commissioning is scheduled for Q2 2015.



# 13,000 t

## Production target 2015

In line with the plan, the new SX and EW buildings were structurally completed and fully enclosed by mid-December 2014 in order to facilitate the installation of equipment within the buildings during the Q1 winter period of 2015. The EW overhead crane, used for harvesting cathode plates in the new EW extension had been fully installed as at 31 December 2014 and will be used by the construction team to install and equip the 24 EW cells during Q1 2015.

All the requisite purchase orders and equipment supply contracts have been placed both locally and overseas, with many items already delivered to site by 31 December 2014. CAML management are confident that the SX-EW expansion project is sufficiently advanced as at the time of this report to ensure that commissioning will take place in Q2 2015 and that the capital cost will be in line with, if not less than, the announced capital budget of \$15.5 million.

### Stage 2 – Development of the Western Dumps

Engineering design of the facilities required to commence leaching at the Western dumps by Q2 2017 has progressed well during the year. The technical project documentation, developed by IHT, the engineering arm of KazAtomProm, was completed by July 2014 and has been submitted for the necessary review and approvals process required to obtain regulatory project approval via the Ministry of Investment and Development. It is anticipated that State approval will be granted in Q2 2015.

Once all permits and approvals have been received, equipment procurement and certain construction work will commence on site from late Q3 2015. This stage of the Kounrad expansion plan requires the construction and installation of two pipelines, each of 12.6km as can be seen in the adjacent diagram.

One pipeline will enable PLS from the Western dumps to be transferred to the expanded SX-EW plant for processing into copper cathodes. The other pipeline will enable the raffinate solution from the SX section to be transported back to the Western dumps for irrigation purposes. The pumping and pipeline system has been designed to allow a range of flow-rates between 600 to 850m<sup>3</sup>/hr, which will provide the necessary flexibility depending upon the copper grade of the PLS solution flowing from the operational dumps.

To provide the ability to operate through the winter periods at the Western dumps, a boiler house of the exact same design as the original facility at the Eastern plant, comprising of three 2.8 MW boiler units will be installed. During December 2014 final engineering discussions were undertaken with BGRIMM, to finalise the equipment list and specifications and also to revalidate the capital cost estimate of approximately \$19.5 million for this phase of the Kounrad expansion.

The supply of sufficient technical quality water from 2017 onwards, to allow simultaneous leaching at both the Eastern and Western dumps, has always been an important consideration. At present all such water is provided from an underground reservoir sourced from an abandoned mine, approximately 8km to the North East of the SX-EW plant.

Hydrogeological studies indicate that this reservoir has the capability to provide adequate water at least until the end of 2017 at current abstraction rates. Beyond this date, this source may not be

capable of providing the extra volume of water needed to simultaneously operate two leaching sites. Consequently, a management decision was taken in December 2014 to reinstate a water pipeline to transport water drawn from Lake Balkhash to the Kounrad site. This will provide sufficient water for the Kounrad project through to the end of its life, as well as assisting the local community at the Kounrad village with plentiful water for community purposes.

This project requires the upgrading of an intermediate pumping station close to Balkhash and the installation of 16.5km of pipeline. The estimated capital cost of the programme is \$2.7 million and it is anticipated that installation works, using our in-house personnel, will be completed by December 2015. As the abstraction system from the lake does not operate in winter, commissioning will be conducted during Q2 2016 with the onset of more favourable weather conditions. During winter months the make-up water requirement is very low, which can be provided by the underground reservoir as required.



# EVALUATION: CHILE



Chañaral Bay

## Copper Bay – Chile Background

CAML acquired a 50% interest in Copper Bay Limited (CBL) via a cash investment of \$3.2 million in November 2013. CBL was incorporated in September 2010 with the sole purpose of developing the Copper Bay project in the Atacama region of Chile, some 1,000km North of Santiago and 120km North West of the regional capital of Copiapó.

From 1938 to 1975, the Potrerillos, and later the El Salvador copper mines, disposed of the tailings residues from their respective mineral processing operations into the Rio Salado which outflows into Chañaral Bay. Over that period, it is believed that some 250Mt of tailings were discharged into the bay. These tailings now sit in the bay and on the beach at Chañaral and cover a 13km<sup>2</sup> area. CBL is examining the viability of reclaiming and processing the copper tailings to produce copper cathode and copper concentrate.

Upon the acquisition of CBL, CAML agreed a scope of works that was intended to deliver a pre-feasibility study (PFS). The \$3.2 million funds invested into CBL by CAML were all allocated for the delivery of the PFS.

As at 31 December 2014, significant progress had been made on the PFS and a total of \$1.8 million had been spent on advancing the project. Work continues on the PFS which is expected to be completed in Q2 2015.

## Quantifying the Resource – Beach Zone only

At the time of CAML's investment, there was no compliant resource statement, albeit there was a high degree of confidence in the available resources based on previous drilling programmes on site. During 2014, a drilling campaign was conducted on the beach in agreement with Wardell Armstrong International (WAI). A total of 136 holes were drilled to an average depth of 9.2m and a total of 1,022 samples were collected for assaying.

The data from the latest drilling programme together with all the data from previous drilling programmes allows a JORC compliant resource statement to be prepared.

The area is known to have copper tailings in three zones, namely beach, surf and bay. The resource currently being assessed only covers the material in the beach zone and previous studies have indicated the potential for additional copper resources which may be investigated at a later date.

## Technical Studies

During 2014, the technical focus has been on assessing the most efficient means of extracting the copper from the resource. The outline process is for the tailings to be reclaimed by dredging from the beach zone, after which the reclaimed solids will be pumped to the nearby processing plant.

The first stage of the process consists of leaching whereby sulphuric acid is added to the tailings in order to solubilise the copper oxides. This will be conducted in a series of agitated leach tanks to produce a PLS for conventional processing into copper cathodes by means of a SX-EW plant.

The second stage of the processing is for the leached residue solids to undergo a froth flotation process in order to extract residual sulphide minerals into a saleable concentrate product. The final tailings residue from this combined process will then be returned either to the beach zone as coarse backfill or to a tailings management facility (TMF) as fine tailings.

This latter part of the process is expected to result in approximately 90% of the processed tailings from the plant being returned to the beach zone. Given the importance of this aspect of the process to both the economic viability and the environmental success of the project, a great deal of work has gone into assessing how this can be achieved to best effect.

An outline of the beach zone and processes envisaged for the project are illustrated on the right.

A significant amount of bench scale metallurgical testing has been carried out during the year and this has indicated that a copper recovery in the range of 70% to 73% can be achieved from the above processes. Additional testing performed on a 7 tonne bulk sample taken from the 2014 drilling programme is under consideration as part of the next stage of the project.

### Environmental and Social Studies

There is a high degree of local and national support for any proposed improvements to the environmental conditions in the area due to historical environmental pollution. Any initiative to reduce the impact of the tailings on the environment will be welcomed by the local community and by regional state authorities.

During 2014 the consultancy company, Arcadis, were appointed to complete an environmental fatal flaw analysis of the project together with the commencement of an environmental baseline study. The study did not identify any fatal flaws in the project and provided management with a far better understanding of the environmental obligations.

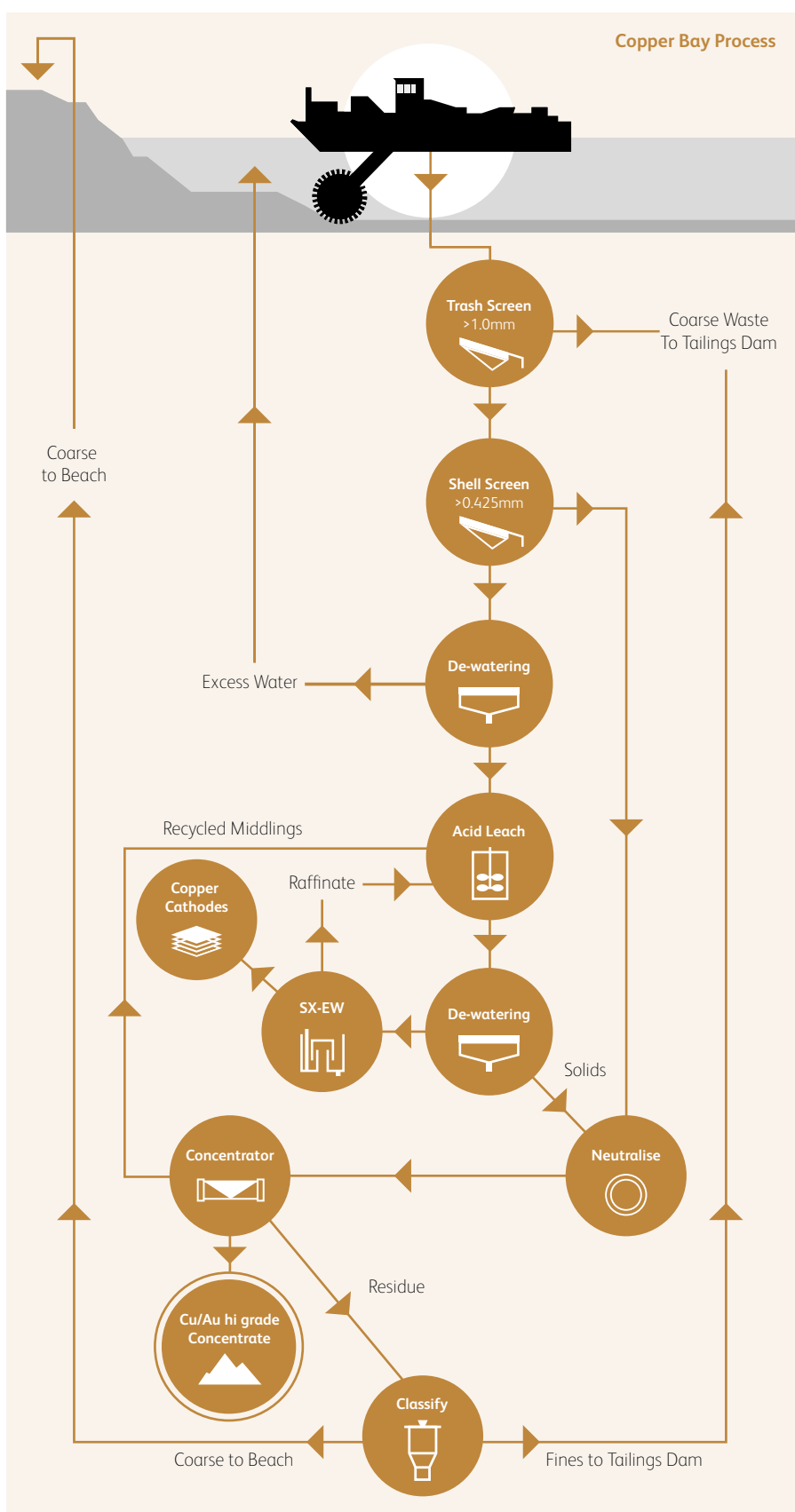
The most important environmental aspect for the viability of the project involves the assessment of the re-deposition of the processed tailings to the beach zone and we continue to study this issue.

### Next Steps

The PFS is expected to be completed during Q2 2015 at which time a decision will then be taken by the CAML Board regarding the additional investment of \$3 million to increase the CAML holding in Copper Bay Limited to 75%. These funds would then be used to finance more detailed work on the project.

*HM Nichol*

**Howard Nicholson**  
Technical Director





# DELIVERING VALUE FOR OUR SHAREHOLDERS

2014 has proved to be another profitable year for CAML in a difficult market. Our continued focus on the low cost of operations at Kounrad and our increased ownership to 100% of the project has further strengthened the balance sheet.



Nigel Robinson  
CFO

## Summary

- ▲ Gross revenue for the year increased by 42% to \$76.6 m (2013: \$54.1 m)
- ▲ Operating profit for the year increased by 34% to \$37.5 m (2013: \$27.9 m)
- ▲ Unit operating costs at Kounrad remain competitive
  - C1 cash costs of \$1,566 per tonne (2013: \$1,600), equates to \$0.71/lb (2013: \$0.73/lb)
  - Fully inclusive cost of \$3,642 (2013: \$3,147), equates to \$1.65/lb (2013: \$0.73/lb) \$1.43/lb
- ▲ One-off gain in the period of \$33.0 m as a result of the completion of the Kounrad transaction
- ▲ Cash balances as at 31 December 2014 of \$46.3 m (2013: \$44.5 m)
- ▲ Proposed 2014 final dividend of 7.5 pence per share – making 12.5 pence for the full year (2013: 9 pence), a 39% increase.

## Overview

During 2014 the Company completed the Kounrad transaction and became the 100% owner of the Kounrad project. The continued strong operational performance of the project and the associated low costs of production, resulted in strong cashflows for the CAML Group. Cash generated from operations increased to \$47 million (2013: \$41 million) for the year of which \$17.9 million was returned to shareholders as dividend and a further \$11 million was invested back into the project.

## Acquisition of 100% of the Kounrad Project

As previously mentioned, on 23 May 2014 the Kounrad transaction was completed with Mr Rakishev resulting in the Group owning 100% of the Kounrad project. Accordingly, the Group accounted for the increased ownership of the Kounrad project by de-recognising its previous interests held and recognising the fair value of the assets and liabilities acquired at the time of completion.

This resulted in an uplift to the asset values of \$54.0 million and a one-off gain for the year of \$33.0 million (2013: \$27.8 million). There was an additional depreciation and amortisation charge during 2014 of \$6.6 million as a result of the uplift to the asset values (2013: \$1.3 million).

Details of the Kounrad transaction and business combination accounting treatment are contained in note 33 of the financial statements.

## Income Statement

The Group operating profit for the 12 month period was \$37.5 million (2013: \$27.9 million) an increase of 34%. As mentioned above, a one off exceptional gain from the completion of the Kounrad transaction boosted the Group's profit for the year from continuing operations to \$59.7 million (2013: \$48.6 million).

Losses from discontinued operations reduced to \$0.3 million (2013: \$14.1 million) following the full write down of all the Mongolian assets during 2013.

The resulting Group profit for the year was \$59.5 million (2013: \$34.5 million) which resulted in earnings per share of 56.04 cents (2013: 38.89 cents) or 54.91 cents (2013: 37.36 cents) on a fully diluted basis.

# 12.5 pence\*

2014 dividend  
(2013: 9 pence)

\* includes proposed 2014 final dividend

# \$47.3m

2014 Group EBITDA  
(2013: \$48.1m)

# \$1.65/lb

2014 fully inclusive cost  
(2013: \$1.43/lb)

## Revenue

10,687 (2013: 10,500) tonnes of copper cathode were sold to Traxys as part of the Company's offtake arrangements at Kounrad and a further 476 (2013: 189) tonnes were sold locally. The Group achieved an average selling price of \$6,794 (2013: \$7,114) per tonne and this generated reported gross revenues for the Group of \$76.6 million (2013: \$54.1 million).

The offtake arrangement with Traxys is to sell a minimum of 90% of its product through to 31 December 2015. As part of this arrangement, Traxys takes the goods at the SX-EW plant at Kounrad and is then responsible for transporting the goods to the end customer.

The costs of marketing, distribution and selling associated with this arrangement are borne by the Group at an agreed fixed fee. During the start of 2014 the fixed fee was renegotiated with Traxys from \$350 to \$320 per tonne of copper shipped.

The Group reports both a gross revenue and net revenue line which reflects the offset of the fixed fee from the price of the copper achieved.

## Costs of Production

The Group commenced production of copper cathodes in April 2012. The cathodes are produced by the SX-EW plant at Kounrad which is owned and operated by Kounrad Copper Company LLP. Given the changes in the business over the past two years as a result of the Kounrad transaction, comparisons between the 2013 and 2014 reported statutory numbers can be difficult to interpret.

A more meaningful analysis of the reported revenues and costs can be obtained in the table on page 23.

The reported cost of sales for the year were \$25.1 million (2013: \$13.8 million). This amount consists of the costs associated with the production of copper cathodes, the associated mineral extraction tax levied by the government and the depreciation and amortisation charges.

The costs related to the physical production of copper cathodes are the production labour, reagents and electricity, plus any other SX-EW site related cost. These costs amounted to \$9.4 million (2013: \$6.1 million). On a project basis, the equivalent comparable cost in 2013 was \$8.5 million which indicates an 11% increase. This increase was primarily due to increased production and higher power and production payroll costs at Kounrad.

Mineral Extraction Tax is charged by the Kazakhstan authorities at the rate of 5.7% on the value of the metal recovered and during the year this amounted

## Financial Performance – Group vs Kounrad Project

	Project and Reported 2014 \$'000	Reported 2013 \$'000	Project 2013 \$'000
<b>Gross Revenues</b>	<b>76,561</b>	<b>54,090</b>	<b>76,024</b>
Cost of Producing Copper Cathode	9,381	6,047	8,479
Mineral Extraction Tax	4,431	3,070	4,383
Selling Costs	3,667	2,964	4,200
<b>Total C1 costs</b>	<b>17,479</b>	<b>12,082</b>	<b>17,062</b>
Local Administrative expenses	3,123	2,494	3,751
Corporate Overheads	8,637	7,068	7,068
<b>Total Costs</b>	<b>29,239</b>	<b>21,643</b>	<b>27,880</b>
<b>Group EBITDA</b>	<b>47,322</b>		<b>48,144</b>
Depreciation and Amortisation	11,412	4,546	5,734
Excluded Above	(1,600)	(13)	
<b>Operating Profit</b>	<b>37,510</b>	<b>27,913</b>	

	2014 \$ per tonne	2014 \$ per lb	2013 \$ per tonne	2013 \$ per lb
C1 Unit Costs	1,566	0.71	1,600	0.73
Depreciation	1,022	0.46	538	0.24
Local Administrative Expenses	280	0.13	352	0.16
	<b>2,868</b>	<b>1.30</b>	<b>2,489</b>	<b>1.13</b>
Corporate Overheads	774	0.35	663	0.30
Fully Absorbed unit costs	<b>3,642</b>	<b>1.65</b>	<b>3,152</b>	<b>1.43</b>

The table excludes all costs associated with the pilot plant which is no longer operated.

to a further cost of \$4.4 million (2013: \$3.1 million). On a project basis, the equivalent comparable cost in 2013 was also \$4.4 million.

During the year depreciation and amortisation charges amounted to \$11.4 million (2013: \$4.6 million). This includes depreciation and amortisation charges of \$6.6 million (2013: \$1.3 million) as a result of the fair value accounting for the acquisition of the additional 40% share in the Kounrad project. Again on a project basis, the equivalent comparable charge in 2013 was \$5.7 million indicating an increase year on year of \$5.7 million or 100%.

The ongoing annual depreciation and amortisation charges are expected to remain at approximately the same level in future years but are always subject to future periodic reviews of the Group's depreciation policy.

## Distribution and Selling Costs

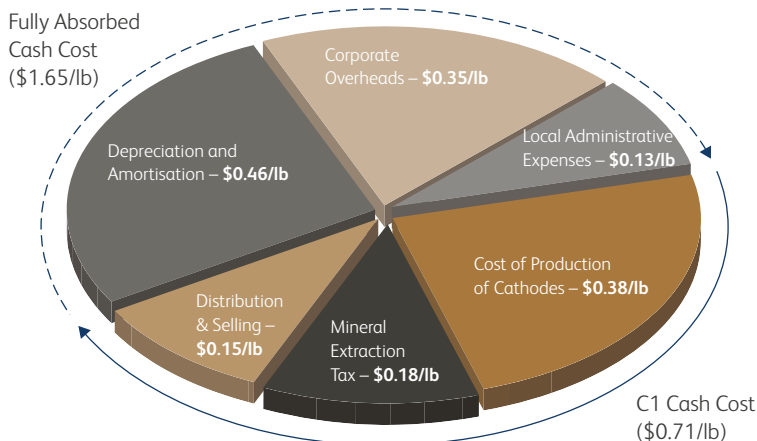
The major portion of the sales and distribution costs consist of the buyers fees paid to Traxys as part of the offtake agreements as noted above.

During 2014, the Group incurred costs of \$3.7 million (2013: \$3.0 million) and at project level the equivalent comparable 2013 costs were \$4.2 million. The 12% reduction in the year at project level is primarily due to lower negotiated fees with Traxys for the delivery of copper.

## Administrative Expenses

During 2014, the Group employed an average of 46 staff (2013: 40) at Kounrad to oversee the technical and commercial management of the operations in Kazakhstan together with a small office headquarters in London of 8 staff including the Directors (2013: 7). Group administrative expenses for the year are \$11.8 million (2013: \$9.6 million) reflecting the growth of the Group during the period.

## 2014 Unit Cost of Copper Production (\$/lb)



### Unit Costs

The Group's C1 cash costs of production remains in the lowest quartile on the industry cost curve at \$1,566 per tonne throughout the year (2013: \$1,600) or \$0.71/lb (2013: \$0.73/lb). This represents a 3% decrease year on year due a combination of strong management controls and the devaluation of the local Kazakhstan currency by 20% in February 2014. Given that the Group currently only has one significant project, it seems reasonable to also report the Group's unit cost base on a fully inclusive basis. The Group's fully inclusive unit costs are \$3,642 per tonne (2013: \$3,152) or \$1.65/lb (2013: \$1.43/lb). The main increase at the fully inclusive level comes from increased depreciation and amortisation charges in 2014 as a result of the fair value accounting for the acquisition of the additional 40% share in the Kounrad project.

### Balance Sheet

As a result of the completion of the Kounrad transaction there has been a significant uplift to the Group's asset base during 2014 to \$216.3 million (2013: \$161.5 million).

Following the acquisition of the remaining 40% in the subsoil user licence, intangibles assets increased to \$81.6 million (2013: \$16.7 million) including a fair value uplift of \$54.0 million and additional goodwill arising on the transaction of \$11.0 million (2013: \$9.3 million).

During 2014, there were additions to property, plant and equipment of \$11.3 million (2013: \$1.9 million). The majority of this spend was incurred on construction work at Kounrad for the SX-EW plant expansion.

At 31 December 2014, non-current trade and other receivables were \$6.4 million (31 December 2013: \$17.1 million). The large reduction is a consequence of the change from joint operation accounting to 100% consolidation of the Kounrad entities which resulted in the removal of the amounts recoverable from related parties (31 December 2013: \$11.7 million).

The outstanding balance of \$6.4 million (2013: \$5.4 million) represents the amount owed to the Group by the Kazakhstan authorities for recoverable VAT. The amount has been audited by the tax authorities on a number of occasions. The conclusion from the authority's audit work was that the VAT amount claimed has been determined correctly and was supported by the required documentary evidence. Despite this, the amount remained unpaid as at 31 December 2014.

The Group is working closely with its advisors and local partners to recover the outstanding VAT. The planned means of recovery will be through a combination of the local sales of cathode copper to effectively offset VAT liabilities and by a successful appeal to the authorities. Following an unsuccessful appeal in 2014, a further appeal was lodged in January 2015 by the local tax advisors and the final outcome may not be known for a further 12 months. During 2014, 476 tonnes of copper were sold locally (2013: 189 tonnes).


At 31 December 2014, current trade and other payables were \$4.3 million (31 December 2013: \$11.9 million). The large decrease is a consequence of \$8.1 million of 2013 corporate income tax paid in April 2014. During 2014, instalment payments of \$8.5 million were paid towards the 2014 corporate income tax liability and at 31 December 2014 approximately \$0.8 million remained outstanding. The deferred tax liability has increased to \$20.6 million (31 December 2013: \$9.7 million) and this relates primarily to the completion of the Kounrad transaction during 2014.

Significant changes to equity occurred during the period as a direct consequence of the completion of the Kounrad transaction and the subsequent issue of 21,211,751 Ordinary Shares to Mr Kenges Rakishev on 23 May 2014 as consideration for the transaction. On 23 July 2014 the Company allotted and issued 3,500,000 Ordinary Shares to the trustee of the Central Asia Metals Limited Share Trust (the Employee Benefit Trust).



SX-EW plant





Planning session  
Kounrad

## Cash Flows

During the year the Group generated \$47.2 million (2013: \$41.1 million) from operations which resulted in the Group's cash balances increasing to \$46.3 million (2013: \$44.5 million) as at 31 December 2014.

The return of \$17.9 million of funds (2013: \$19.7 million) to shareholders through dividends was the main outflow of cash during the year within the Group.

As mentioned previously, \$16.6 million of corporate income tax was paid during 2014. This included \$8.1 million of 2013 corporate income tax paid in April 2014 and payments of \$8.5 million towards the 2014 corporate income tax liability.

The Group purchased property, plant and equipment of \$11.0 million (2013: \$2.5 million) of which \$1.4 million (2013: nil) was in relation to the commissioning of the boiler at Kounrad and \$8.0 million (2013: nil) in relation to the Stage 1 SX-EW expansion programme. The remaining balance of \$1.6 million (2013: \$2.5 million) was in relation to sustaining capex at Kounrad.

## Foreign Exchange

The Group operates overseas and is exposed to foreign currency movements. During 2014, the Kazakhstan Tenge devalued by almost 20%. Given that the Group's operations in Kazakhstan generate their income in US dollars through the export of copper, the immediate impact of the devaluation in 2014 and of any future devaluation should be positive in relation to the Group's cost base in Kazakhstan. It is estimated that approximately 60% of the cost base in Kazakhstan is denominated in Kazakhstan Tenge.

The Board will continue to monitor the situation and respond accordingly should a further devaluation occur. During 2014 the Board's response was to increase salaries for staff in the country by 10%.

The Group does not keep large amounts of cash in Kazakhstan Tenge and as at 31 December 2014 held the US dollar equivalent of \$0.4 million (2013: \$0.6 million). During 2014, the Group reported a \$1.9 million foreign exchange gain (2013: \$0.2

million), relating to the transactional gains of foreign currency assets and liabilities at the reporting date.

## Copper Price

During 2014, the copper price came under pressure and fell by 18% over the course of the year. Indeed, this reduction in copper prices was exacerbated in early January 2015 by a further reduction in copper prices. Despite these reductions, the Group remains profitable due to the low costs of production at Kounrad.

The Group policy has always been to sell the copper at 'spot' prices in line with the contractual conditions associated with the offtake arrangements. A review of this policy during the year by the Board concluded that, whilst such an approach is still felt to be appropriate for the Group due to the lack of any debt financing and the low costs of production, the ability of the management team to respond to movements in the copper price was considered appropriate.

Consequently, the Board has approved a minor change to the Group's Treasury policy that allows limited hedging up to a maximum of 30% of the Group's rolling 12 month production. It is felt that this policy would allow management to combine the benefits of an exposure to the copper price for its shareholders whilst also facilitating the ability for management to put in place limited hedging to cover the cost base.

As at the time of writing this report no hedges were in place.

## Dividend

As part of these annual results, the Board has the intention to propose a 7.5 pence per Ordinary Share final dividend for 2014, making a total dividend for the year of 12.5 pence (2013: 9 pence). Having raised \$60 million at IPO in September 2010, this latest dividend will increase the amount returned to shareholders in dividends and share buy backs since the listing to approximately \$53 million.

The Company's dividend policy is that it will return a minimum of 20% of the attributable revenues generated from the Kounrad project to shareholders. During 2014, inclusive of the

proposed 2014 final dividend, the Company returned 28% of attributable revenues to shareholders (2013: 29%).

The Directors recognise that there are currently insufficient reserves available in the Company for distribution and are proposing to rectify this by completing a court approved capital reduction scheme by cancelling the Company's share premium account and transferring such reserves to retained earnings. This process is expected to become effective on or around 13 May 2015. The Company undertook a previous capital reduction scheme in 2013. On completion of the capital reduction scheme it is expected that the 2014 final dividend will be paid in June 2015.

## Financing Growth

The total capital cost for the Kounrad expansion is estimated at \$35 million phased over the next three years, including approximately \$9.4 million already spent up to 31 December 2014. This expenditure is in addition to the estimated \$6.5 million that will be spent on sustaining capital expenditure for the plant and Kounrad site during the three-year period.

As at 31 December 2014, the Group had \$46.3 million of cash in the bank of which \$33.6 million was held in London and \$12.7 million in Kazakhstan to cover the expansion costs and working capital requirements in country and instalment payments of Corporate Income Tax.

The Group has no debts outstanding as at 31 December 2014 and with the cash reserves at its disposal is confident that it has sufficient funds available to finance the dividend policy in the coming years, complete the capital expansion plans at Kounrad and provide the Company with the financial flexibility to support the growth of the business.



**Nigel Robinson**  
Chief Financial Officer

# CARING FOR OUR ENVIRONMENT

The primary focus of CAML's CSR activity is at the Kounrad project in Kazakhstan. This project currently generates 100% of CAML's revenue and employs 95% of its staff.



Nick Shirley  
CSR Director

- ▶ Strong focus on training and education, with two employees on sponsored MBA courses
- ▶ Continuing hands-on engagement in community projects, including recent \$24,000 refurbishment of local school's gymnasium
- ▶ Proactive environmental monitoring and remediation programmes
- ▶ Positive review conducted by independent consultants in respect of CAML's CSR policy

## Corporate Social Responsibility Overview

The primary focus of CAML's CSR activity is at the Kounrad project in Kazakhstan. This project currently generates 100% of CAML's revenue and employs 95% of the staff. Given the importance the CAML Board attaches to its CSR activity in the Group's operations, the CSR Director, Nick Shirley, has been based on site at Kounrad since July 2013.

Having established himself in the role, the main priority for the CSR Director and his site based team during 2014 has been the continued integration of the Group CSR policies and initiatives into the day to day activities on site at Kounrad. The aim has been to raise the environmental profile and awareness in all CAML activities at Kounrad, maintain positive and constructive working relations with all the local and national stakeholders and communities whilst also ensuring the continual improvement of all the health and safety aspects of running an operational mine and processing facility.

Whilst the focus has clearly been on Kounrad, the CSR activities associated with the Group's development project at Copper Bay, Chile and amongst its UK workforce are also the subject of regular review.

The CSR Committee, comprising of Executive and Non-Executive Directors of CAML, meet on a quarterly basis to discuss and review progress with regards to the various CSR initiatives being conducted across the Group. The main objectives for 2014 were to ensure local compliance with all the relevant Kazakhstan health and safety, environmental and social standards. Whilst this is an essential starting point for the local operations at Kounrad, the Group also prides itself in attempting to implement and adhere to international CSR standards for the mining sector. This is not always possible but the CSR team have endeavoured to implement the recommendations from the various internal and external audits and inspections undertaken at Kounrad during 2013 and 2014.

These audits and inspections were instigated by the CSR Committee following internal appraisals based on a desire to continually improve CSR activities across the Group and more particularly in the short term at Kounrad. As a result, a series of objectives and targets were agreed for CSR activity at Kounrad and positive progress has been made over the course of the year in their delivery.

60% +

Procurement from within Kazakhstan

99% +

Recruited from within Kazakhstan



Supporting traditional festivals

### Health and Safety

CAML are committed to the health and safety of its workforce, contractors and visitors. During 2014 the number of safety engineers responsible for the day to day safety on site was increased from two to four as construction activities commenced for the expansion of the Kounrad plant facility. The safety engineers are firmly embedded within the onsite project team and work closely with them to ensure that safety risks are identified, incidents and near misses reported, and action taken immediately to ensure that these are rectified where possible.

There is currently a combined workforce on site of approximately 330 personnel including contractors and during 2014 some 400,000 man-hours were worked with no lost time injuries. As a result of one lost time accident that occurred in June 2014, Kounrad Copper Company LLP unfortunately lost their cumulative safety record which was approaching one million injury free hours at the date of the accident and were subsequently reset to zero. Taking this into consideration the combined accident free hours worked for both local companies, since 2010, now totals 685,000 man-hours.

There was a significant emphasis in the further development of the safety management system during 2014 particularly with regards to identifying risks within the workplace.

Risks identified were of widely ranging levels of significance, against which mitigation measures were developed and implemented to reduce risk.

In addition to the safety team, the Group employs an independent fire and rescue team which has a full time presence on site with a dedicated fire fighting tender. The Kounrad Project also has,

on site, a clinic staffed by 5 qualified nurses on a permanent basis, 24 hours a day. In the event of a medical emergency there is an ambulance and dedicated driver on standby.

As in the previous year a significant number of training courses were undertaken in 2014 both for the workforce and the safety engineers themselves, including the identification and reporting of near miss incidents in order to minimise the risk of a potentially more serious accident occurring. Similarly, in the drive for continual improvement external training was also provided.

In 2014 CAML's safety systems were audited to determine compliance to national and international safety systems. In addition, a number of safety initiatives were introduced during 2014. These included an award for the best safety improvement suggestion which has proved to be successful amongst the employees. All suggestions are reviewed on a quarterly basis by a dedicated committee consisting of the senior management team and an award is given for the best safety suggestion.

During the year there has also been a drive to determine where working conditions of employees can be improved. One of the most significant of these has been with regards to reducing the levels of acid mist in the EW workshop by improving the ventilation and mist suppressant systems.



Safety improvement awards

General Director Pavel Semenchenko awarding Altai Nurbeov for best safety suggestion



# DELIVERING TO OUR COMMUNITIES



of 100 boreholes are located in three 'protection' rings at distances of 50m, 100m and 300m respectively from the main PLS collector trench. These boreholes enable the environment team to both monitor the groundwater conditions and also to extract solutions should any measurements indicate a higher than acceptable level of any deleterious materials. There is an intensive monitoring programme on site with our own dedicated team and also external independent contractors monitoring and controlling samples taken from the boreholes.

Further studies in 2014 included a review and update of the water balance for the Eastern dump area which concluded that the total estimated recovery of PLS from the leaching process is in the order of 99%.

At the Western dump area, increased environmental monitoring was undertaken throughout the year and a further programme of site investigations will be undertaken in 2015 to ensure suitable baseline information prior to commencing leach operations in 2017. In addition, the Group obtained approval for the Kazakhstan Environmental Impact Assessment on the Western dumps. This approval is part of the overall project documentation required prior to commencing leaching operations. It is expected that the overall project will be approved by the Ministry of Investment and Development in Q2 2015.

## Protecting the Environment

Protecting the environment at the Kounrad site is one of the key priorities for the Group. Consequently, the Company committed significant resources both in terms of finance and additional manpower to undertake its environmental activities.

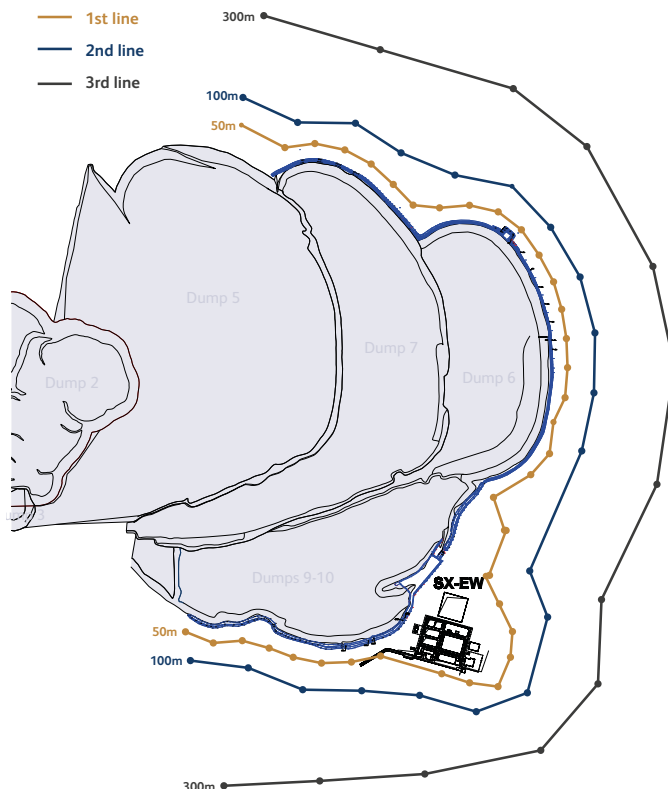
Throughout the year there was continual emphasis on the inspection and control of site activities and this resulted in there being no environmental incidents to report. The environment team is now fully integrated within the site operations team and this makes for better coordination of effort and assessment of risk.

Environmental management systems were further developed during the year. These management systems and independent audits, together with the environmental inductions given to all employees and contractors when they first visit the site, help to minimise the risk of an environmental incident on site. They also ensure that environmental issues are considered at every stage in the Kounrad project development.

During 2014, CAML appointed SRK Consulting to undertake a detailed hydrogeological and geochemical analysis of the Eastern dump leaching operation. As part of this study a series of bench and field trials were initiated to determine the absorption and retardation potential of PLS species in groundwater. This report was part of a wider study costing over \$200,000 to investigate the potential mitigation measures that could be implemented in the possible event of the migration of PLS beyond the cut-off trench.

On site, 120 boreholes are regularly monitored with regards to groundwater levels and quality. As can be seen from the below diagram, in excess

## Boreholes to Monitor Ground Water





## Serving the Community

The Board places a high degree of importance on the Group's local interaction with the community and stakeholders wherever it has operations.

The Company feels that it has built strong relationships over the past 7 years with the local community and stakeholders in the neighbouring towns of Kounrad and Balkhash.

The Company is also active regionally and nationally in sponsoring and supporting a wide variety of meetings and conferences across Kazakhstan associated with the mining industry.

As a consequence of the Group's successful business at Kounrad, there are often requests for site visits from both politicians and local community groups. These site visits are welcomed by the Kounrad staff as an opportunity to highlight the valuable contribution that the Kounrad operation has made to the region both in terms of local employment opportunities and productivity. It is also an opportunity to emphasise the importance the Company attaches to the protection of the local environment.

During 2014, CAML continued to provide social donations to the local community with an emphasis on health and education. Key projects funded by CAML in 2014 included the extensive renovation of the sports hall for one of the schools in the neighbouring Kounrad village and the provision of cardiological equipment for the medical centre in Kounrad. Funds were also contributed towards enabling a group of foster children to participate in a sporting competition in the republic of Georgia.

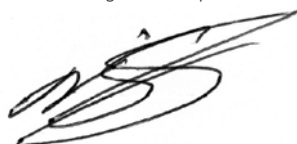
In late 2014, the Group responded extremely quickly to an urgent request from the local Akim to

provide financial assistance towards the emergency repair of the boilers that supply hot water and heating to every household in the Kounrad village.

## Taxation and Employment

In addition to the various local social contributions that the Group makes, CAML also pays significant taxation in Kazakhstan. Since production commenced in 2012, CAML has contributed \$49.8 million in taxation to the government of the republic of Kazakhstan.

The Kounrad operation currently employs approximately 330 people on site inclusive of construction staff and is a major employer in the local area. Only two members of the full time staff at Kounrad have been recruited outside of Kazakhstan to provide specific skills and to train local personnel as replacements in due course. The Group is keen to invest in its own people and in addition to the ongoing training conducted by the various parts of the business, an educational sponsorship scheme has been running for two years now. Key staff are encouraged by their local managers to apply for the scheme which is aimed at developing the best managerial talent within CAML. Two of those so far selected are undergoing a two year internationally recognised MBA course financed by the Company with the intention that such staff are then better qualified to meet the future management requirements of CAML.



**Nick Shirley**  
Director of CSR

# \$280,000

2014 social contributions

# \$690,000

Total social contributions to date

# \$24.8m

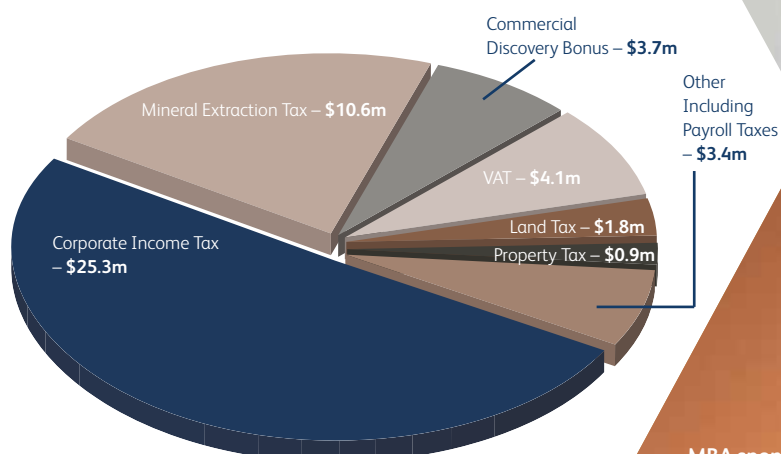
2014 taxation payments

# 300

Average staff employed during 2014

## Kazakhstan Taxation Paid Since Commencement of Operations

Total paid \$49.8m



# PRINCIPAL RISKS AND UNCERTAINTIES

The Board of Directors has ultimate responsibility for risk management, but Group staff have a role to play in the implementation of policies and procedures aligned to mitigate and manage risk. In 2015, a Risk Committee was formed consisting of senior staff to assist Group staff in the identification, analysis, mitigation and review of the risks of the business. The Risk Committee will report into the Board, on a regular basis, the current risk assessment of the business.

Risk assessment begins with the identification of risk of the business. This may be through the development of a business plan, where operating procedures have been modified or where new equipment is brought into operation. Risks are assessed against the likelihood of the risk event occurring and the impact/severity of the risk event. Likelihood criteria is ranked from “conceivable” through to “highly likely” and impact/severity is assessed from “insignificant” through to “catastrophic”.

The criteria against which a risk is assessed has been established by the Group, so that a standardised assessment can be obtained. Using the assessment this is then categorised into a priority level. The priority level of the risk event is low, moderate, high or extreme, which assists management in determining which risks need urgent mitigation.

Nature and impact of risk	How we manage the risk
<b>Operational</b>	
<p><b>Leaching Operations – Production</b> The nature of in-situ leaching means that it is difficult to manage the grade and flow of the copper bearing solution coming off the dumps at Kounrad. Should the flow and/or grade drop, this would lead to a reduction in copper cathodes produced.</p>	<p>The Group has conducted extensive testing on the grades and expected recovery of the copper bearing solution from the Kounrad dumps. The testing to date has correlated well with the production statistics and management have no reason to believe that this correlation will not continue with future operations.</p> <p>CAML also utilises the services of consultants to regularly review leaching performance and advise on operating strategy.</p>
<p><b>SX-EW Operations</b> The SX-EW operations have a number of critical components, the loss of any one may have a significant impact on the production of copper cathodes. Interruption to the electricity supply and a failure of the rectifier are the biggest risks to continuing operations. The loss of other critical components would likely not stop operations, but would have an impact on the quantity and quality of the copper cathodes produced.</p>	<p>Senior management have completed a review of the critical components of the Kounrad SX-EW facility. Where deemed necessary, specific mitigation procedures have been implemented.</p> <p>The loss of the rectifier would cause long term interruption to copper production. As part of the expansion programme a second identical rectifier is being installed. This will ensure that the majority of copper cathode production capacity will be maintained upon the loss of a rectifier.</p> <p>Upon an event of mains power loss; generator capability and secondary power connections have been installed to ensure that no damage occurs to the SX-EW facility.</p>
<p><b>Fire</b> The SX operations of the Kounrad facility have a significant risk of fire due to the materials used in the extraction of copper. A fire resulting in the loss of the SX facility would interrupt operations for 9-12 months.</p>	<p>A comprehensive fire detection and fighting system has been installed at the Kounrad operations to mitigate any fires which break out. Business interruption insurance has been taken out to mitigate the majority of loss from a fire event.</p>
<b>Safety, Social and Environmental</b>	
<p><b>Safety of Employees</b> The nature of the Group’s operations are inherently dangerous. Management place a high priority on the health and safety of the Group’s employees, however an incident involving the health of an employee is always possible which may have a material impact on the operations.</p>	<p>The Group’s emphasis on safety is prioritised above all other factors of the business. The establishment of a CSR Committee of the Board and the appointment of a CSR Director situated in Kazakhstan at the operations shows the commitment of the Group to health and safety.</p> <p>Assessment of all health and safety risks is ongoing and new equipment go through a risk assessment prior to operational use. Operational staff are incentivised to maintain a safe working environment and to utilise safe working practises. Occupational environments are continually being assessed to improve the working conditions of staff.</p> <p>An anonymous whistle blowing hotline is available to staff to report unsafe working practises without fear of retribution.</p>
<p><b>Leaching Operations – Environment</b> The Group’s in-situ leaching operations at Kounrad must be carefully managed to ensure that the impact of leaching operations with the environment is kept to a minimum. A breach of local environmental laws may result in the withdrawal of permits to operate or the cancellation of the Group’s SUC.</p>	<p>Environmental risk management is given a high profile and is constantly managed by the locally based CSR Director, the CEO, the Technical Director and the CFO. The Group also engages specialist internationally renowned consultants to ensure that best practices are employed at the Kounrad site.</p> <p>Baseline monitoring is carried out in any new areas prior to operations and ongoing monitoring through 120 boreholes is conducted. If any results are outside normal ranges, senior management is immediately informed so that assessment and mitigation procedures can be put in place.</p>

If a risk is categorised as high or extreme, then senior management will see that the risk event is ceased or that risk reduction measures are put in place as soon as possible.

All risks following initial assessment have consideration given to mitigation plans in order to reduce the risk to an acceptable level as assessed by senior management. For those risks which are deemed significant, detailed analysis is performed to ensure that it is appropriately analysed.

All risks identified are recorded in a register which is maintained by senior management. The "owner" of a risk is tasked with formally reviewing the risk on a regular basis and reporting any changes back to senior management.

The following risks have been identified as the principal risks within the business. They are not set out in any order of priority and do not constitute the entire risks to the business.

The Strategic Report on pages 1 to 31 was approved by the Board of Directors on 27 March 2015 and was signed on its behalf by



**Nigel Robinson**  
Chief Financial Officer

Nature and impact of risk	How we manage the risk
<p><b>Corporate</b></p> <p><b>Political and Country</b> The Group's main operations are located in Kazakhstan, which centralises CAML's risk on one country. The government of Kazakhstan may change the laws under which the Group operates which may have a material impact on the business. Impacts can range from State appropriation of the Group's SUC to increases in taxation or restrictions on the transfer of monies outside of Kazakhstan.</p> <p><b>Changes to Key Personnel</b> The Group has a core of highly experienced and skilled senior management who are responsible for the development and execution of the Group's business strategy. Any changes to the senior management may have a material impact on the success of the business.</p>	<p>The Board believes that the best manner in which to manage country and political risk is to ensure that the Group employs personnel who have an in depth understanding of the country and political risks.</p> <p>There are two Board members who are nationals of Kazakhstan. The executive management of the Company have over 42 years of business experience in Kazakhstan. Within Kazakhstan, the local Directors and the majority of staff are Kazakhstan nationals.</p> <p>The Board is assessing opportunities for expanding the Group's business outside of Kazakhstan which will spread country and political risk.</p> <p>The Group operates an incentivisation programme which aims to attract and retain the best possible candidates for the position. This includes annually reviewing salaries and benchmarking these against industry standards. An annual bonus scheme operates for staff, and senior management are able to receive share options as determined by the Remuneration Committee.</p> <p>The Group also places importance on training current staff through internal and external education programmes, so that staff are able to progress through the business and fill any temporary vacancies as they arise. The Group also maintains close working relationships with external consultants to ensure that if there should be a temporary vacancy in areas which no other staff member can fill the role, that the external consultants can ensure minimal impact on the business.</p> <p>The Group does not maintain key risk insurance as management believes that there are sufficient mitigation procedures in place to ensure that any loss of key personnel have a minimum impact on the business.</p>
<p><b>Corporate Growth</b> The Group is actively pursuing opportunities to grow the business through organic growth or by acquisition. Should any growth process turn out to be not as expected, it may have a material negative impact on the profitability of the business.</p>	<p>An expansion plan at Kounrad to increase capacity of the project to 15,000 tonnes per annum is currently being implemented. In order to reduce execution risk, the Board decided to expand the existing facility using the same technology and construction techniques rather than build a larger new operation on a greenfield site. The expansion plan is currently going through the final stages of construction before commissioning in Q2 2015.</p> <p>Senior management and the Board have examined a number of opportunities for expansion of the business by acquisition. All efforts are being made to complete in depth due diligence on potential projects using in-house staff and external consultants to minimise the risk of any new project not performing as expected for the Group.</p>
<p><b>Financial*</b></p> <p><b>Foreign Exchange</b> The Group's presentational currency is US Dollars (US\$) which is due to historical financing of the Group's operations being in US\$, capital expenditure being incurred primarily in US\$ and sales of copper cathodes being largely denominated in US\$.</p> <p>The functional currency of each entity is determined by the primary economic environment in which that entity operates. The functional currencies of the Group include US\$, KZT and MNT. The material costs incurred by the Group are in KZT, US\$, and GBP.</p>	<p>During 2014, the Company mitigated foreign exchange exposure by maintaining a small working capital balance in KZT. This was significant as the KZT experienced a 20% devaluation against the US\$ in February 2014. As dividends are paid in GBP, the Company maintains a policy of converting US\$ to GBP on the day that the dividends are announced.</p>
<p><b>Commodity Pricing</b> Our copper cathodes are sold on the basis of LME pricing which fluctuates daily. Being a single commodity company, copper pricing fluctuation can have a material impact on our business. During 2014, the Group did not operate any formal hedging pricing programme and generally took prices based upon the 'spot' market. Changes in pricing can have a material impact on the revenues earned by the Group.</p>	<p>The CAML Group policy has always been to sell the copper at 'spot' prices in line with the contractual conditions associated with the offtake arrangements. A review of this policy during the year by the Board concluded that, whilst such an approach is still felt to be appropriate for the Group due to the lack of any debt financing and the low costs of production, the ability of the management team to respond to movements in the copper price was considered appropriate. Consequently, the Board has approved a minor change to the Group's Treasury policy that allows limited hedging up to a maximum of 30% of the Group's rolling 12-month production. It is felt that this policy would allow management to combine the benefits of an exposure to the copper price for its shareholders whilst also facilitating the ability for management to put in place limited hedging to cover the cost base.</p>

\*A description of other financial risks that the Group is potentially exposed to are contained in note 3 to the financial statements.

# CORPORATE GOVERNANCE

Good Practice in Corporate Governance is Key to our Business's Success.



Achievement of that success on an ongoing basis requires the Group to maintain good governance processes and we continue to enhance these as the Group develops.





**Nigel Hurst-Brown**  
Chairman

## Introduction from the Chairman

Our Board views good practice in corporate governance as key to our business's success. We believe achievement of that success, on an ongoing basis, requires the Group to maintain good governance processes and continue to enhance these as the Group develops. The encouragement of the entrepreneurial drive that exists in our business within appropriate governance structures remains key to the building and ongoing delivery of shareholder value over the long term. That continues to be our aim and I am pleased to be able to say that it is bearing ongoing positive results.

Although under the AIM rules we are not subject to the recommendations of any particular governance code, our Board draws on recommendations on corporate governance from the Quoted Companies Alliance and on the UK Corporate Governance Code in the way it is constituted and operates. Whilst compliance with these codes in our case is not mandatory, we do implement the recommendations which we feel are appropriate for a company of our size and type. This enriches our decision making and helps inform inputs to strategy and the monitoring of performance both at our regular meetings and otherwise as appropriate through the year. It has the support of our Executive and Non-Executive Directors alike.

We are fortunate to have a diverse, talented and committed group of Executive and Non-Executive Directors. Our Executive Directors are led by Nick Clarke, our Chief Executive Officer, and also include Nigel Robinson, our Chief Financial Officer and Howard Nicholson, our Technical Director. They each have great experience in their respective areas of expertise and work well as a team and as part of the wider Board.

We are also fortunate to be able to draw on the wide experience of David Swan, a Chartered Accountant by background who has broad commercial experience across a range of companies; and Robert Cathery who is highly experienced in both the resources sector and public markets generally. They both bring valuable and diverse perspectives and make significant, constructive and independent contributions to our Board.

In addition, we were delighted to appoint to the Board Nurlan Zhakupov in 2011 and, in conjunction with his transaction with the Company, Kenges Rakishev in December 2013. They are both nationals of Kazakhstan where our principal operations are based. They provide great local insight as well as adding to the overall diversity and different perspectives of the Board.

This international representation contributes to what I believe to be a suitably diverse Board. Among them, our Directors have long and valuable experience in the mining industry, financial and operational aspects of businesses, and publicly quoted companies, operating in different geographies around the world. Whilst we recognise the emphasis over recent years on gender diversity, we also believe in recruiting the best available individual for particular roles. Although our Board is currently comprised solely of men, we hope the opportunity will arise in future to appoint women to the Board.

Where appropriate, and where there are initially differing views amongst Directors, our Board engages in debates that are always constructive and sometimes lively. This allows decisions to be reached, following full consideration of all views around the table, by consensus. These debates are informed by comprehensive reports from each of the Executive Directors and by external input for example from the Company's financial advisors when considered appropriate.

We have active Audit, CSR and Remuneration Committees which allow different forums for more detailed discussions on matters within their terms of reference. These discussions are reported to the full Board where they are considered further as appropriate. Our Remuneration Committee meets without the Executive Directors present to discuss their remuneration. Our Audit Committee meets with the external auditors in the absence of management at least once per year.

Of course, the success of our business depends on the great people we are fortunate to have working in our operations on a day to day basis. Our Executive Directors are regularly on site in Kazakhstan and I and other Non-Executive Directors have visited the operations to meet with local management. Aside from being an important part of the Board's role, it is always most enjoyable to see the quality of people producing such a high standard of operation in our business.

On the following pages are more details of our individual Directors, our Board and its Committees. I hope this review of governance provides insight for shareholders to the importance my fellow Directors and I place on how the Company is governed on their behalf.

On behalf of the Board

**Nigel Hurst-Brown**  
Chairman

# WEALTH OF EXPERIENCE



**Nick Clarke**  
Chief Executive Officer

#### Date of Appointment

Nick joined CAML as Chief Executive Officer on 7 April 2009.

#### Background and Experience

Nick has 41 years of mining experience, including 16 years spent within senior management positions in production and technical services in South Africa, Ghana and Saudi Arabia. Nick served as the managing director of Oriol Resources plc until its acquisition by OAO Mechel for \$1.5 billion in 2008. In addition, Nick was managing director at Wardell Armstrong International Ltd, where he managed numerous multidisciplinary consulting projects in the resource sector. He is a graduate of Camborne School of Mines and a Chartered Engineer. Nick is also a non-executive director of Wolf Minerals Ltd.



**Nigel Robinson**  
Chief Financial Officer

#### Date of Appointment

Nigel joined CAML in November 2007 and became Chief Financial Officer on 7 April 2009.

#### Background and Experience

Nigel is a member of the Institute of Chartered Accountants in England & Wales and formerly a Royal Naval Officer in the Fleet Air Arm. Upon leaving the Royal Navy, he qualified with KPMG where he stayed for a further three years before leaving to work in commerce. He worked for six years in management with British Airways plc before leaving in 2002 to become more involved with smaller enterprises.



**Howard Nicholson**  
Technical Director

#### Date of Appointment

Howard joined CAML in August 2009 and was appointed a Director on 7 December 2010.

#### Background and Experience

Howard is an experienced metallurgist with 36 years of experience in project development and mine operations management. Formerly the COO of European Minerals Corporation, Howard led the technical development of a large copper gold mine in Kazakhstan and prior to this had held senior level project and operational management positions with Ashanti Goldfields, Lonrho and Anglo American.

#### Committee Membership

CSR (Chair)



**Nigel Hurst-Brown**  
Non-Executive Chairman

#### Date of Appointment

Nigel joined CAML on 7 December 2006.

#### Background and Experience

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

#### Committee Membership

Audit / Remuneration



**Robert Cathery**  
Non-Executive Director

#### Date of Appointment

Robert joined CAML on 18 September 2007.

#### Background and Experience

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. During his career in the City he was a director of Vickers da Costa and Schroders Securities and Head of Corporate Sales at SG Securities (London) Limited. He is currently a non-executive director of Salamander Energy plc and SOCO International plc. He is a founder shareholder of CAML.

#### Committee Membership

Remuneration (Chair)



**David Swan**  
Non-Executive Director

#### Date of Appointment

David joined CAML on 16 June 2014.

#### Background and Experience

David is a fellow of the Institute of Chartered Accountants in Australia and New Zealand and a member of the Institute of Chartered Accountants in England and Wales. He has a broad commercial experience across a range of small to large companies. He is currently a non-executive director of Sunrise Resources Plc, and formerly Chief Financial Officer of Oriel Resources Plc and Lubel Coal Plc.

#### Committee Membership

Audit (Chair) / Remuneration / CSR



**Kenges Rakishev**  
Non-Executive Director

#### Date of Appointment

Kenges joined CAML on 9 December 2013.

#### Background and Experience

Kenges Rakishev is a prominent business leader in Kazakhstan. He serves as chairman of the board of directors for a number of large companies including SAT & Company (KASE: SATC), a diversified industrial holding company. He also serves as chairman of NASDAQ-listed Net Element International, Inc. (NETE) and is a director of JSC Kazkommertsbank.

#### Committee Membership

CSR



**Nurlan Zhakupov**  
Non-Executive Director

#### Date of Appointment

Nurlan joined CAML on 27 October 2011.

#### Background and Experience

Nurlan is a Kazakhstani national and currently employed as executive director of the Investment Banking Department at UBS (Kazakhstan). He has extensive experience in capital markets and has held a number of positions in Kazakhstan's resource sector for Tau-Ken Samruk (the national mining company), Chambishi Metals PLC and ENRC. He holds a bachelor and a masters degree in Economics from the Moscow State Institute for International Relations (MGIMO).

#### Committee Membership

CSR

# CORPORATE GOVERNANCE REPORT

## Board Role and Effectiveness

The Board of Directors comprises three Executive Directors and five Non-Executive Directors. The Board considers that all the Non-Executive Directors, other than Kenges Rakishev, are fully independent. Although Kenges Rakishev is not considered fully independent due to his substantial shareholding in the Company, he is considered otherwise independent including independent of management. A summary of certain terms of the relationship agreement he has entered into with the Company is included later in this report. Consequently, the Directors are of the opinion that the Board comprises a suitable balance of Executive and independent Directors.

The Board, through the Chairman and the Non-Executive Directors as well as the Executive Directors, maintains regular contact with its investors and analysts and seeks to ensure that it develops an understanding of the views of major shareholders about the Company.

The Board meets regularly throughout the year and is responsible for reviewing and approving the Company's strategy and monitoring its financial activities and operating performance. Day to day management is delegated to the three Executive Directors who consult the wider Board on significant matters. Consequently, decisions are made promptly following consultation amongst the Directors concerned where necessary and appropriate.

All necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively and all Directors have access to independent professional advice at the Company's expense, as and when required.

The Chairman is available to meet with institutional shareholders to discuss any issues and concerns regarding the CAML's governance. The participation of the private and institutional investors at the Annual General Meeting is welcomed by the Board.

## Relationship Agreement

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

Mr Rakishev has given certain undertakings, including, to exercise his voting rights, insofar as he is able, as a shareholder and as a Board member to: (1) ensure that no variations are made to the Company's Articles of Association which would be contrary to the maintenance of the Company's independence; (2) that transactions between Kenges Rakishev (and his associates) are made on an arm's length basis and on, in the Company's opinion, normal commercial terms; and (3) that the Company will make decisions for the benefit of shareholders of the Company as a whole and not solely for the benefit of Kenges Rakishev.

## Internal Controls

The Directors acknowledge their responsibility for the Company's and the Group's systems of internal controls, which are designed to safeguard the assets of the Group and ensure the reliability of financial information for both internal use and external publication. Overall control is achieved by a regular detailed reporting system covering both technical progress of a project and the state of the Group's financial affairs.

Any system of internal controls can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected or that the risk of failure to achieve business objectives is eliminated. The Directors consider that the system of internal controls operated effectively throughout the financial year and up to the date the financial statements were signed.

Based on the size and complexity of the Group, the Board of Directors does not consider that there is a need for an internal audit function.

## Committees

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

## Audit Committee

The Audit Committee comprises David Swan, Chairman, and Nigel Hurst-Brown, both of whom are considered independent Directors. David assumed the role of Chairman of the Committee when he joined the Board in June 2014 when the previous Chairman, Dr Michael Price stepped down. All members attended all Committee meetings that took place while they were members. The Audit Committee's primary responsibilities are to review the effectiveness of the Company's systems of internal controls, to review with the external auditors the nature and scope of their audit and the results of the audit, and to evaluate and select external auditors and ensure their independence and objectivity.

In accordance with its terms of reference, the Audit Committee held meetings during the year with the auditors to review the plans for, and the results of the audit of the 2014 accounts. The Chief Financial Officer and a representative of the external auditors are normally invited to attend the Committee's meetings. Other Directors, staff and representatives of the external auditors may be invited to attend as considered beneficial by the Committee.

## Corporate Social Responsibility (CSR) Committee

The Company has always been keenly focused on ensuring that the environmental and social aspects of its operations are managed to the highest possible standards. In recognition of this responsibility, a CSR Committee was established by the CAML Board in June 2012. The CSR Committee comprises Howard Nicholson, Chairman, David Swan and Nurlan Zhakupov. The CSR Committee is tasked with overseeing CSR activities across the Group, further details of which are found on pages 26 to 29.

A Group CSR policy has been developed and a copy of it can be found on the CAML website at [www.centralasiametals.com](http://www.centralasiametals.com).

Given the importance which the Group places in this area, the Committee meets on a regular basis throughout the year on the same days as most main Board meetings. At its meetings, it reviews environmental, health and safety and local community related matters. In doing so, it considers reports both from Group and local management and from external experts and advisors. Matters of particular significance are then also reported to the Board.



### Remuneration Committee

The Remuneration Committee comprises Robert Cathery, Chairman, Nigel Hurst-Brown and David Swan, all of whom are considered independent Non-Executive Directors. Robert assumed the role of Chairman of the Committee when the previous Chairman, Dr Michael Price stepped down in June 2014. All members attended all Committee meetings that took place while they were members. The Remuneration Committee reviews the performance of the Executive Directors and sets 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 seeks to enable the Company to attract and retain executives of the highest calibre. The Remuneration Committee also reviews the remuneration of other senior management. In addition, it decides whether to grant share awards in the Company and, if these are to be granted, who the recipients should be.

Under the Company's share option schemes, nominal priced share options have been granted to the Executive Directors during the year as shown in note 35 of the financial statements. The shares will generally vest one third each year after the date of grant subject to the achievement of performance conditions to which the awards are subject. For the awards granted in October 2014, the vesting period commences in relation to one-third per annum commencing in March 2015 to fit with the Company's ongoing award grant calendar, these being the annual awards in relation to 2014.

The Company's policy is to remunerate senior executives fairly in such a manner as to facilitate the recruitment, retention and motivation of staff. The Remuneration Committee agrees with the Board a framework for the remuneration of Executive Directors and senior management of the Company. The principal objectives of the Committee are to ensure that Executive Directors and members of the senior management of the Company are provided incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

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

During the year the Remuneration Committee (in relation to the Executive Directors) and the Board excluding the Non-Executive Directors in relation to the Non-Executive Directors conducted comprehensive benchmarking exercises of remuneration in the Company. These were performed in the context of the very significant development of the Company over past years to ensure that Directors are fairly and not excessively remunerated. This included reviews of remuneration for similar roles in comparable companies and advice from specialist remuneration advisors.

In line with the results of these remuneration reviews and advice, the salaries and fees set out in the Directors' Report on page 39 took effect from 1 January 2015.

In addition, and as part of the overall remuneration review, the Remuneration Committee determined that it was appropriate for Executive Directors to continue to receive annual bonuses of up to 100% of salary and to receive LTIP awards over shares equivalent in value to up to 100% of salary subject in both cases to challenging performance measures.

### Nominations Committee

The Directors are of the opinion that, given the size of the Company, there is no requirement for a separate Nominations Committee. Accordingly the Board takes on this responsibility as and when required.

### Risk management

The effective management of risk is critical to the growth and profitability of the Group. The Group is exposed to a number of risks within its business and has a structured approach to identifying, analysing, managing and monitoring such risks. The principal risks and uncertainties are discussed in more detail on pages 30 to 31.

# DIRECTORS' REPORT

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2014.

Details of significant events since the balance sheet date are contained in note 34 to the financial statements.

## Principal activities

Central Asia Metals plc ("CAML" or "the Company") is the holding Company for a group of Companies (the "Group") engaged in:

- ▲ the processing and subsequent production of copper cathodes, from secondary mining techniques;
- ▲ the identification, acquisition and development of base and precious metals deposits primarily in the Central Asia region but also worldwide.

CAML is domiciled and incorporated in the UK with the registration number 5559627 and the registered office is: Masters House, 107 Hammersmith Road, London, W14 0QH, United Kingdom.

## Review of business

A review of the current and future development of the Group's business is given in the Strategic Report on pages 1 to 31 which forms part of, and by reference is incorporated in, this Directors' Report.

Financial risk management has been assessed within note 3 to the financial statements.

## Proposed Capital Reduction and Dividends

The Company's dividend policy is that an annual dividend will be paid by the Company based on a minimum of 20% of the attributable revenues earned from its SX-EW copper project at Kounrad, Kazakhstan. The payments will be made by means of an interim and final dividend subject to the Company's cash reserves providing a dividend cover of three times or greater.

During 2014, the final 2013 dividend of 5.0 pence per Ordinary Share of \$0.01 each ("Share") was paid on 20 June 2014 and an interim dividend of 5.0 pence per Share was paid on 31 October 2014.

The Directors intend to propose a final dividend for 2014 of 7.5 pence per Share subject to shareholder approval and to the proposed capital reduction. This will take the total dividend for 2014 to 12.5 pence per Share. The Directors recognise that there are currently insufficient reserves available in the Company for distribution and are proposing to rectify this by completing a court approved capital reduction scheme by cancelling the Company's share premium account and transferring such reserves to retained earnings. This process is expected to become effective on or around 13 May 2015 after which shareholder approval of the dividend intended to be proposed will be sought. The Company undertook a previous capital reduction scheme in 2013.

In September 2013 the Company declared dividends amounting to \$5.3 million. Although the Company had sufficient distributable reserves to make the dividend payments, the relevant interim accounts had not been filed with the Registrar of Companies as required. Consequently payment of the dividends was a technical infringement of the Companies Act 2006.

The Directors will propose at the upcoming AGM to appropriate distributable profits of the Company to these payments of dividends and to release the relevant shareholders from any claims that the Company may have in relation to such payments. These financial statements have been drawn up on the basis that the technical infringement described above has been regularised in the manner described.

## Directors and Directors' interests

The Directors listed below served during the year and their interests in the issued Share capital of the Company during the year were as follows:

Director	Shares held as at 31 Dec 2014	Shares held as at 31 Dec 2013 (restated)
CN Hurst-Brown (Chairman) <sup>1</sup>	944,608	944,608
N Clarke (Chief Executive Officer) <sup>2</sup>	1,342,887	1,342,887
N Robinson (Chief Financial Officer) <sup>2</sup>	646,715	646,715
H Nicholson (Technical Director) <sup>2</sup>	446,715	446,715
RM Cathery <sup>3</sup>	2,105,254	3,636,699
D Swan (appointed 16 June 2014)	3,000	N/A
K Rakishev	21,211,751	–
N Zhakupov	–	–
MA Price (resigned 16 June 2014) <sup>4</sup>	N/A	306,543
<b>Total Director's Interests</b>	<b>26,700,930</b>	<b>7,324,167</b>

- 1 Of the Shares held by Nigel Hurst-Brown, 250,543 are held jointly with the Company's EBT under a joint share ownership plan in terms of which the Shares have vested.
- 2 These Shares are held jointly with the Company's EBT under a joint Share ownership plan in terms of which the Shares have vested.
- 3 250,000 (2013: 267,445) Shares held by Elizabeth Cathery, the wife of Robert Cathery; 1,355,254 (2013: 2,189,254) Shares held by Robert Cathery; and 500,000 (2013: 1,180,000) Shares held by Robert and Elizabeth Cathery are included in the above amounts.
- 4 Of the Shares held by Dr. Michael Price, 300,543 were held jointly with the Company's EBT under a joint Share ownership plan in terms of which the Shares have vested and 6,000 Shares were held by Shona Price, the wife of Dr. Michael Price.

There have been no changes in the beneficial interests of the Directors in the issued Share capital of the Company between 31 December 2014 and the date of this report.

At every Annual General Meeting ("AGM"), any Director who has been a Director at each of the two last AGMs and was not appointed or reappointed at either of those meetings, is required to retire and is eligible for reappointment. H Nicholson and N Zhakupov are therefore required to be appointed at the AGM. D Swan was appointed a Director by the Board since last year's AGM and accordingly retires and is being proposed for reappointment at the AGM. During the year, Directors' and Officers' liability insurance was maintained for Directors and other Officers of the Group.

## Director Service Contracts and Appointment Letters

The Executive Directors have entered into service contracts with the Company at the following salaries with effect from 1 January 2015.

Nick Clarke	£385,000
Nigel Robinson	£250,000
Howard Nicholson	£250,000

The Executive Directors service agreements are subject to notice periods of six months and the Company has the discretion to pay them in lieu of their notice period and also to place them on garden leave. In the event of a change of control of the Company by way of takeover or delisting, the Executive Directors shall be entitled to receive a compensation payment of 12 months basic salary. Other fixed elements of the Executive Directors' remuneration comprise private medical insurance and the service contracts also contain customary post termination restrictions.

The Executive Directors are currently entitled to earn an annual bonus linked to their salary subject to the achievement of agreed performance targets and at the sole discretion of the CAML Remuneration Committee.

## 2014 Production Performance Bonus

The Executive Directors were entitled to production performance bonuses based on copper production output and the cost per unit of the production at Kounrad as agreed with the CAML Remuneration Committee.

The targets of the 2014 performance bonus were to produce 11,000 tonnes of copper cathode and keep the C1 cash cost of production below \$0.86/lb and as at 31 December 2014 it was assessed that these targets had been achieved and so production performance bonuses were paid.

## Non-Executive Fees

The Non-Executive Directors have each entered into appointment letters. Under the terms of these letters, the Non-Executive Directors are entitled to an annual fee as set out below.

Nigel Hurst-Brown	£100,000
Robert Cathery <sup>1</sup>	£65,000
David Swan <sup>2</sup>	£65,000
Nurlan Zhakupov	£60,000
Kenges Rakishev	£60,000

<sup>1</sup> This comprises a base fee of £60,000 and £5,000 Committee Chair fee for the role of Chairman of the Remuneration Committee.

<sup>2</sup> This comprises a base fee of £60,000 and £5,000 Committee Chair fee for the role of Chairman of the Audit Committee.

The appointments are terminable by either party with one months' written notice. The Company may pay the Non-Executive Directors in lieu of notice.

## Substantial Shareholding

At the date of this report the Company has been notified or is aware of the following interests in the Shares of the Company of 3 per cent or more of the Company's total issued Share capital. (excluding Treasury Shares)

	No of Shares	%
Kenges Rakishev	21,211,751	19.01
Hargreave Hale	10,989,354	9.49
Commonwealth American Partners LLP	7,445,492	6.67
FIL Limited	6,096,461	5.46
Montoya Investment Limited	6,011,336	5.39
Central Asia Metals Employee Benefit Trust <sup>1</sup>	5,299,636	4.75
D&A Income Limited	4,339,147	3.89
Legal & General Group plc	4,160,800	3.73
Majedie Asset Management	4,812,701	4.43
Miton Group plc	4,034,321	4.33

<sup>1</sup> Central Asia Metals Employee Benefit Trust Shares are Shares held in trust on behalf of certain Directors and the CAML management team.

## Changes in Share Capital

On 23 May 2014, on the completion of the Kounrad transaction, a total of 21,211,751 Ordinary Shares were issued to Kenges Rakishev.

In June 2014 and July 2014, 260,000 and 932,053 Shares respectively were issued following the exercise of warrants by Mirabaud Securities LLP.

On 23 July 2014 the Company allotted and issued 3,500,000 Ordinary Shares to the trustee of the Central Asia Metals Limited Share Trust (the "Employee Benefit Trust").

As at 31 December 2014 112,069,738 Shares were in issue including Treasury shares of 689,593.

During 2014, 629,336 Shares were moved out of Treasury to satisfy the exercise of options under the Company's Share option schemes. 511,647 Shares are currently held in Treasury pending their cancellation or possible use in the Company employee Share option schemes.

# DIRECTORS'

## REPORT CONTINUED

### AGM Notice

Resolutions will be proposed at the forthcoming AGM, as set out in the formal Notice of Meeting which will be sent to shareholders.

### Auditors and Disclosure of Information to Auditors

Each Director in office at the date of approval of this report has confirmed that:

- ▲ so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- ▲ he has taken all reasonable steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the AGM.

### Political Donations

During the year the Group did not make any political donations.

### Corporate Governance

The Governance Report can be found on pages 32 to 37. The Governance Report forms part of this Directors' Report and is incorporated by cross-reference.

On behalf of the Board



**Nigel Robinson**

Chief Financial Officer

27 March 2015



# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- ▲ select suitable accounting policies and then apply them consistently;
- ▲ make judgements and accounting estimates that are reasonable and prudent;
- ▲ state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ▲ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the Board



**Nigel Robinson**  
Chief Financial Officer  
27 March 2015

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CENTRAL ASIA METALS PLC

## Report on the Financial Statements

### Our Opinion

In our opinion:

- ▲ Central Asia Metals plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2014 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- ▲ the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- ▲ the 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.

### What we have audited

Central Asia Metals plc's financial statements comprise:

- ▲ the Statements of Financial Position as at 31 December 2014;
- ▲ the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- ▲ the Statements of Cash Flows for the year then ended;
- ▲ the Consolidated and Company Statement of Changes in Equity for the year then ended; and
- ▲ the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

### Opinion on Other Matter Prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Other Matters on Which we are Required to Report by Exception

#### Adequacy of Accounting Records and Information and Explanations Received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- ▲ we have not received all the information and explanations we require for our audit; or
- ▲ adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- ▲ the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### Directors' Remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' Remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

### Responsibilities for the Financial Statements and the Audit

#### Our Responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 41, 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & 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.

### What an Audit of Financial Statements Involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 the 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.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



**Alison Baker**

**Senior Statutory Auditor**

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

27 March 2015

- (a) The maintenance and integrity of the Central Asia Metals plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# CONSOLIDATED INCOME STATEMENT

## FOR THE YEAR ENDED 31 DECEMBER

	Note	Group	
		2014 \$'000	2013 \$'000
<b>Continuing operations</b>			
Gross revenue	6	<b>76,561</b>	54,090
Revenue	6	<b>73,141</b>	51,483
Cost of sales	7	<b>(25,103)</b>	(13,778)
<b>Gross profit</b>		<b>48,038</b>	37,705
Distribution and selling costs	8	<b>(292)</b>	(357)
Administrative expenses	9	<b>(11,836)</b>	(9,562)
Other expenses		<b>(295)</b>	(32)
Foreign exchange rate gain	16	<b>1,895</b>	159
<b>Operating profit</b>		<b>37,510</b>	27,913
Finance income	13	<b>61</b>	17
Finance costs	13	<b>(334)</b>	(412)
Gain on re-measuring to fair value the existing interest on acquisition of control	33	<b>33,039</b>	27,835
<b>Profit before income tax</b>		<b>70,276</b>	55,353
Income tax	14	<b>(10,548)</b>	(6,712)
Profit for the year from continuing operations		<b>59,728</b>	48,641
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	20	<b>(257)</b>	(14,149)
<b>Profit for the year</b>		<b>59,471</b>	34,492
<b>Profit attributable to:</b>			
– Owners of the parent		<b>59,471</b>	34,492
<b>Earnings/(loss) per share from continuing and discontinued operations attributable to owners of the parent during the year (expressed in cents per share)</b>			
<b>Basic earnings/(loss) per share</b>			
From continuing operations	15	<b>56.28</b>	54.85
From discontinued operations	15	<b>(0.24)</b>	(15.96)
From profit for the year	15	<b>56.04</b>	38.89
<b>Diluted earnings/(loss) per share</b>			
From continuing operations	15	<b>55.15</b>	52.69
From discontinued operations	15	<b>(0.24)</b>	(15.96)
<b>From profit for the year</b>	15	<b>54.91</b>	37.36

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Company Income Statement or Statement of Comprehensive Income. The loss for the parent Company for the year was \$9,703,595 (2013: \$21,086,497).

The notes on pages 50 to 80 are an integral part of these consolidated financial statements.



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Note	2014 \$'000	2013 \$'000
<b>Profit for the year</b>		<b>59,471</b>	34,492
<b>Other comprehensive expense:</b>			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences	25	(10,291)	(722)
<b>Other comprehensive expense for the year, net of tax</b>		<b>(10,291)</b>	(722)
<b>Total comprehensive income for the year</b>		<b>49,180</b>	33,770
<b>Attributable to:</b>			
– Owners of the parent		49,180	33,770
– Non-controlling interests		–	–
<b>Total comprehensive income for the year</b>		<b>49,180</b>	33,770
Total comprehensive income attributable to equity shareholders arises from:			
– Continuing operations		49,437	48,702
– Discontinued operations		(257)	(14,932)
		<b>49,180</b>	33,770

During 2014 the Group had no balances attributable to non-controlling interests (2013: nil). Items in the statement above are disclosed net of tax.

The notes on pages 50 to 80 are an integral part of these consolidated financial statements.

# STATEMENTS OF FINANCIAL POSITION

## AT 31 DECEMBER

	Note	Group		Company	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	17	74,661	77,716	159	198
Intangible assets	18	81,605	16,693	–	–
Investments	19	–	–	8,663	7,990
Trade and other receivables	21	6,393	17,090	–	11,216
		<b>162,659</b>	111,499	<b>8,822</b>	19,404
<b>Current assets</b>					
Inventories	22	4,054	3,916	–	–
Trade and other receivables	21	3,214	1,402	30,170	30,131
Restricted cash	23	148	1,734	–	1,649
Cash and cash equivalents	23	46,144	42,774	33,644	28,932
		<b>53,560</b>	49,826	<b>63,814</b>	60,712
Assets of disposal group classified as held for sale	20	80	186	–	–
		<b>53,640</b>	50,012	<b>63,814</b>	60,712
<b>Total assets</b>		<b>216,299</b>	161,511	<b>72,636</b>	80,116
<b>Equity attributable to owners of the parent</b>					
Ordinary Shares	24	1,121	862	1,121	862
Share premium	24	67,079	–	67,079	–
Treasury shares	24	(9,644)	(4,100)	(9,644)	(4,100)
Other reserves	25, 26	(11,117)	44,140	–	44,966
Retained earnings		140,484	94,827	12,856	36,374
		<b>187,923</b>	135,729	<b>71,412</b>	78,102
<b>Non-controlling interests</b>		–	–	–	–
<b>Total equity</b>		<b>187,923</b>	135,729	<b>71,412</b>	78,102
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Deferred income tax liability	36	20,567	9,652	–	–
Provisions for other liabilities and charges	28	3,093	3,667	–	–
		<b>23,660</b>	13,319	–	–
<b>Current liabilities</b>					
Trade and other payables	27	4,252	11,860	1,224	2,014
		<b>4,252</b>	11,860	<b>1,224</b>	2,014
Liabilities of disposal group classified as held for sale	20	464	603	–	–
		<b>4,716</b>	12,463	<b>1,224</b>	2,014
<b>Total liabilities</b>		<b>28,376</b>	25,782	<b>1,224</b>	2,014
<b>Total equity and liabilities</b>		<b>216,299</b>	161,511	<b>72,636</b>	80,116

The notes on pages 50 to 80 are an integral part of these consolidated financial statements.

The financial statements on pages 44 to 80 were authorised for issue by the Board of Directors on 27 March 2015 and were signed on its behalf.



Nigel Robinson  
Chief Financial Officer

Central Asia Metals plc  
Registered no. 5559627

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER

Attributable to owners of the parent	Note	Ordinary Shares \$'000	Share Premium \$'000	Treasury Shares \$'000	Other Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
<b>Balance as at 1 January 2013</b>		<b>862</b>	<b>61,431</b>	<b>(4,236)</b>	<b>4,347</b>	<b>8,626</b>	<b>71,030</b>
Profit for the year		–	–	–	–	34,492	34,492
Other comprehensive expense – currency translation differences	25	–	–	–	(722)	–	(722)
<b>Total comprehensive (expense)/income</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>(722)</b>	<b>34,492</b>	<b>33,770</b>
<b>Transactions with owners</b>							
Share based payments	9, 25	–	–	–	1,588	–	1,588
Forfeited options	25	–	–	–	(346)	–	(346)
Capital reduction	24	–	(61,431)	–	–	61,431	–
Promise of shares to be issued to Kenges Rakishev (KR) on completion of KCC acquisition	25	–	–	–	39,409	–	39,409
Dividends		–	–	–	–	(10,204)	(10,204)
Sale of Mongolian assets		–	–	–	–	482	482
Correction to treasury shares	25	–	–	136	(136)	–	–
Total transactions with owners, recognised directly in equity		–	(61,431)	136	40,515	51,709	30,929
<b>Balance as at 31 December 2013</b>		<b>862</b>	<b>–</b>	<b>(4,100)</b>	<b>44,140</b>	<b>94,827</b>	<b>135,729</b>
Profit for the year		–	–	–	–	59,471	59,471
Other comprehensive income – currency translation differences	25	–	–	–	(10,291)	–	(10,291)
<b>Total comprehensive (expense)/income</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>(10,291)</b>	<b>59,471</b>	<b>49,180</b>
<b>Transactions with owners</b>							
Reserve transfer*	25	–	–	–	(5,557)	5,557	–
Share based payments	9	–	–	–	–	1,914	1,914
Promise of shares to be issued to KR on completion of SUC acquisition	25	–	–	–	16,844	–	16,844
EBT shares granted	24	35	9,110	(9,145)	–	–	–
Ordinary shares issue to KR on completion of Kounrad transaction	24	212	56,041	–	(56,253)	–	–
Exercise of warrants	24	12	1,928	–	–	–	1,940
Exercise of options	24	–	–	3,399	–	(3,236)	163
Sale of EBT shares	24	–	–	202	–	(194)	8
Dividends		–	–	–	–	(17,855)	(17,855)
Total transactions with owners, recognised directly in equity		259	67,079	(5,544)	(44,966)	(13,814)	3,014
<b>Balance as at 31 December 2014</b>		<b>1,121</b>	<b>67,079</b>	<b>(9,644)</b>	<b>(11,117)</b>	<b>140,484</b>	<b>187,923</b>

\* The Group and Company made a reserve transfer during 2014 to include the share option reserve as part of retained earnings as permitted by IFRS.

During 2014 the Group had no balances attributable to non-controlling interests (2013: nil).

The notes on pages 50 to 80 are an integral part of these consolidated financial statements.

# COMPANY STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER

Company	Note	Ordinary Shares \$'000	Share Premium \$'000	Treasury Shares \$'000	Other Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
<b>Balance as at 1 January 2013</b>		<b>862</b>	<b>61,431</b>	<b>(4,236)</b>	<b>4,451</b>	<b>6,234</b>	<b>68,742</b>
Loss for the year		–	–	–	–	(21,087)	(21,087)
<b>Total comprehensive expense</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(21,087)</b>	<b>(21,087)</b>
<b>Transactions with owners</b>							
Share based payments	9, 25	–	–	–	1,588	–	1,588
Forfeited options	25	–	–	–	(346)	–	(346)
Capital reduction	24	–	(61,431)	–	–	61,431	–
Promise of shares to be issued to KR on completion of KCC acquisition	25	–	–	–	39,409	–	39,409
Dividends		–	–	–	–	(10,204)	(10,204)
Correction to treasury shares	25	–	–	136	(136)	–	–
Total transactions with owners, recognised directly in equity		–	(61,431)	136	40,515	51,227	30,447
<b>Balance as at 31 December 2013</b>		<b>862</b>	<b>–</b>	<b>(4,100)</b>	<b>44,966</b>	<b>36,374</b>	<b>78,102</b>
Loss for the year		–	–	–	–	(9,704)	(9,704)
<b>Total comprehensive expense</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(9,704)</b>	<b>(9,704)</b>
<b>Transactions with owners</b>							
Reserve transfer*	25	–	–	–	(5,557)	5,557	–
Share based payments	9	–	–	–	–	1,914	1,914
Promise of shares to be issued to KR on completion of SUC acquisition	25	–	–	–	16,844	–	16,844
EBT shares granted	24	35	9,110	(9,145)	–	–	–
Ordinary shares issue to KR on completion of the Kounrad transaction	24	212	56,041	–	(56,253)	–	–
Exercise of warrants	24	12	1,928	–	–	–	1,940
Exercise of options	24	–	–	3,399	–	(3,236)	163
Sale of EBT shares	24	–	–	202	–	(194)	8
Dividends		–	–	–	–	(17,855)	(17,855)
Total transactions with owners, recognised directly in equity		259	67,079	(5,544)	(44,966)	(13,814)	3,014
<b>Balance as at 31 December 2014</b>		<b>1,121</b>	<b>67,079</b>	<b>(9,644)</b>	<b>–</b>	<b>12,856</b>	<b>71,412</b>

\* The Group and Company made a reserve transfer during 2014 to include the share option reserve as part of retained earnings as permitted by IFRS.

The notes on pages 50 to 80 are an integral part of these consolidated financial statements.



# STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER

	Note	Group As at 31 December		Company As at 31 December	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>					
Cash generated from/(used in) operations	29	47,152	41,080	10,485	(6,281)
Interest paid		(58)	(190)	(11)	(9)
Income tax paid		(16,624)	(5,533)	–	–
<b>Net cash generated from/(used in) operating activities</b>		<b>30,470</b>	<b>35,357</b>	<b>10,474</b>	<b>(6,290)</b>
<b>Cash flows from investing activities</b>					
Purchases of property, plant and equipment	17	(11,004)	(2,464)	(7)	(207)
Proceeds from sale of property, plant and equipment		–	9	–	–
Purchase of intangible assets	18	(115)	(5,750)	–	(50)
Investment in Kounrad project	19	–	–	(598)	(502)
Investment in Copper Bay project	19	–	–	–	(3,222)
Repayment of loan from subsidiary	35	–	–	11,270	32,360
Loans to subsidiaries	35	–	–	(135)	–
Interest received	13, 20	61	17	–	–
Acquisition of subsidiary, net of cash acquired	33	327	3,293	–	–
<b>Net cash (used in)/generated from investing activities</b>		<b>(10,731)</b>	<b>(4,895)</b>	<b>10,530</b>	<b>28,379</b>
<b>Cash flows from financing activities</b>					
Dividends paid to owners of the parent	32	(17,932)	(19,739)	(17,932)	(19,739)
KR payment on completion of Kounrad transaction	33	(1,432)	–	(1,432)	–
Receipt on exercise of share options	25, 26	168	–	168	–
Exercise of warrants	24	1,942	–	1,942	–
Restricted cash	23	1,586	(1,734)	1,649	(1,649)
<b>Net cash used in financing activity</b>		<b>(15,668)</b>	<b>(21,473)</b>	<b>(15,605)</b>	<b>(21,388)</b>
Effect of foreign exchange (losses)/ gains on cash and cash equivalents		(707)	(65)	(687)	–
Net increase in cash and cash equivalents		3,364	8,924	4,712	701
<b>Cash and cash equivalents at the beginning of the year</b>	20, 23	<b>42,795</b>	<b>33,871</b>	<b>28,932</b>	<b>28,231</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>46,159</b>	<b>42,795</b>	<b>33,644</b>	<b>28,932</b>

The notes on pages 50 to 80 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2014

### 1. General information

Central Asia Metals plc (CAML or the Company) and its subsidiaries (the Group) are a mining and exploration organisation with operations primarily in Kazakhstan and a parent holding company based in the United Kingdom.

The Group's principal business activity is the production of copper cathode at its Kounrad operations in Kazakhstan. The Group also owns various exploration projects in Mongolia which are held for sale and has an investment in a copper tailings project in Chile.

CAML is a public limited company, which is listed on AIM and incorporated and domiciled in the UK. The address of its registered office is Masters House, 107 Hammersmith Road, London, W14 0QH. The Company's registered number is 5559627.

### 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of Preparation

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting standards (IFRS) and IFRS Interpretations Committee (IFRSIC) interpretations as adopted by the European Union, and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention with the exception of assets held for sale which have been held at fair value. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2014. The Group financial statements are presented in US dollars (\$) and rounded to the nearest thousand.

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.

#### Comparative results

The Group commenced production of copper cathodes on 30 April 2012. The cathodes are produced by the SX-EW plant at Kounrad which is owned and operated by Kounrad Copper Company LLP (KCC). On 21 October 2013, the ownership of KCC increased from 60% to 100% following the acquisition of 40% of KCC. Consequently, the comparative results for the year ended 31 December 2013 comprise only 60% of the revenues and costs associated with the Kounrad project for the first nine months of the year but 100% for the final three months of the year. In contrast, the results for the year ended 31 December 2014 account for 100% of the revenue and costs associated with the Kounrad project throughout the year.

The impact of the above event makes annual comparisons difficult from the annually reported numbers in several of the notes to the financial statements. A more meaningful analysis of the reported revenues and costs can be obtained from the Strategic Report on page 23.

#### Going concern

The Group meets its day-to-day working capital requirements through its profitable operations at Kounrad. The Group has substantial cash balances as at 31 December 2014 and on the date of issue of these financial statements. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Group sells and distributes its copper cathode product primarily through an offtake arrangement with 90% of the SX-EW plant's output committed as sales for the period up until 31 December 2015.

The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements. Please refer to notes 6, 23 and 27 for information on the Group's revenues, cash balances and trade and other payables.

#### • New and amended standards and interpretations adopted by the Group.

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

Amendments to IAS 32 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures', clarifying the requirements for offsetting financial assets and financial liabilities on balance sheet. The standard does not have a material impact on the Group.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the Group financial statements as a result.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard does not have a material impact on the Group.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The standard does not have a material impact on the Group.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. The standard does not have a material impact on the Group.

IAS 27, 'Separate Financial Statements' amendments triggered by IFRS 10 'Consolidated Financial Statements' and IFRS 12 to the portion of IAS 27 that addresses the accounting for consolidated financial statements. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements. The standard does not have a material impact on the Group.

• **New and amended standards and interpretations not yet adopted by the Group**

The following standards, amendments and interpretations to existing standards relevant to the Group are not yet effective and have not been early adopted by the Company. The items disclosed are those which could have a significant impact on the Group.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The standard is not expected to have material impact on the Group. The standard is subject to EU endorsement and not mandatory for the Group until 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers' was issued in May 2014 which establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. Revenue will be recognised based on the following five-step model framework:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation

The standard is subject to EU endorsement and not mandatory for the Group until 1 January 2017. The standard is not expected to have a material impact on the Group.

Amendment to IAS 16 and IAS 38 clarifies that the use of revenue-based methods to calculate depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, either property, plant and equipment of intangibles assets. The amendment is not expected to have a material impact on the Group.

Amendments to IAS 19 and amendments to IFRSs 2010-2012 and 2011-2013 cycles, with an effective date for the annual accounting periods beginning on or after 1 July 2014. The amendment is not expected to have a material impact on the Group.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

## FOR THE YEAR ENDED 31 DECEMBER 2014

### Basis of Consolidation

#### (a) Joint Venture Accounting – Kounrad Project

The Kounrad project ownership changes have taken a significant amount of time to complete. Throughout the periods of joint ownership and under the terms of the Joint Operating Agreement (JOA), both of the parties had an equal vote on all significant operational, financial and planning matters. Consequently, it was concluded that Joint Control existed over the Kounrad project and so, whilst the various transactions have been negotiated and submitted for government approval, the Kounrad project has been accounted for in the following manner:

1. The subsoil user licence operations (SUC) under Sary Kazna LLP (SK) are classified as a jointly controlled asset. The assets, liabilities, income and expenditure have been proportionately consolidated on a 60:40 basis.
2. All of the operations conducted under Kounrad Copper Company LLP (KCC) have also been proportionately consolidated on a 60:40 basis as it has been a jointly owned legal entity.

The Kounrad transaction resulted in CAML obtaining control over the Kounrad project in two transactions:

1. The first transaction (KCC) was effected in October 2013 by CAML's wholly owned subsidiary, CAML Kazakhstan BV (CAML BV), acquiring the remaining 40% share capital of KCC.
2. The second and final part of the transaction (SUC) was effected in May 2014 by CAML's wholly owned subsidiary SK acquiring the remaining 40% economic interest in the SUC.

Following the completion of the Kounrad Transaction on 23 May 2014, the Group now owns 100% of the Kounrad project and during the year ended 31 December 2014 has accounted for 100% of the income and expenditure together with 100% of the assets and liabilities of the legal entities associated with the Kounrad project.

#### Business Combinations – Kounrad Project

The completion of both transactions, being the acquisition of the remaining 40% of KCC and the SUC, resulted in a change in control of the Kounrad project from joint control to control by CAML. As such an IFRS 3 Business Combination was deemed to have taken place upon completion.

Details of the accounting treatment for the business combination are contained in note 33.

#### (b) Other CAML Subsidiaries

The Group financial statements consolidate the financial statements of CAML and the entities it controls drawn up to 31 December 2014.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Intercompany transactions, balances and unrealised losses/gains on transactions between Group companies are eliminated. Unrealised losses/gains are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### 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 statement of financial position distinct from parent shareholders 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.

### Segment reporting

As at 31 December 2014, the Group only had one business segment consisting of an SX-EW copper plant at Kounrad in Kazakhstan. The Group operations are controlled from a head office in London, UK but this does not represent a separate business segment.

### 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 Group's 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 reporting 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 statement of financial position presented are translated at the closing rate at the reporting date;
- Income and expenses for each income statement are translated at average exchange rates; and
- All resulting exchange differences are recognised in other comprehensive income.

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:

- Construction in progress – not depreciated
- Plant and Equipment – over 5 to 15 years
- Motor Vehicles – over 5 to 10 years
- Office Equipment – over 2 to 10 years

Construction in progress is not depreciated until transferred to other classes of property, plant and equipment.

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the income statement.

### Intangible assets

Intangible assets comprise goodwill, deferred exploration and evaluation costs, mining licences and permits and computer software.

### Goodwill

All business combinations in the Group are accounted for under IFRS 3 using the acquisition method. Any excess of the consideration transferred 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 statement of financial position as goodwill and is not amortised. To the extent that the net fair value of the acquired entity's identifiable assets, liabilities and contingent liabilities is greater than the consideration transferred, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2014

Goodwill arising on the Kounrad transaction comprised \$20,291,000, being the Group's 40% share of the amount calculated in accordance with IFRS to recognise a deferred tax liability on the difference between the provisional fair value of the newly consolidated assets and liabilities with their tax base. This deferred tax liability includes an amount of \$9,278,000 calculated on the acquisition of the additional 40% in KCC on 21 October 2013 with an adjustment in 2014 to increase this amount by \$209,933 (note 33). A further deferred tax liability of \$10,803,000 was calculated on the acquisition of the additional 40% in the SUC in May 2014 (note 33).

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.

### Deferred exploration and evaluation expenditure

Capitalised costs include costs directly related to any Group 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.

Deferred exploration and evaluation assets are measured at cost less provision for impairment, where required.

Amortisation is charged within administrative expenses in the consolidated income statement on a straight line basis over their expected useful lives.

### Mining licences, permits and computer 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 either cost of sales or administrative expenses:

- 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.

### 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.

Goodwill is also reviewed annually, as well as whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Non-financial assets other than goodwill which have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### Disposal groups held for sale

Non-current assets are classified as held for sale and included in discontinued operations 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 is measured at the fair value of consideration received or receivable from sales of metal to an end user, net of any buyers discount and value added tax. The value of the consideration is fair value which equates to the spot price on the date of sale or the contractually agreed price.

The costs of delivery to the end customers are effectively borne by the Group through means of an annually agreed buyer's fee which is offset from the selling price. The Group reports both a gross revenue and revenue line which reflects the offset of the buyers discount from the price of the copper achieved.

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 reliably 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. Provision is made, if necessary, for slow moving, obsolete and defective inventory.

### Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting 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 statement of financial position 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.

### Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

### 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.

### Restricted cash

Restricted cash is cash with banks that is not available for immediate use by the Group. Restricted cash is shown separately from cash and cash equivalents on the statement of financial position.

### Investments

Investments in subsidiaries are recorded at cost less provision for impairment.

### 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.

### Treasury shares

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such Ordinary Shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

## FOR THE YEAR ENDED 31 DECEMBER 2014

### Share based compensation

The Group operates two main Share Option Plans, the rules of which were approved by the Board in December 2007 and October 2011. A scheme similar in details to the one approved in October 2011 was also set up for the two overseas General Directors with the only difference being a specific two year vesting period as opposed to a three year vesting period. 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 reporting date, the entity revises its estimates of the number of options that are expected to vest based on the non-market 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.

### 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.

### 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.

### 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.

### Impairment of financial assets

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.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, 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 carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

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.

## 3. Financial risk management

The Group's activities expose it to a variety of financial risks; market risk (including foreign currency exchange risk, commodity price risk and interest rate risk), tax risk, liquidity risk, capital risk and credit risk. These risks are mitigated wherever possible by the Group's financial management policies and practices described below;

### Foreign currency exchange risk

The Group and Company report their financial results in US dollars and consequently they are exposed to foreign exchange risk arising from various currency exposures with respect to the US dollar. Foreign currency exchange risk arises from both future commercial transactions where projected expenditures are sourced in currencies other than US dollars and from the resulting exchange gains and losses recognised on assets and liabilities and net investments in foreign operations within the Group financial statements.



The Group manages its exposure to foreign currency exchange risk associated with material commercial transactions and working capital requirements by maintaining controlled amounts of cash in the required currencies.

The primary Group currency requirements:

- British Pounds (GBP) – CAML head office overheads and dividends
- Kazakhstan Tenge (KZT) and US dollars (USD) – working capital requirements for the Kounrad operations

The Mongolian Tugrik (MNT), Chinese Yuan Renminbi (CNY) and European Euro (EUR) requirements are immaterial to the Group's operations.

The Group's main revenue stream from the sale of copper cathode in Kazakhstan is denominated in US dollars.

The following table highlights the major currencies the Group operates in and the movements against the US dollar during the course of the year:

	Average Rate		Reporting Date Spot Rate		
	2014	2013	2014	2013	Movement
Kazakhstan Tenge (KZT)	<b>179.19</b>	152.14	<b>182.35</b>	153.61	18.7%
Mongolian Tugrik (MNT)	<b>1,803.65</b>	1,523.93	<b>1,876.00</b>	1,654.10	13.4%
British Pound (GBP)	<b>0.607</b>	0.640	<b>0.644</b>	0.607	6.1%

The Group's exposure to foreign currency risk, based on US dollar equivalent carrying amounts at the reported date:

In \$'000 equivalent	Group 2014					
	GBP	USD	KZT	MNT	EUR	CNY
Trade and other receivables	546	644	7,073	6	–	1,341
Cash and cash equivalents	2,812	43,056	405	–	34	–
Trade and other payables	(1,228)	(1,001)	(1,986)	(3)	(54)	–
<b>Net exposure</b>	<b>2,130</b>	<b>42,699</b>	<b>5,492</b>	<b>3</b>	<b>(20)</b>	<b>1,341</b>

In \$'000 equivalent	Group 2013					
	GBP	USD	KZT	MNT	EUR	CNY
Trade and other receivables	117	214	18,161	74	–	–
Cash and cash equivalents	3,297	40,630	564	21	17	–
Trade and other payables	(2,014)	(26)	(9,758)	(50)	(62)	–
<b>Net exposure</b>	<b>1,400</b>	<b>40,818</b>	<b>8,967</b>	<b>45</b>	<b>(45)</b>	<b>–</b>

At 31 December 2014, if the foreign currencies had weakened/strengthened by 10% against the US dollar, post-tax Group profit for the year would have been \$1.9 million higher/lower.

The Company's exposure to foreign currency risk, based on US dollar equivalent carrying amounts at the reported date:

In \$'000 equivalent	Company			
	2014		2013	
	GBP	USD	GBP	USD
Trade and other receivables	<b>30,170</b>	–	41,347	–
Cash and cash equivalents	<b>2,812</b>	<b>30,832</b>	3,297	27,283
Trade and other payables	<b>(1,224)</b>	–	(2,014)	–
<b>Net exposure</b>	<b>31,758</b>	<b>30,832</b>	42,630	27,283

### Commodity price risk

Commodity price risk is the risk that the Group's future earnings will be adversely impacted by changes in the market prices of commodities, primarily copper. Management is aware of this impact on its primary revenue stream but knows that there is little it can do to influence the price earned apart from a hedging scheme.

Given the low costs of production and the absence of any debt liabilities within the Group, since the commencement of production in late April 2012, CAML management has always felt that a hedging policy was not required and sold the copper generally on a spot basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2014

Given the recent volatility in the copper price, the Board has approved a minor change to the Group's Treasury policy that allows limited hedging up to a maximum of 30% of the Group's rolling 12 month production. It is felt that this policy would allow management to combine the benefits of an exposure to the copper price for its shareholders whilst also facilitating the ability for management to put in place limited hedging to cover the cost base. There are currently no hedges in place.

The following table details the Group's sensitivity to a 10% increase and decrease in the copper price against the invoiced price. 10% is the sensitivity used when reporting commodity price internally to management and represents management's assessment of the possible change in price. A positive number below indicates an increase in profit and other equity where the price increases.

	Estimated Effect on Earnings and Equity	
	2014 \$'000	2013 \$'000
10% increase in copper price	7,656	5,435
10% decrease in copper price	(7,656)	(5,435)

### Liquidity risk

Liquidity risk relates to the ability of the Group and Company to meet future obligations and financial liabilities as and when they fall due.

As the Group currently has sufficient cash resources and material income stream from the Kounrad project, the liquidity risk is considered insignificant.

The tables below analyses the Group's and Company's trade and other receivables based on remaining period at the reporting date to contractual maturity date.

### Trade and other receivables

	Group				Total \$'000
	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000	
As at 31 December 2014	3,220	6,393	–	–	9,613
As at 31 December 2013	1,402	17,090	–	–	18,492

The amount classified within 1-2 years is the VAT incurred on purchases within Kazakhstan as explained in note 21. As a result of the uncertainty regarding timing, the Group has classified the VAT receivable as non-current.

	Company				Total \$'000
	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000	
As at 31 December 2014	30,170	–	–	–	30,170
As at 31 December 2013	30,131	11,216	–	–	41,347

All Group's and Company's trade and other payables are less than one year for both reporting periods.

### Capital risk

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 and to maintain an optimal structure to reduce the cost of capital.

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. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Due to the cash flows being generated at Kounrad from the sale of copper cathode and no debt, the Group's capital risk is currently perceived as minimal although the Board will continue to monitor requirements prudently.

### Credit risk

Credit risk refers to the risk that the Group and Company's financial assets will be impaired by the default of a third party. The Group and Company are exposed to credit risk primarily on its cash and cash equivalents as set out in note 23 and on its trade and other receivables as set out in note 21.

The Directors have considered the credit exposures and do not consider that they pose a material risk at the present time. The credit risk for cash and cash equivalents is managed by ensuring that all surplus funds are deposited only with financial institutions with high quality credit ratings.

The Group is exposed to the risk of not recovering VAT receivable from Kazakhstan tax authorities as set out in note 21.

### Interest rate risk

The Group has no borrowings as at 31 December 2014 (2013: nil) and is funded 100% by equity. The Group has no significant cash balances on deposit. The Group has limited exposure to interest rate risk.

### Tax risk

The taxation systems in Kazakhstan 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 the Group's investments in Kazakhstan 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 Kazakhstan tax laws creates a risk of excessive payment of tax or penalties by the subsoil users if they fail to comply with tax legislation.

The Group manages this risk by complying locally with all tax regulations and ensuring that its local accounting staff are adequately trained and updated regarding any appropriate tax law changes. CAML also receives tax advice on local issues from its tax advisers, PwC Chartered Accountants and Statutory Auditors, in Kazakhstan and Mongolia.

The Group's main receivable is the VAT incurred on purchases within Kazakhstan as explained in note 21. As at 31 December 2014 a total of \$6,392,885 (2013: \$5,436,475) of VAT receivable was still owed to the Group by the Kazakhstan authorities. The Group still remains confident about its prospects to recover this outstanding debt and is working closely with its advisers and local partners to achieve this. The planned means of recovery will be through a combination of the local sales of cathode copper to effectively offset VAT liabilities and by a successful appeal to the authorities.

## Categories of financial instruments

### Financial assets

	Group		Company	
	31 Dec 14 \$'000	31 Dec 13 \$'000	31 Dec 14 \$'000	31 Dec 13 \$'000
<b>Loans and receivables:</b>				
Cash and cash equivalents	<b>46,307</b>	44,529	<b>33,644</b>	30,581
Trade and other receivables	<b>520</b>	11,900	<b>29,874</b>	30,058
	<b>46,827</b>	56,429	<b>63,518</b>	60,639

Trade and other receivables excludes pre-payments and VAT receivable.

### Financial liabilities

	Group		Company	
	31 Dec 14 \$'000	31 Dec 13 \$'000	31 Dec 14 \$'000	31 Dec 13 \$'000
<b>Measure at amortised cost:</b>				
Trade and other payables	<b>1,036</b>	1,234	<b>267</b>	1,220

Trade and other payables excludes corporation tax, social security and other taxes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

## FOR THE YEAR ENDED 31 DECEMBER 2014

### 4. Critical accounting estimates and judgments

The Group has five key areas where critical accounting estimates and judgements are required that could have a material impact on the financial statements:

#### 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. This includes an assessment of the carrying values of assets held for sale.

The carrying value of the goodwill generated by accounting for the business combination of the Group acquiring an additional 40% in the Kounrad project requires an annual impairment review. This review will determine whether the value of the goodwill can be justified by reference to the carrying value of the business assets and the future discounted cash flows of the business.

#### Mineral reserves and resources

The major value associated with the Group is the value of its mineral resources. The value of the resources have an impact on the Group's accounting judgements in relation to depreciation and amortisation, impairment of assets and the assessment of going concern. 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. This judgement has a significant impact on impairment consideration and the period over which capitalised assets are depreciated within the financial statements.

The resources have been independently verified by Wardell Armstrong International and were classified as JORC Compliant in 2013.

#### 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 using a discount rate of 8.65% (2013: 6.40%) representing the risk free rate (pre-tax) for Kazakhstan.

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.

#### Business combination

The Kounrad Transaction resulted in the Group acquiring the 40% of the joint venture project at Kounrad that it did not previously own. The assessment of the fair value uplift of the underlying assets acquired and the treatment of the two legal entities involved in the project required a high degree of judgement.

The assessment of the overall project as a business combination for both legal entities, Kounrad Copper Company LLP and Sary Kazna LLP, and the impact on that judgement caused by the different stages of completion required a careful review of the overall transaction as opposed to the specific nature of the assets being acquired.

The fair value uplift of the assets acquired as a result of that judgement and the resulting accounting treatment have resulted in a significant change to both the income statement and the statement of financial position of the business. The details are explained in note 33.

#### VAT recoverability

The Group's main receivable is the VAT incurred on purchases within Kazakhstan as explained in note 21. As at 31 December 2014 a total of \$6,392,885 (2013: \$5,436,475) of VAT receivable was still owed to the Group by the Kazakhstan authorities. The Group still remains confident about its prospects to recover this outstanding debt and is working closely with its advisers and local partners to achieve this.

The planned means of recovery will be through a combination of the local sales of cathode copper to effectively offset VAT liabilities and by a successful appeal to the authorities. Following an unsuccessful appeal in 2014, a further appeal was lodged in January 2015 by the local tax advisers and the final outcome may not be known for a further 12 months. As a result of the above and the uncertainty regarding timing, the Group has classified the VAT receivable as non-current.

## 5. Segmental information

The Board is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance. The Board considers the business from a geographic prospective.

As at 31 December 2014, the Group only had one operating and reporting segment consisting of an SX-EW copper plant at Kounrad in Kazakhstan. The head office in London, where the Group operations are controlled, and Copper Bay project (Chile), being an exploration asset in its early stages, do not represent separate operating and reporting segments.

Previously reported segments within the Group, namely all the Mongolian operations, are classified as held for sale as at 31 December 2014. In June 2014, Bayanresources LLC, a Mongolian incorporated company owned 70% by the Group was sold for nil consideration.

The Board assesses the performance of the Kounrad project based on a number of key operational and financial measures which relate to copper production output, revenues from the sales of copper and the overall costs of producing the copper. All capital related expenditure at the project is also closely monitored and controlled.

The segmental results for the year ended 31 December 2014 are as follows:

	2014 \$'000	2013 \$'000
Gross revenue	76,561	54,090
Traxys buyers' fees	(3,420)	(2,607)
<b>Revenue</b>	<b>73,141</b>	<b>51,483</b>
<b>Kounrad EBITDA</b>	<b>55,960</b>	<b>39,486</b>
Unallocated costs including corporate	(8,638)	(7,068)
<b>Group continuing operations EBITDA</b>	<b>47,322</b>	<b>32,418</b>
Gain on re-measuring to fair value the existing interest on acquisition of control	33,039	27,835
Depreciation and amortisation	(11,412)	(4,632)
Exchange rate differences gain	1,895	159
Other expenses, net	(295)	(32)
Finance income	61	17
Finance costs	(334)	(412)
<b>Profit before income tax</b>	<b>70,276</b>	<b>55,353</b>
Income tax	(10,548)	(6,712)
<b>Profit for the year from continuing operations</b>	<b>59,728</b>	<b>48,641</b>
Loss from discontinued operations	(257)	(14,149)
<b>Profit for the year</b>	<b>59,471</b>	<b>34,492</b>

The total production at Kounrad for 2014 was 11,136 tonnes (2013: 10,509 tonnes) whilst the total quantity of copper sold was slightly higher at 11,163 tonnes (2013: 10,689 tonnes). The average price achieved from the sale of copper was \$6,794 per tonne (2013: \$7,114 per tonne).

EBITDA is a non-IFRS financial measure. CAML calculates EBITDA as profit or loss for the year excluding the following items:

- Income tax expense;
- Finance income and expense;
- Depreciation and amortisation; and
- Discontinued operations; and Gain on re-measuring to fair value and other income or expenses.

EBITDA is intended to provide additional information to investors and analysts. It does not have any standardised meaning prescribed by IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. EBITDA excludes the impact of cash costs of financing activities and taxes, and the effects of changes in operating working capital balances, and therefore is not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate EBITDA differently.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

## FOR THE YEAR ENDED 31 DECEMBER 2014

A reconciliation between net profit for the year and EBITDA is presented below:

	2014 \$'000	2013 \$'000
<b>Profit for the year</b>	<b>59,471</b>	34,492
Plus/(less):		
Gain on re-measuring to fair value the existing interest on acquisition of control	<b>(33,039)</b>	(27,835)
Depreciation and amortisation	<b>11,412</b>	4,632
Exchange rate differences gain	<b>(1,895)</b>	(159)
Other expenses, net	<b>295</b>	32
Finance income	<b>(61)</b>	(17)
Finance costs	<b>334</b>	412
Income tax expense	<b>10,548</b>	6,712
Loss from discontinued operations	<b>257</b>	14,149
<b>Group continuing operations EBITDA</b>	<b>47,322</b>	32,418
Unallocated costs including corporate	<b>8,638</b>	7,068
<b>Kounrad EBITDA</b>	<b>55,960</b>	39,486

Group segmental assets and liabilities for the year ended 31 December 2014 are as follows:

	Segmental assets		Segmental liabilities	
	31 Dec 14 \$'000	31 Dec 13 \$'000	31 Dec 14 \$'000	31 Dec 13 \$'000
Kounrad – Kazakhstan	<b>173,154</b>	130,473	<b>(26,688)</b>	(23,165)
Assets held for sale – Mongolia	<b>80</b>	186	<b>(464)</b>	(603)
Unallocated including UK corporate	<b>43,065</b>	30,852	<b>(1,224)</b>	(2,014)
<b>Total</b>	<b>216,299</b>	161,511	<b>(28,376)</b>	(25,782)

### 6. Revenue

	2014 \$'000	2013 \$'000
Group		
<b>Main plant</b>		
International customers	<b>73,532</b>	53,197
Domestic customers	<b>3,029</b>	796
	<b>76,561</b>	53,993
<b>Pilot plant</b>		
Domestic customers	–	97
	–	97
<b>Total Gross Revenue</b>	<b>76,561</b>	54,090
Less: Traxys buyers' fees	<b>(3,420)</b>	(2,607)
<b>Revenue</b>	<b>73,141</b>	51,483

The Group sells and distributes its copper cathode product primarily through an offtake arrangement with Traxys. The offtake arrangements are for a minimum 90% of the SX-EW plant's output for the period up until 31 December 2015. The copper cathodes are delivered from the Kounrad site by rail under an FCA (Incoterms 2010) contractual basis and delivered to the end customers in Turkey. As part of the offtake arrangements, the Group sells the copper cathodes at a price linked to the London Metal Exchange (LME) copper price based on an agreed quotational period.

The costs of delivery to the end customers have been effectively borne by the Group through means of an annually agreed buyer's fee which is offset from the selling price (note 8).

During 2014 the Group sold 10,687 tonnes (2013: 10,500 tonnes) of copper through the offtake arrangements. Some of the copper cathodes are also sold locally and during 2014 a total of 476 tonnes (2013: 189 tonnes) were sold to local customers.

## 7. Cost of sales

Group	2014 \$'000	2013 \$'000
<b>Main plant</b>		
Mineral extraction tax	4,431	3,070
Reagents and materials	5,041	3,192
Depreciation and amortisation	11,291	4,546
Employee benefit expense	3,321	2,021
Consulting and other services	1,019	835
	<b>25,103</b>	<b>13,664</b>
<b>Pilot plant</b>	<b>–</b>	<b>114</b>
<b>Total</b>	<b>25,103</b>	<b>13,778</b>

## 8. Distribution and selling costs

Group	2014 \$'000	2013 \$'000
Transportation costs	15	123
Employee benefit expense	80	60
Taxes and duties	52	45
Depreciation and amortisation	45	37
Materials and other expenses	100	92
	<b>292</b>	<b>357</b>

The above distribution and selling costs are those incurred at the Kounrad site in addition to the costs associated with the offtake arrangements. Note 6 refers to the costs associated with the offtake arrangements with Traxys.

## 9. Administrative expenses

Group	2014 \$'000	2013 \$'000
Employee benefit expense	5,848	4,459
Share based payments	1,914	1,588
Consulting and other services	1,527	1,522
Office related costs	1,445	1,087
Taxes and duties	1,026	857
Depreciation and amortisation	76	49
Total from continuing operations	<b>11,836</b>	<b>9,562</b>
Total from discontinued operations (note 20)	<b>249</b>	<b>348</b>
<b>Total</b>	<b>12,085</b>	<b>9,910</b>

## 10. Auditors' remuneration

During the year the Group obtained the following services from the Company's auditors and its associates:

	2014 \$'000	2013 \$'000
Fees payable to the Company's auditors for the audit of parent Company and consolidated financial statements	185	170
Fees payable to the Company's auditors and its associates for other services:		
– The audit of Company's subsidiaries	9	17
– Tax advisory services	–	107
– Tax compliance services	5	7
– Other services	64	–
<b>Total</b>	<b>263</b>	<b>301</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

## FOR THE YEAR ENDED 31 DECEMBER 2014

### 11. Employee benefit expense

The aggregate remuneration of staff, including Directors, was as follows:

Group	2014 \$'000	2013 \$'000
Wages and salaries	7,870	5,685
Social security costs	1,738	602
Staff healthcare	87	43
Other pension costs	448	211
Share based payments (note 26)	1,914	1,588
Total for continuing operations	12,057	8,129
Total for discontinued operations	31	170
<b>Total</b>	<b>12,088</b>	<b>8,299</b>

The total employee benefit expense of \$12,087,877 includes an amount of \$893,117 which has been capitalised within property, plant and equipment (2013: nil).

Details of the Directors' remuneration has been incorporated within note 35.

### 12. Monthly average number of people employed

Group	2014 Number	2013 Number
Operational	202	190
Construction	37	–
Management and Technical	61	44
	<b>300</b>	<b>234</b>

#### Company

The monthly average number of staff employed by the Company during the year was 8 (2013: 7).

### 13. Finance income and costs

Group	2014 \$'000	2013 \$'000
Finance income	61	17
Finance costs	(334)	(412)
<b>Net finance costs</b>	<b>(273)</b>	<b>(395)</b>

As part of the offtake arrangements, the Group may receive payment for copper cathodes immediately upon dispatch rather than waiting for delivery to the end customer. In such cases, interest is charged to the Group on such amounts received up to a maximum period of 60 days from the date of dispatch. During the year the Group incurred interest charges of \$45,940 (2013: \$149,285) under these arrangements.

The above finance costs also include \$276,683 related to the annual assessment of the Group's asset retirement obligations associated with the Kounrad project (2013: \$221,333). The unwinding of discount is calculated on the environmental rehabilitation provision presented in note 28. For cash flow purposes unwinding of discount is excluded from the finance expense movement.

### 14. Income tax

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Current tax:				
Current tax on profits for the year	10,588	6,778	–	–
Total current tax	10,588	6,778	–	–
Deferred tax (note 36)	(40)	(66)	–	–
Income tax expense	10,548	6,712	–	–

UK corporate income tax is calculated at 21.5% (2013: 23.25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Group	
	2014 \$'000	2013 \$'000 restated
Profit before taxation and discontinued operations	70,019	41,204
Tax calculated at domestic tax rates applicable to profits in the respective countries	13,858	9,362
Tax effects of:		
Gain on re-measuring to fair value to existing interest on acquisition of control	(7,103)	(6,472)
Expenses not deductible for tax purposes	2,771	2,856
Tax losses for which no deferred income tax asset was recognised	1,592	966
Utilisation of previously unrecognised tax losses	(570)	–
Income tax expense	10,548	6,712

From 1 April 2014, the main UK Corporation tax rate reduced from 23% to 21%. Further reductions in the main tax rate to 20% from 1 April 2015 have been announced.

The rate reductions were substantively enacted on 3 July 2013 and have been reflected in the calculation of deferred tax at the statement of financial position date.

## 15. Earnings/(loss) per share

### (a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners 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 24).

	2014 \$'000	2013 \$'000
Profit from continuing operations attributable to owners of the parent	59,728	48,641
Loss from discontinued operations attributable to owners of the parent	(257)	(14,149)
<b>Total</b>	<b>59,471</b>	<b>34,492</b>
Weighted average number of Ordinary Shares in issue	106,126,062	88,681,029
	\$ cents	\$ cents
<b>Earnings/(loss) per share from continuing and discontinued operations attributable to owners of the parent during the year (expressed in \$ cents per share)</b>		
From continuing operations	56.28	54.85
From discontinued operations	(0.24)	(15.96)
From profit for the year	56.04	38.89

### (b) Diluted

The diluted earnings/(loss) per share is calculated by adjusting the weighted average number of Ordinary Shares outstanding after assuming the conversion of all outstanding granted share options and exercise of outstanding security warrants.

	2014 \$'000	2013 \$'000
Profit from continuing operations attributable to owners of the parent	59,728	48,641
Loss from discontinued operations attributable to owners of the parent	(257)	(14,149)
<b>Total</b>	<b>59,471</b>	<b>34,492</b>
Weighted average number of Ordinary Shares in issue	106,126,062	88,681,029
Adjusted for		
– Share options (note 26)	2,183,927	2,439,060
– Mirabaud Securities warrants (note 24)	–	1,192,053
Weighted average number of Ordinary Shares for diluted earnings per share	108,309,989	92,312,142
	\$ cents	\$ cents
<b>Diluted earnings/(loss) per share</b>		
From continuing operations	55.15	52.69
From discontinued operations	(0.24)	(15.96)
From profit for the year	54.91	37.36

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

## FOR THE YEAR ENDED 31 DECEMBER 2014

### 16. Foreign exchange rate gains

Group	2014	2013
Exchange rate gain from:	<b>\$'000</b>	<b>\$'000</b>
Continuing operations	<b>1,895</b>	159

The gains on foreign exchange relate to the transactional gains and translation of foreign currency assets and liabilities at the reporting date.

### 17. Property, plant and equipment

Group	Construction in Progress \$'000	Plant and Equipment \$'000	Motor Vehicles and Office Equipment \$'000	Total \$'000
<b>Cost</b>				
<b>At 1 January 2013</b>	<b>44</b>	<b>21,617</b>	<b>863</b>	<b>22,524</b>
Additions	933	617	412	1,962
Disposals	–	(160)	(43)	(203)
Transfers	(526)	483	–	(43)
Change in JV accounting	–	4,508	–	4,508
Derecognition of previously held interests <sup>1</sup>	(44)	(16,194)	(530)	(16,768)
Acquisition of Subsidiary 100% <sup>1</sup>	73	73,381	884	74,338
Exchange differences	(4)	(589)	(25)	(618)
<b>At 31 December 2013</b>	<b>476</b>	<b>83,663</b>	<b>1,561</b>	<b>85,700</b>
Additions	9,496	1,602	227	11,325
Disposals	–	(1,292)	(38)	(1,330)
Transfers	(856)	856	–	–
Derecognition of previously held interests <sup>2</sup>	(260)	(3,510)	(231)	(4,001)
Acquisition of Subsidiary 100% <sup>2</sup>	434	6,900	385	7,719
Exchange differences	(1,607)	(6,229)	(189)	(8,025)
<b>At 31 December 2014</b>	<b>7,683</b>	<b>81,990</b>	<b>1,715</b>	<b>91,388</b>
<b>Accumulated depreciation</b>				
<b>At 1 January 2013</b>	<b>–</b>	<b>1,926</b>	<b>311</b>	<b>2,237</b>
Provided during the year	–	3,937	195	4,132
Disposals	–	(210)	(29)	(239)
Change in JV accounting	–	1,336	–	1,336
Derecognition of previously held interests <sup>1</sup>	–	(803)	(105)	(908)
Acquisition of Subsidiary 100% <sup>1</sup>	–	1,338	175	1,513
Exchange differences	–	(79)	(8)	(87)
<b>At 31 December 2013</b>	<b>–</b>	<b>7,445</b>	<b>539</b>	<b>7,984</b>
Provided during the year	–	9,307	169	9,476
Disposals	–	(778)	(58)	(836)
Derecognition of previously held interests <sup>2</sup>	–	(1,315)	(169)	(1,484)
Acquisition of Subsidiary 100% <sup>2</sup>	–	2,192	281	2,473
Exchange differences	–	(851)	(35)	(886)
<b>At 31 December 2014</b>	<b>–</b>	<b>16,000</b>	<b>727</b>	<b>16,727</b>
Net book value at 1 January 2014	476	76,218	1,022	77,716
<b>Net book value at 31 December 2014</b>	<b>7,683</b>	<b>65,990</b>	<b>988</b>	<b>74,661</b>

1. On completion of the KCC Transaction on 21 October 2013, the Group derecognised its previously held 60% interest and recognised its 100% interest in property, plant and equipment together with the fair value uplift associated with the transaction of \$46,392,000. On completion of the whole Kounrad Transaction on 23 May 2014, the Group updated the purchase price allocation and as a result the fair value uplift increased by \$1,049,798 as explained in note 33.

2. On completion of the SUC Transaction on 23 May 2014, the Group derecognised its previously held 60% interest and recognised its 100% interest at cost. There was no fair value uplift to property, plant and equipment associated with the SUC transaction.

3. There was an additional depreciation charge during 2014 of \$5,345,806 (2013: \$1,335,856) as a result of the fair value uplift in property, plant and equipment.

The Company had \$158,916 of office equipment at net book value as at 31 December 2014 (2013: \$198,119).



## 18. Intangible assets

Group	Goodwill \$'000	Deferred Exploration and Evaluation Costs \$'000	Mining Licences and Permits \$'000	Computer Software \$'000	Total \$'000
<b>Cost</b>					
At 1 January 2013	–	6,408	1,050	57	7,515
Additions	–	260	5,476	14	5,750
Addition Goodwill (note 33)	9,278	–	–	–	9,278
Disposals	–	–	(1)	(32)	(33)
Joint Venture adjustment	–	–	33	9	42
Transfer of Bayanresources to disposal group classified as held for sale	–	(4,505)	(1,000)	–	(5,505)
Exchange differences	–	(222)	(23)	(1)	(246)
<b>At 31 December 2013</b>	<b>9,278</b>	<b>1,941</b>	<b>5,535</b>	<b>47</b>	<b>16,801</b>
Additions	–	98	–	17	115
Addition Goodwill (note 33)	11,013	–	–	–	11,013
Disposals	–	(92)	–	(11)	(103)
Derecognition of previously held interests <sup>1</sup>	–	(1,649)	(1,947)	(16)	(3,612)
Acquisition of Subsidiary 100% <sup>1</sup>	–	2,748	57,261	27	60,036
Exchange differences	–	(241)	(450)	(9)	(700)
<b>At 31 December 2014</b>	<b>20,291</b>	<b>2,805</b>	<b>60,399</b>	<b>55</b>	<b>83,550</b>
<b>Accumulated amortisation</b>					
At 1 January 2013	–	–	1	40	41
Provided during the year	–	52	4	12	68
Disposal	–	–	24	(26)	(2)
Change in JV accounting	–	–	1	3	4
Exchange differences	–	(1)	(1)	(1)	(3)
<b>At 31 December 2013</b>	<b>–</b>	<b>51</b>	<b>29</b>	<b>28</b>	<b>108</b>
Provided during the year	–	65	1,857	14	1,936
Disposal	–	(92)	–	(11)	(103)
Derecognition of previously held interests <sup>1</sup>	–	(42)	(22)	(9)	(73)
Acquisition of Subsidiary 100% <sup>1</sup>	–	70	37	15	122
Exchange differences	–	12	(51)	(6)	(45)
<b>At 31 December 2014</b>	<b>–</b>	<b>64</b>	<b>1,850</b>	<b>31</b>	<b>1,945</b>
Net book value at 1 January 2014	9,278	1,890	5,506	19	16,693
<b>Net book value at 31 December 2014</b>	<b>20,291</b>	<b>2,741</b>	<b>58,549</b>	<b>24</b>	<b>81,605</b>

1. On completion of the SUC Transaction on 23 May 2014, the Group derecognised its previously held 60% interest and recognised its 100% interest at cost together with the fair value uplift associated with the transaction of \$54,015,555.

2. There was an additional amortisation charge during the year of \$1,209,344 as a result of the fair value uplift in intangible assets.

As a result of the Kounrad Transaction, the Group has recognised goodwill of \$20,291,000.

The Company had no intangible assets as at 31 December 2014 (2013: nil).

### Impairment test for goodwill

The Group currently only has one business segment, namely the Kounrad project located in Kazakhstan which has an associated goodwill balance.

In accordance with IAS 36 'Impairment of assets' and IAS 38 'Intangible Assets', a review for impairment of goodwill is undertaken annually or at any time an indicator of impairment is considered to exist and in accordance with IAS 16 'Property, plant and equipment', a review for impairment of long-lived assets is undertaken at any time an indicator of impairment is considered to exist.

The discount rate applied to calculate the present value is based upon the real weighted average cost of capital applicable to the Cash Generating Unit (CGU). The discount rate reflects equity risk premiums over the risk-free rate, the impact of the remaining economic life of the CGU and the risks associated with the relevant cash flows based on the country in which the CGU is located. These risk adjustments are based on observed equity risk premiums, historical country risk premiums and average credit default swap spreads for the period.

The value in use (VIU) of a CGU is generally lower than its fair value less costs of disposal (FVLCD), due primarily to the fact that the optimisation of the mine plans has been taken into account when determining its FVLCD. Consequently, the recoverable amount of a CGU for impairment testing purposes is determined based on its FVLCD.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

## FOR THE YEAR ENDED 31 DECEMBER 2014

The key economic assumptions used in the review were:

- copper price \$6,614 per tonne
- discount rate 8%

The carrying value of the net assets is not currently sensitive to any reasonable changes in key assumptions.

### 19. Investments

	Group		Company	
	31 Dec 14 \$'000	31 Dec 13 \$'000	31 Dec 14 \$'000	31 Dec 13 \$'000
Shares in Group undertakings				
<b>Beginning of year</b>	–	4,006	<b>7,990</b>	5,042
Addition to investments in Kounrad	–	502	<b>598</b>	502
Addition to investments in CAML Mongolia BV	–	–	<b>60</b>	25
Addition to investments in CAML Kazakhstan BV	–	–	<b>75</b>	25
Investment in Copper Bay Limited	–	–	–	3,222
Transfer of Kounrad investments to PPE	–	(4,508)	–	–
Impairment of investments in CAML Mongolia BV	–	–	<b>(60)</b>	(826)
<b>End of year</b>	–	–	<b>8,663</b>	7,990

Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid less impairment.

#### Group

The 2013 investment in Copper Bay Limited made by the Company has been classified as mining licences and permits within the 2013 intangible asset additions of the Group (note 18).

#### Company

Details of the Group holdings are included in the table below:

Subsidiary	Country	Activity	CAML % 2014	CAML % 2013	Date of Incorporation
CAML Kazakhstan BV	Holland	Holding Company	<b>100</b>	100	23 Jun 08
CAML Mongolia BV	Holland	Holding Company	<b>100</b>	100	23 Jun 08
Sary Kazna LLP	Kazakhstan	Kounrad project (SUC operations)	<b>100</b>	100	6 Feb 06
Kounrad Copper Company LLP	Kazakhstan	Kounrad project (SX-EW plant)	<b>100</b>	100	29 Apr 08
Copper Bay Limited	UK	Holding Company	<b>52</b>	53	29 Oct 10
Copper Bay (UK) Limited	UK	Holding Company	<b>52</b>	53	9 Nov 11
Copper Bay Chile Limitada	Chile	Holding Company	<b>52</b>	53	12 Oct 11
Minera Playa Verde Limitada	Chile	Exploration – Copper	<b>52</b>	53	20 Oct 11
Zuunmod UUL LLC	Mongolia	Exploration – Gold	<b>85</b>	85	3 May 07
Monresources LLC	Mongolia	Exploration – Molybdenum	<b>80</b>	80	18 May 07

The 52% holding of the Copper Bay Group of companies is presented on a non-diluted basis. On a fully diluted basis the Group holding would be 50%. The investment in Copper Bay Limited has not been accounted for as a subsidiary and has been classified as an asset acquisition within mining licences and permits within the 2013 intangible asset additions of the Group (note 18).

In June 2014, Bayanresources LLC, a Mongolian incorporated company owned 70% by the Group was sold for nil consideration.

### 20. Assets held for sale

The Group continues to hold for sale the assets it owns in Mongolia and is actively seeking to sell the Ereen and Handgait projects. The sale process is taking far longer than the CAML Board ever anticipated due to the current political and regulatory uncertainties in the country and the implications of a court case brought by the Group's minority partner on the Ereen project. The Mongolian assets were fully written down in the prior year.

In June 2014, Bayanresources LLC (Alag Bayan exploration project), which was classified as held for sale during the prior year, was sold for nil consideration.

Assets of disposal group classified as held for sale:

	31 Dec 14 \$'000	31 Dec 13 \$'000
Cash and cash equivalents	15	21
Property plant and equipment	59	91
Trade and other receivables	6	74
<b>Total</b>	<b>80</b>	<b>186</b>

Liabilities of disposal group classified as held for sale:

	31 Dec 14 \$'000	31 Dec 13 \$'000
Provisions	444	553
Trade and other payables	20	50
<b>Total</b>	<b>464</b>	<b>603</b>

Loss from discontinued operations:

	2014 \$'000	2013 \$'000
General and administrative expenses	(249)	(348)
Asset write down charge	–	(12,879)
Exchange rate loss	(8)	(753)
<b>Operating Loss from discontinued operations</b>	<b>(257)</b>	<b>(13,980)</b>
Finance costs	–	(169)
<b>Loss before income tax from discontinued operations</b>	<b>(257)</b>	<b>(14,149)</b>
Income tax	–	–
<b>Loss from discontinued operations</b>	<b>(257)</b>	<b>(14,149)</b>

Cash flows of disposal group classified as held for sale:

Group	2014 \$'000	2013 \$'000
Operating cash flows	(19)	(523)
<b>Total cash flows</b>	<b>(19)</b>	<b>(523)</b>

## 21. Trade and other receivables

	Group		Company	
	31 Dec 14 \$'000	31 Dec 13 \$'000	31 Dec 14 \$'000	31 Dec 13 \$'000
Trade receivables	6,953	5,715	377	58
Less: provision for impairment of trade receivables	(41)	(33)	–	–
Trade receivables, net	6,912	5,682	377	58
Receivables from related parties	–	11,654	29,571	41,216
Prepayments	2,695	1,156	222	73
	<b>9,607</b>	<b>18,492</b>	<b>30,170</b>	<b>41,347</b>
Less: non-current portion				
Trade receivables	(6,393)	(5,436)	–	–
Receivables from related parties	–	(11,654)	–	(11,216)
<b>Current Portion</b>	<b>3,214</b>	<b>1,402</b>	<b>30,170</b>	<b>30,131</b>

The carrying value of all the above receivables is a reasonable approximation of fair value. There are no amounts past due at the end of the reporting period that have not been impaired.

The Group amount receivable from related parties in 2013 had arisen as a consequence of the joint venture accounting treatment required at the Kounrad project and was reduced to nil during 2014 on completion of the transaction to acquire 100% of the project (note 33).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2014

The Group's non-current receivable is the VAT incurred on purchases within Kazakhstan. As at 31 December 2014 a total of \$6,392,885 (2013: \$5,436,475) of VAT receivable was still owed to the Group by the Kazakhstan authorities. The Group still remains confident about its prospects to recover this outstanding debt and is working closely with its advisers and local partners to achieve this. The planned means of recovery will be through a combination of the local sales of cathode copper to effectively offset VAT liabilities and by a successful appeal to the authorities. Following an unsuccessful appeal in 2014, a further appeal was lodged in January 2015 by the local tax advisers and the final outcome may not be known for a further 12 months. As a result of the above and the uncertainty regarding timing, the Group has classified the VAT receivable as non-current.

Management's policy is to assess all trade and other receivables for recoverability on a regular basis. A provision is made where doubt exists and amounts are fully written off when information comes to light that the amounts due will not be recovered.

Please refer to note 3 for information on ageing of trade and other receivables.

### 22. Inventories

Group	31 Dec 14 \$'000	31 Dec 13 \$'000
Raw Materials	3,901	3,779
Finished Goods	153	137
	<b>4,054</b>	<b>3,916</b>

The Group did not have any slow moving, obsolete or defective inventory as at 31 December 2014 (2013: nil).

### 23. Cash and cash equivalents

	Group		Company	
	31 Dec 14 \$'000	31 Dec 13 \$'000	31 Dec 14 \$'000	31 Dec 13 \$'000
Cash at bank and on hand	46,144	32,774	33,644	28,932
Short term deposits	–	10,000	–	–
	<b>46,144</b>	<b>42,774</b>	<b>33,644</b>	<b>28,932</b>
Cash at bank and on hand included in assets held for sale	15	21	–	–
<b>Total cash and cash equivalent</b>	<b>46,159</b>	<b>42,795</b>	<b>33,644</b>	<b>28,932</b>
Restricted cash	148	1,734	–	1,649
<b>Total cash and cash equivalent including restricted cash</b>	<b>46,307</b>	<b>44,529</b>	<b>33,644</b>	<b>30,581</b>

\$1,649,000 of money in the restricted account was released upon the completion and payment of the final consideration of the Kounrad transaction. The remaining amount of \$148,072 is held to cover SUC legislation requirements (2013: \$85,324).

An amount of nil (2013: \$10.0 million) was held in a short term deposit account as at 31 December 2014.

73% of the Group's cash and cash equivalents including restricted cash at the year end were held by an AA- rated bank (2013: 68.7% by an AA- bank). The rest of Group's cash was held within mix of institutions with credit rating between B to B- (2013: B to B1).

### 24. Share capital and premium

	Number of Shares	Ordinary Shares \$'000	Share Premium \$'000	Treasury Shares \$'000	Total \$'000
<b>At 1 January 2013</b>	<b>86,165,934</b>	<b>862</b>	<b>61,431</b>	<b>(4,236)</b>	<b>58,057</b>
Capital reduction	–	–	(61,431)	–	(61,431)
Sale of treasury shares	–	–	–	136	136
<b>At 31 December 2013</b>	<b>86,165,934</b>	<b>862</b>	<b>–</b>	<b>(4,100)</b>	<b>(3,238)</b>
Ordinary shares issue	21,211,751	212	56,041	–	56,253
Issue of EBT shares	3,500,000	35	9,110	(9,145)	–
Exercise of warrants	1,192,053	12	1,928	–	1,940
Exercise of options	–	–	–	3,399	3,399
Sales of EBT shares	–	–	–	202	202
<b>At 31 December 2014</b>	<b>112,069,738</b>	<b>1,121</b>	<b>67,079</b>	<b>(9,644)</b>	<b>58,556</b>

The par value of Ordinary Shares is \$0.01 per share (2013: \$0.01) and all shares are fully paid.

On 23 May 2014, on the completion of the Kounrad transaction, a total of 21,211,751 Ordinary Shares were issued to Kenges Rakishev (note 33). The shares were allocated in two tranches with one tranche of 15,336,096 Ordinary Shares at a share price of \$2.57 each for the transfer of the 40% share capital of Kounrad Copper Company LLP to CAML Kazakhstan BV. The remaining 5,875,655 Ordinary Shares were issued at a share price of \$2.87 each for the transfer of the 40% economic interest in the subsoil use contract to Sary Kazna LLP.

On 23 July 2014 the Company allotted and issued 3,500,000 Ordinary Shares to the trustee of the Central Asia Metals Limited Share Trust (the Employee Benefit Trust). These Ordinary Shares were issued to satisfy current awards granted under the Company's Employee Share Plans together with any future awards that may be granted by the Company.

Upon the successful completion of the Initial Public Offering (IPO) on 30 September 2010, Mirabaud Securities (MS) were granted 1,192,053 warrants. These warrants had an exercise price of 96 pence and on 30 June 2014, MS exercised a total of 260,000 for which the Company received £249,600. MS exercised their remaining 932,053 warrants on 31 July 2014 for which the Company received £894,771.

## 25. Other reserves

Group	Share Option Reserve \$'000	Shares Reserve to be Issued \$'000	Currency Translation Reserve \$'000	Total Group \$'000
<b>At 1 January 2013</b>	<b>4,451</b>	<b>–</b>	<b>(104)</b>	<b>4,347</b>
Currency translation differences	–	–	(722)	(722)
Share based payments	1,588	–	–	1,588
Exercise of options	(346)	–	–	(346)
Correction of treasury shares	(136)	–	–	(136)
Promise of shares to be issued to KR on completion of KCC acquisition (note 33)	–	39,409	–	39,409
<b>At 31 December 2013</b>	<b>5,557</b>	<b>39,409</b>	<b>(826)</b>	<b>44,140</b>
Reserve transfer	(5,557)	–	–	(5,557)
Currency translation differences	–	–	(10,291)	(10,291)
Promise of shares to be issued to KR on completion of SUC acquisition (note 33)	–	16,844	–	16,844
Ordinary shares issued to KR on completion of Kounrad transaction (note 33)	–	(56,253)	–	(56,253)
<b>At 31 December 2014</b>	<b>–</b>	<b>–</b>	<b>(11,117)</b>	<b>(11,117)</b>

The \$10,291,000 currency translation reserve movement (2013: \$722,000) is primarily as a result of the 18.7% devaluation of the Kazakhstan Tenge from 31 December 2013 to 31 December 2014.

Company	Share Option Reserve \$'000	Shares Reserve to be Issued \$'000	Total Group \$'000
<b>At 1 January 2013</b>	<b>4,451</b>	<b>–</b>	<b>4,451</b>
Share based payments	1,588	–	1,588
Exercise of options	(346)	–	(346)
Correction of treasury shares	(136)	–	(136)
Promise of shares to be issued to KR on completion of KCC acquisition (note 33)	–	39,409	39,409
<b>At 31 December 2013</b>	<b>5,557</b>	<b>39,409</b>	<b>44,966</b>
Reserve transfer	(5,557)	–	(5,557)
Promise of shares to be issued to KR on completion of SUC acquisition (note 33)	–	16,844	16,844
Ordinary shares issue to KR on completion of Kounrad transaction (note 33)	–	(56,253)	(56,253)
<b>At 31 December 2014</b>	<b>–</b>	<b>–</b>	<b>–</b>

Prior to the completion of the Kounrad Transaction, the shares not issued to Kenges Rakishev (KR) were classified within Shares Reserve to be issued as contingent equity consideration.

The Group and Company made a reserve transfer during 2014 to include the share option reserve as part of retained earnings as permitted by IFRS.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2014

### 26. Equity settled share based payments

The Company provides additional rewards to staff, in addition to their salaries and annual discretionary bonuses, through the granting of share options in the Company. The Company effectively has two such option schemes in place, the Old Scheme and the New Scheme.

#### Old Scheme

The first share option plan was introduced by the Company in February 2008 and initially had an exercise price of \$6.42. On the recommendation of the Remuneration Committee the exercise price for the participants was reduced to \$0.68 in February 2010 to reflect the changed economic circumstances of the Company and maintain some form of incentive for staff. Only those staff still employed by the Group at this time benefited from this decision and those participants who had left the Group maintained an exercise price of \$6.42 on their options. The vesting of share options in the plan is purely conditional upon time served by the participant and as at 31 December 2014 all options have fully vested.

#### New Scheme

The second share option plan was introduced by the Company in October 2011. This scheme has an exercise price of effectively nil for the participants. The nil-cost share options granted under this scheme vest on the basis of a third annually depending on the achievement by the Group and the participant of the performance targets as determined by the CAML Remuneration Committee. Under a separate Non-Executive share option plan 2012, Nurlan Zhakupov was granted 100,000 nil-cost options in 2012 which vest on the basis of a third annually, without any performance conditions due to his Non-Executive role.

As at 31 December 2014, a total of 330,543 (2013: 520,086) Old Scheme options and 2,017,384 (2013: 2,082,974) New Scheme options (including those issued to Nurlan Zhakupov) were outstanding. Share options are granted to Directors and selected employees. The exercise price of the granted options is presented in the table below for every grant. In general, options vest in 1/3 tranches over three-year period. The Company has the option but not the legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average price are as following:

	2014		2013	
	Average Exercise Price in \$ per Share Option	Options (Number)	Average Exercise Price in \$ per Share Option	Options (Number)
At 1 January	0.51	2,603,060	0.61	2,328,074
Granted	0.01	1,049,471	0.01	455,529
Forfeited	–	–	–	(180,543)
Exercised	0.11	(1,304,604)	–	–
<b>At 31 December</b>	<b>0.30</b>	<b>2,347,927</b>	0.51	2,603,060

Out of the 2,347,927 outstanding options (2013: 2,603,060), 581,833 options (2013: 1,273,968) were exercisable. Options exercised in 2014 were equity settled at the spot price on the date. The related weighted average share price at the time of exercise was \$2.65 (2013: \$1.92) per share.

An amount of \$1,913,617 (2013: \$1,588,116) has been credited to the share option reserve and expensed within employee benefits expense from continuing operations for the grant of stock options for the year ended 31 December 2014. An additional accrual of \$171,572 (2013: nil) has been expensed within employee benefits expense from continuing operations for employer's national insurance contributions.

In respect of the period between the date an award is issued and the date it is exercised the number of shares covered by such awards is increased by up to the value of dividends as if these were reinvested in Company shares at the dates of payment. During the year the additional dividend related share options charge was \$450,566 (2013: \$571,214).

Share options exercised by the Directors during the year are disclosed in note 35.

Share options outstanding at the end of the end of the year have the following expiry date and exercise prices:

Grant – vest	Expiry Date of Option	Option Exercise Price \$	Share options (number)	
			2014	2013
21 Feb 08	21 Feb 18	6.42	<b>164,000</b>	164,000
21 Feb 08	21 Feb 18	0.68	<b>116,000</b>	255,000
3 Sep 10	21 Feb 18	0.68	<b>50,543</b>	101,086
6 Oct 11	5 Oct 21	0.01	<b>62,802</b>	594,201
8 May 12	7 May 22	0.01	<b>412,937</b>	833,244
27 Sep 12	26 Sep 22	0.01	<b>100,000</b>	200,000
24 Jul 13	23 Jul 23	0.01	<b>392,174</b>	455,529
3 Jun 14	2 Jun 24	0.01	<b>349,471</b>	–
8 Oct 14	7 Oct 24	0.01	<b>700,000</b>	–
<b>Total</b>			<b>2,347,927</b>	2,603,060

### Employee Benefit Trust

An Employee Benefit Trust (EBT) was set up by the Company during 2009 as a means of incentivising certain Directors and senior management of CAML prior to the Initial Public Offering (IPO). All of the shares awarded as part of the EBT scheme vested on the successful completion of the IPO on 30 September 2010.

A total of 2,534,688 Ordinary Shares were initially issued as part of the arrangements in December 2009 followed by a further issue of 853,258 in September 2010. The shares were issued at the exercise price of \$0.68 which was the best estimate of the Company's valuation at the time. Details of the awards to Directors of the Company are contained in note 35.

On 23 July 2014, the Company allotted and issued 3,500,000 Ordinary Shares of US\$0.01 each to the EBT. These Ordinary Shares were issued with a view to satisfying current awards granted under the Company's Employee Share Plans together with any future awards that may be granted by the Company.

## 27. Trade and other payables

	Group		Company	
	31 Dec 14 \$'000	31 Dec 13 \$'000	31 Dec 14 \$'000	31 Dec 13 \$'000
Trade payables	<b>1,041</b>	222	<b>439</b>	208
Dividends payable	–	1,012	–	1,012
Corporation tax, social security and other taxes	<b>3,211</b>	10,626	<b>785</b>	794
	<b>4,252</b>	11,860	<b>1,224</b>	2,014

The carrying value of all the above payables is equivalent to fair value.

As at 31 December 2014, the main liabilities of the Group are the Corporate Income tax liability at Kounrad for the 12 months ending 31 December 2014. The Group made a net provision for this liability of \$803,940 (2013: \$8,367,253) having paid an amount of \$8,505,272 in advance during the year (2013: \$1,302,000).

Please refer to note 3 for information on ageing of trade and other payables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

## FOR THE YEAR ENDED 31 DECEMBER 2014

### 28. Provisions for other liabilities and charges

Group	Provisions for Liabilities and Charges \$'000
<b>At 1 January 2013</b>	<b>2,139</b>
Change in estimate asset retirement obligation Kounrad	151
Unwinding of discount	219
On acquisition of 40% KCC	1,198
Exchange rate difference	(40)
<b>At 31 December 2013</b>	<b>3,667</b>
Change in estimate asset retirement obligation Kounrad	(322)
Unwinding of discount	277
On acquisition of 40% SUC	141
Exchange rate difference	(670)
<b>At 31 December 2014</b>	<b>3,093</b>

The only provision accounted for by the Group is for the asset retirement obligation associated with the mining activities at Kounrad, estimated to be required in 2034. The provision is recognised at the net present value of future expected costs using a discount rate of 8.65% (2013: 6.40%) representing the risk free rate (pre-tax) for Kazakhstan.

The provision recognised represents management's best estimate of the costs that will be incurred based on current contractual and regulatory requirements and the estimated useful life of mine to 2034.

### 29. Cash generated from/(used in) operations

	Note	Group		Company	
		As at 31 December		As at 31 December	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Profit/(loss) before income tax including discontinued operations</b>		<b>70,019</b>	41,204	<b>(9,704)</b>	(21,087)
Adjustments for:					
Depreciation	17	<b>9,476</b>	4,564	<b>46</b>	18
Amortisation	18	<b>1,936</b>	68	–	–
Loss on disposal of property, plant and equipment		<b>494</b>	–	–	–
Foreign exchange gain/(loss)	16, 20	<b>1,887</b>	594	<b>850</b>	(1,111)
Gain on re-measuring to fair value the existing interest on acquisition of control	33	<b>(33,039)</b>	(27,835)	–	–
Change in provision for doubtful receivables	21	<b>8</b>	33	–	–
Impairment of Mongolian intercompany receivables		–	–	<b>206</b>	13,691
Impairment of Mongolian intangible assets and investments	20	–	12,879	<b>60</b>	1,927
Share based payments	26	<b>1,914</b>	1,588	<b>1,914</b>	1,588
Cash settled share options and EBT shares	25	–	(482)	–	(482)
Finance income	13, 20	<b>(61)</b>	(17)	–	(391)
Finance costs	13, 20	<b>334</b>	581	<b>(11)</b>	9
Changes in working capital:					
Inventories	22, 20	<b>83</b>	306	–	–
Trade and other receivables	21, 20	<b>(1,740)</b>	10,444	<b>16,314</b>	82
Trade and other payables	27, 20	<b>(2,842)</b>	(2,969)	<b>810</b>	(525)
Movement in provisions	28	<b>(1,317)</b>	122	–	–
<b>Cash generated from/(used in) operations</b>		<b>47,152</b>	41,080	<b>10,485</b>	(6,281)

### 30. Contingencies

The Group has disclosed a contingent liability of \$159,793 (2013: nil) representing an estimate of amounts that may become payable towards research and development activities under the terms of subsoil use contract (SUC) agreement with a subsidiary of the Group.

The extent to which an outflow of funds will be required is yet to be determined and is considered to be a contingent liability.

### 31. Commitments

Group	31 Dec 14 \$'000	31 Dec 13 \$'000
Kazakhstan	1,384	737
UK	679	1,095
Mongolia	41	90
<b>Total</b>	<b>2,104</b>	<b>1,922</b>

Group	31 Dec 14 \$'000	31 Dec 13 \$'000
Property, plant and equipment	1,091	178
Intangible assets	95	218
Other	918	1,526
<b>Total</b>	<b>2,104</b>	<b>1,922</b>

At 31 December 2014, amounts contracted for but not provided in the financial statements amounted to \$2,104,229 for the Group (2013: \$1,922,398).

### 32. Dividend per share

In line with the Company dividend policy, the Company paid \$17,932,000 in 2014 (2013: \$14,306,000) which consisted of a 2014 interim dividend of 5 pence per share and an annual dividend for 2013 of 5 pence per share (2013: special dividend of 3.7 pence per share and an annual dividend for 2012 of 7 pence per share).

The Directors have the intention to propose a final dividend in respect of the year ended 31 December 2014 of 7.5 pence per share at the forthcoming Annual General meeting (AGM). The Directors recognise that there are currently insufficient reserves available in the Company for distribution and are proposing to rectify this by completing a court approved capital reduction scheme by cancelling the Company's share premium account and transferring such reserves to retained earnings. This process is expected to become effective on or around 13 May 2015. The Company undertook a previous capital reduction scheme in 2013.

In September 2013 the Company declared dividends amounting to \$5.3 million. Although the Company had sufficient distributable reserves to make the dividend payments, the relevant interim accounts had not been filed with the Registrar of Companies as required. Consequently payment of the dividends was a technical infringement of the Companies Act 2006.

The Directors will propose at the upcoming AGM to appropriate distributable profits of the Company to these payments of dividends and to release the relevant shareholders from any claims that the Company may have in relation to such payments. These financial statements have been drawn up on the basis that the technical infringement described above has been regularised in the manner described.

### 33. Business combination

The Company has been working on the completion of the acquisition of the remaining 40% of the Kounrad project since early 2012. The acquisition (collectively known as the Kounrad Transaction) consisted of two key parts;

- The first transaction involving the transfer of an additional 40% ownership of Kounrad Copper Company LLP (KCC) **was completed on 21 October 2013.**
- The second transaction involving the transfer of the remaining 40% economic interest in the subsoil use contract (SUC) remained outstanding as at 31 December 2013. **This was completed on 23 May 2014.**

On completion of the Kounrad Transaction and in line with the agreements, a total of 21,211,751 Ordinary Shares were issued to Mr Kenges Rakishev (KR) on 23 May 2014. In addition a cash payment of \$1,432,047 was paid to KR on that date in line with the agreements to reflect the entitlement to dividends payable.

As a consequence of the completion of both transactions, the CAML Group became 100% owner of the Kounrad project and, in accordance with IFRS 3 Business Combinations, recognized the acquired assets and liabilities of both KCC and the SUC based upon their fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

## FOR THE YEAR ENDED 31 DECEMBER 2014

### Consideration

The fair value of the 21,211,751 Ordinary Shares issued as part of the consideration for the Kounrad Transaction was determined based on the published share price of the Company on the relevant dates. In the case of KCC this was 21 October 2013 when the remaining 40% of KCC Shares were re-registered and in the case of the SUC transfer it was deemed to be 23 May 2014 when the Kounrad Transaction was finally completed and the agreed consideration paid to KR.

In addition an agreed cash consideration of \$1,432,047 was paid on 23 May 2014. This was all allocated as consideration for the additional 40% shares in KCC as per the legal agreements resulting in a minor adjustment of \$1,049,798 to the fair values associated with the assets and liabilities of KCC as reported at 31 December 2013.

The total purchase consideration amounted to \$57,685,494 plus an adjustment for settlement of intercompany borrowings of \$9,471,000.

The table below summarises the consideration paid for both KCC and the SUC together with the fair value of all the assets acquired and the liabilities assumed for both the KCC and SUC parts of the Kounrad Transaction;

Consideration	Subsoil Use Contract – 23 May 2014 \$'000	Kounrad Copper Company LLP – 21 October 2013 \$'000	Total \$'000
Equity instrument	16,845	39,409	56,254
Cash consideration	–	1,432	1,432
<b>Total consideration</b>	<b>16,845</b>	<b>40,841</b>	<b>57,686</b>
Settlement of intercompany borrowings	9,471	–	9,471
<b>Adjusted consideration</b>	<b>26,316</b>	<b>40,841</b>	<b>67,157</b>

Recognised amounts of identifiable assets acquired and liabilities acquired 100%	Subsoil Use Contract – 23 May 2014 \$'000	Kounrad Copper Company LLP – 21 October 2013 \$'000	Total
Property, plant and equipment	4,196	73,875	78,071
Intangible assets	59,914	–	59,914
Inventories	554	4,075	4,629
Cash and cash equivalents	816	8,233	9,049
Trade and other receivables	2,225	35,855	38,080
Trade and other payables	(1,556)	(9,853)	(11,409)
Other liabilities and charges	(359)	(10,083)	(10,442)
Deferred tax liabilities	(10,803)	(9,488)	(20,291)
<b>Total identifiable net assets at fair value</b>	<b>54,987</b>	<b>92,614</b>	<b>147,601</b>
<b>Derecognition of previously held interests 60%</b>			
Removal of book value	(7,064)	(32,796)	(39,860)
Removal of fair value uplift	(32,409)	(28,465)	(60,874)
<b>Total interests acquired 40%</b>	<b>15,513</b>	<b>31,353</b>	<b>46,866</b>
Purchase consideration	26,316	40,841	67,157
<b>Provisional goodwill</b>	<b>10,803</b>	<b>9,488</b>	<b>20,291</b>

### Completion of the SUC Transaction

As stated above, the second transaction involving the transfer of the remaining 40% economic interest in the SUC completed on 23 May 2014. In accordance with IFRS 3 Business Combinations, the Group recognised the assets and liabilities based upon their fair values. The fair value uplift applied to the assets acquired as part of the SUC transaction has all been applied to the intangible assets of the SUC under Mining Licences and Permits resulting in an uplift of \$54,015,555.

The Group recognised a gain of \$32,409,333 as a result of measuring at fair value its 60% interest in the SUC held before the business combination. This gain is included in the consolidated income statement, as a line item "Gain on re-measuring to fair value the existing interests on acquisition of control", in the Group's income statement for the year ended 31 December 2014.

### Amendments to provisional purchase price allocated in relation to the KCC Transaction as reported at 31 December 2013

As at 31 December 2013, the cash consideration had been apportioned to both the KCC and SUC parts of the Kounrad Transaction. This assumption was revised following a review of the detailed legal agreements associated with the transaction. Consequently, the adjustment and revised allocation of the cash consideration to the KCC part of the transaction resulted in an additional gain of \$629,798 through the income statement for the year ended 31 December 2014.



As a result the Group reported a total gain through the income statement, under the line item "Gain on re-measuring to fair value the existing interests on acquisition of control", for the year ended 31 December 2014 of \$33,039,131. This reported gain is in addition to the \$27,835,000 gain reported by the Group in the year ended 31 December 2013 making a reported total gain for the completion of the Kounrad Transaction of \$60,874,131.

This minor amendment to the allocation of the cash consideration also resulted in an additional fair value uplift associated with the property, plant and equipment of KCC. The fair value uplift reported as at 31 December 2013 was \$46,392,000 giving a total on completion of \$47,441,797.

### Goodwill

The goodwill arising on the completion of the Kounrad Transaction amounted to \$20,291,043 which includes a minor adjustment of \$209,933 resulting from the reallocation of the cash consideration assigned to KCC as mentioned above. The goodwill is not deductible for tax purposes.

This is the amount of the deferred tax liability which arises on the difference between the assigned fair value of the acquired assets and liabilities and their tax base.

The acquisition costs related to the completion of the transaction in the year ended 31 December 2014 are approximately \$105,161 (2013: \$221,264). These have been charged to administrative expenses in the consolidated income statement.

### 34. Events after the reporting period

As explained in note 32, the Directors recognise that there are currently insufficient reserves available in the Company for distribution and are proposing to rectify this by completing a court approved capital reduction scheme by cancelling the Company's share premium account and transferring such reserves to retained earnings. This process is expected to become effective on or around 13 May 2015. The Company undertook a previous capital reduction scheme in 2013.

### 35. Related party transactions

The Group had the following related party balances and transactions during the year ended 31 December 2014. Related parties are those entities owned or controlled by the Company, which is the ultimate controlling party of the Group.

#### Transactions between the Company and subsidiaries

Amounts receivable based on the Kounrad Transaction

	31 Dec 14 \$'000	31 Dec 13 \$'000
<b>CAML Kazakhstan BV</b>		
Current portion	29,571	30,000
Non-current portion	–	11,216
<b>Total</b>	<b>29,571</b>	<b>41,216</b>

On 21 October 2013, the transfer of the remaining 40% in Kounrad Copper Company LLC was registered. The acquisition was registered under the ownership of CAML Kazakhstan BV which is a 100% controlled subsidiary of the Company. The agreed consideration for the acquisition was 15,336,096 Ordinary Shares in the Company and the value of the 2013 interim dividend associated with those shares. The adjustment and revised allocation of the cash consideration to the KCC part of the transaction (note 33) resulted in an increase to the cash consideration and therefore the amount receivable from CAML Kazakhstan BV of \$420,000. During 2014, CAML Kazakhstan BV repaid \$11,270,000 to the Company (2013: nil).

As at 31 December 2014, all the intercompany loans together with all the outstanding interest receivable from both Sary Kazna LLP and Kounrad Copper Company LLP had been fully repaid to the Company.

As at 31 December 2014, \$206,000 of intercompany loans and management fee receivable with the Mongolian subsidiaries had been written off during the 12 month period as part of the Group impairment testing (2013: \$13,691,176).

The Company also received interest income during the year of nil (2013: \$391,348) and management fee income from Sary Kazna LLP of \$60,000 (2013: \$60,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2014

### Directors' Remuneration, EBT shares and options

Directors' remuneration, including Non-Executive Directors, during the year was as follows:

Group	2014 Basic salary/fees \$	2014 Annual Bonus \$	2014 Benefits in kind \$	2014 Total \$	2013 Total \$
<b>Executive Directors:</b>					
Nick Clarke	453,122	453,122	6,115	<b>912,359</b>	818,917
Nigel Robinson	288,350	288,350	9,357	<b>586,057</b>	526,342
Howard Nicholson	288,350	288,350	3,960	<b>580,660</b>	519,831
<b>Non-Executive Directors:</b>					
Dr Michael Price (resigned 16 June 2014)	41,193	–	–	<b>41,193</b>	75,183
Nigel Hurst-Brown	82,386	–	–	<b>82,386</b>	70,389
Robert Cathery	65,909	–	–	<b>65,909</b>	54,747
Nurlan Zhakupov	65,909	–	–	<b>65,909</b>	74,747
Kenges Rakishev	65,909	–	–	<b>65,909</b>	5,214
David Swan (appointed 16 June 2014)	43,253	–	–	<b>43,253</b>	–
<b>Directors' aggregate emoluments</b>	<b>1,394,381</b>	<b>1,029,822</b>	<b>19,432</b>	<b>2,443,635</b>	<b>2,145,370</b>

The aggregate emoluments of the highest paid Director totalled \$912,359 in 2014 (2013: \$818,917). Details of the Directors' interests in the Ordinary Shares of the Company are set out in the Governance Report and below. No Director has a service agreement with the Company that is terminable on more than 12 months' notice.

### Directors' EBT share awards

	As at 31 Dec 2014 Number	As at 31 Dec 2013 Number
Nigel Hurst-Brown	<b>250,543</b>	250,543
Dr Michael Price (resigned 16 June 2014)	–	300,543
Nick Clarke	<b>1,342,887</b>	1,342,887
Howard Nicholson	<b>446,715</b>	446,715
Nigel Robinson	<b>646,715</b>	646,715
<b>Total Directors' Interests</b>	<b>2,686,860</b>	<b>2,987,403</b>

The above shares were awarded to the Directors of the Company as part of the EBT incentive scheme. All the share awards were made prior to the IPO and vested upon its successful completion.

### Directors' Options awards

During 2014 the Company awarded the following New Scheme options to the Directors of the Company (note 26).

Group	2014 Number	2013 Number
Nick Clarke	<b>299,597</b>	110,403
Nigel Robinson	<b>179,937</b>	70,063
Howard Nicholson	<b>179,937</b>	70,063
Nurlan Zhakupov	<b>50,000</b>	–
<b>Total</b>	<b>709,471</b>	<b>250,529</b>

During 2014 the Directors exercised the following New Scheme options.

Group	2014 Number	2013 Number
Nick Clarke	<b>400,000</b>	–
Nigel Robinson	<b>269,737</b>	–
Howard Nicholson	<b>377,764</b>	–
<b>Total</b>	<b>1,047,501</b>	–

The number of options exercised in the table above includes the number of shares covered by such awards increased by up to the value of dividends as if these were reinvested in Company shares at the dates of payment (note 26).

### Kounrad Transaction

Mr Kenges Rakishev (KR) became a major shareholder of CAML on 23 May 2014 following completion of the Kounrad Transaction. He was appointed to the CAML Board on 9 December 2013 following the completion of the first part of the transaction. As a consequence, KR is considered a related party in any future dealings he has with the Group.

KR owns 16.02% and is a Director of JSC Kazkommertsbank. The Group uses the facilities of JSC Kazkommertsbank within Kazakhstan for its normal day-to-day banking.

On 2 July 2014, the Company announced that the SDB Group LLP, an entity 100% owned and controlled by KR, a Non-Executive Director of the Company, had entered into a loan agreement whereby security over 21,211,751 Ordinary Shares of US\$0.01 each in the capital of the Company (the Pledged Shares) held by KR was granted in favour of JSC CenterCredit Bank.

There is no change in KR's legal or beneficial shareholding in the Company and he continues to have an interest and voting rights in 21,211,751 Ordinary Shares. The Pledged Shares will remain subject to the restricted dealing provisions originally agreed with KR and CAML as part of the Kounrad Transaction.

The Company has obtained an undertaking from JSC CenterCredit Bank that should the security be enforced, the Company will be granted a priority right to place the shares.

As far as the Group is aware, they do not have any other dealings with companies associated with KR. As part of the obligations on KR for completing the Kounrad Transaction, he signed a relationship agreement with CAML setting out the terms of the relationship between KR and the Group.

### 36. Deferred income tax

#### Group

The movements in the Group's deferred tax assets and liabilities are as follows:

	Group				
	At 1 January 2014 \$'000	Acquisition \$'000	Currency translation differences \$'000	Credited to income statement \$'000	At 31 December 2014 \$'000
Other timing differences	(374)	–	58	40	(276)
Deferred tax liability on fair value adjustment (note 33)	(9,278)	(11,013)	–	–	(20,291)
<b>Deferred tax liability, net</b>	<b>(9,652)</b>	<b>(11,013)</b>	<b>58</b>	<b>40</b>	<b>(20,567)</b>
Reflected in the statement of financial position as:					
Deferred tax assets	–	–	–	–	–
Deferred tax liabilities	(9,652)	(11,013)	58	40	(20,567)
<b>Deferred tax liability, net</b>	<b>(9,652)</b>	<b>(11,013)</b>	<b>58</b>	<b>40</b>	<b>(20,567)</b>

	Group				
	At 1 January 2013 \$'000	Acquisition \$'000	Currency translation differences \$'000	Credited to income statement \$'000	At 31 December 2013 \$'000
Other timing differences	(272)	(179)	11	66	(374)
Deferred tax liability on fair value adjustment	–	(9,278)	–	–	(9,278)
<b>Deferred tax liability, net</b>	<b>(272)</b>	<b>(9,457)</b>	<b>11</b>	<b>66</b>	<b>(9,652)</b>
Reflected in the statement of financial position as:					
Deferred tax assets	–	–	–	–	–
Deferred tax liabilities	(272)	(9,457)	11	66	(9,652)
<b>Deferred tax liability, net</b>	<b>(272)</b>	<b>(9,457)</b>	<b>11</b>	<b>66</b>	<b>(9,652)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **CONTINUED**

## FOR THE YEAR ENDED 31 DECEMBER 2014

During 2014, a deferred tax liability of \$10.8 million has been recognised in respect of the SUC acquisition that occurred in the year. The net assets of SUC were recognised in the consolidated financial statements at their fair values at the date of acquisition.

During 2013, a deferred tax liability of \$9.3 million was recognised in respect of the Kounrad Copper Company LLP acquisition that occurred in the year. The net assets of KCC were recognised in the consolidated financial statements at their fair values at the date of acquisition. The adjustment and revised allocation of the cash consideration to the KCC part of the transaction (note 33) resulted in an increase to the deferred tax liability during 2014 of \$210,000.

On both parts of above transaction, the tax base of the individual assets and liabilities remains the same as the pre-acquisition tax base as the transaction is considered to be non-taxable. A taxable temporary difference arises as a result of the acquisition of the long term assets where the carrying amount is increased to fair value at the date of acquisition but its tax base remains at cost.

The deferred tax liability arising from this taxable temporary difference is recognised in the consolidated financial statements to reflect the future tax consequences of recovering the long term assets recognised at fair value. The resulting deferred tax liability affects goodwill.

Where the realisation of deferred tax assets is dependent on future profits, the Group recognises losses carried forward and other deferred tax assets only to the extent that the realisation of the related tax benefit through future taxable profits is probable.

The Group did not recognise other potential deferred tax assets arising from losses of \$3.7 million (2013: \$2.7 million) as there is insufficient evidence of future taxable profits within the entities concerned. Unrecognised losses can be carried forward indefinitely.

At 31 December 2014, the Group had other deferred tax assets of \$6.0 million (2013: \$4.9 million) in respect of the exploration assets pool, depreciation, share based payments and other temporary differences which had not been recognised because of insufficient evidence of future taxable profits within the entities concerned.

There are no significant unrecognised temporary differences associated with undistributed profits of subsidiaries at 31 December 2014 and 2013, respectively.

### Company

At 31 December 2014 and 2013 respectively, the Company had no recognised deferred tax assets or liabilities.

At 31 December 2014, the Company had not recognised potential deferred tax assets arising from losses of \$3.3 million (2013: \$2.2 million) as there is insufficient evidence of future taxable profits. The losses can be carried forward indefinitely.

At 31 December 2014, the Company had other deferred tax assets of \$6.0 million (2013: \$4.9 million) in respect of share based payments and other temporary differences which had not been recognised because of insufficient evidence of future taxable profits.

# DIRECTORS, SECRETARY AND ADVISORS

## Board of Directors

Nigel Hurst-Brown, Non-Executive Chairman  
 Nick Clarke, Chief Executive Officer  
 Nigel Robinson, Chief Financial Officer  
 Howard Nicholson, Technical Director  
 Robert Cathery, Non-Executive Director  
 David Swan, Non-Executive Director  
 Nurlan Zhakupov, Non-Executive Director  
 Kenges Rakishev, Non-Executive Director

## Principal Places of Business

### UK

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### Mongolia

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 District Chingeltei  
 Ulaanbaatar 15160  
 Mongolia

## Company Secretary

Tony Hunter

## Registered Address

Masters House  
 107 Hammersmith Road  
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## Registered number

5559627

## Company website

[www.centralasiametals.com](http://www.centralasiametals.com)

## Nominated Advisor

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## Stockbroker

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 London SW1X 7HY  
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## Legal Advisors

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